

**Joint Legislative Committee on Performance  
Evaluation and Expenditure Review (PEER)**

Report to  
the Mississippi Legislature



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# **An Accountability Assessment of Public Funds Paid to Selected Associations for Membership Dues**

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PEER sought to determine whether private nonprofit associations receiving public monies through membership dues publicly disclose their expenditures by funding source.

While state law authorizes the use of public funds to pay the dues of public officials and employees for membership in various private, nonprofit associations, no law requires the associations to maintain a separate record of how they expend public source funds. The private nonprofit associations PEER surveyed do not segregate expenditures by funding source. The absence of expenditure information by funding source limits external oversight of expenditures by the public.

PEER recommends that the Legislature require nonprofit associations to maintain accounting records that segregate the receipt of public funds and accurately reflect the expenditure of all funds received from public sources, reporting every expenditure by major object.

## **PEER: The Mississippi Legislature's Oversight Agency**

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A standing joint committee, the PEER Committee is composed of five members of the House of Representatives appointed by the Speaker and five members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of three Representatives and three Senators voting in the affirmative.

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The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

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December 3, 2002

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Honorable Tim Ford, Speaker of the House  
Members of the Mississippi State Legislature

On December 3, 2002, the PEER Committee authorized release of the report entitled **An Accountability Assessment of Public Funds Paid to Selected Associations for Membership Dues.**

A handwritten signature in cursive script, reading "William Canon", written over a horizontal line.

Senator William Canon, Chairman

**This report does not recommend increased funding or additional staff.**



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# An Accountability Assessment of Public Funds Paid to Selected Associations for Membership Dues

## Executive Summary

### Introduction

The PEER Committee authorized an accountability assessment of state and local public funds paid to private nonprofit associations for membership dues.

Currently, over 4,000 private non-profit associations operate in the state of Mississippi. State law authorizes agencies and public bodies, in many cases, to transfer public funds to private nonprofit associations in the form of membership dues or, in some cases, payments for services. PEER reviewed whether private nonprofit associations receiving public monies through membership dues publicly disclose their expenditures by funding source.

PEER does not question the need for such associations, the legal authority for public entities to pay membership dues to private nonprofit associations, or the right of an association to expend funds as it sees fit. PEER does support the idea that such associations should be sufficiently open with funding and expenditure information to allow the general public to evaluate how publicly funded dues are spent. Only then can the public make a reasoned judgment as to whether to continue supporting membership in these associations.

### Method

PEER assumed that associations with membership consisting primarily of public officials or public employees would be the most likely to have significant support from public funds and requested revenue information from twenty-five private nonprofit associations that have memberships of public officials or public employees. Although this is a small percentage of Mississippi's approximately 4,000 private nonprofit associations, these twenty-five associations represent the major associations of public employees and officials.

Through surveys and interviews, PEER contacted the twenty-five associations for a breakdown of state and local public revenues received and expended in fiscal years 2000 and 2001. Seventeen associations responded that they received public funds from state or local government entities in the form of membership dues paid for public employees during fiscal years 2000 and 2001. These

seventeen associations had a total membership of 3,194 in FY 2001.

## **Results of Accountability Assessment**

**The public cannot readily determine how private nonprofit associations that receive membership dues from public sources expend those funds.**

No law requires private nonprofit associations to maintain a separate record of how they expend funds from public sources. Thus no one can readily determine how these associations expend their funds received from public sources.

***In FY 2001, the seventeen nonprofit associations responding to PEER's survey reported receiving a total of \$1,453,313 in membership dues paid with public funds.***

Public funds paid to the seventeen associations responding to PEER's survey totaled \$1,402,535 for Fiscal Year 2000 and \$1,453,313 for Fiscal Year 2001 and provided from 5 percent to as much as 73 percent of the total revenues for these associations.

***The private nonprofit associations surveyed do not segregate expenditures by funding source. As a result, PEER was unable to answer the question of how these associations expend public monies received through membership dues.***

It is the practice of nonprofit associations not to segregate expenditures by funding source. As a result, the associations cannot track how public funds are expended and PEER had no source for the information. No legal requirement mandates that private nonprofit associations segregate expenditures by funding source.

***While state law authorizes the use of public funds to pay the dues of public officials and employees for membership in various private, nonprofit associations, no law requires the associations to maintain a separate record of how they expend public source funds. The absence of expenditure information by fund source limits external oversight of expenditures by the public.***

Although state law places extensive controls on agencies and governing authorities' expenditure of public funds to help safeguard against waste, similar safeguards are not in place to protect against the potential waste of public funds paid by agencies and governing authorities to private not-for-profit associations as dues. While the legal character of these funds ceases to be public once paid to a private entity, the fact remains that funds that could have been used to further public purposes are passed to private entities that may do with them as they see fit.

As a result of this lack of external oversight, neither the public nor the public entities that have paid dues to the not-for-profit entities that receive dues can determine for what ends their resources have been expended. Without this detailed knowledge of the purposes for which funds were expended, public entities and their members lack sufficient knowledge to be fiscally informed members of their associations and to encourage changes in the ways private associations spend publicly provided funds.

## Recommendation

The Legislature should enact disclosure and accountability requirements for nonprofit associations receiving public funds so that the public has full access to information on how funds received from public sources are being spent.

Specifically, the Legislature should require that nonprofit associations maintain accounting records that segregate the receipt of public funds and accurately reflect the expenditure of all funds received from public sources, reporting every expenditure by major object. Also, the Legislature should mandate that when private nonprofit associations report lobbying expenditures as required by MISS. CODE ANN. Section 5-8-9 (1972), they should clearly identify those expenditures made with funds received from public sources.

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# An Accountability Assessment of Public Funds Paid to Selected Associations for Membership Dues

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## Introduction

### Authority

Pursuant to authority granted by MISS. CODE ANN. Section 5-3-57 et seq. (1972), the PEER Committee authorized an accountability assessment of state and local public funds paid to private nonprofit associations for membership dues.

### Problem Statement

Currently, over 4,000 private non-profit associations operate in the state of Mississippi. One may reasonably assume that a significant majority of those associations receive no financial support of any type from the state. However, there is no readily available source of information by which to verify that assumption or to serve as the basis for determining exactly how many associations do receive public funds as a part of their revenue mix or to what extent those public funds represent a significant proportion of their total revenue. For example, many associations have a membership consisting of public officials or public employees who have their dues paid with state or local public funds. These associations are likely to receive a significant proportion of their revenue from public sources.

**PEER does not question the need for private nonprofit associations, the legal authority for public entities to pay membership dues to such associations, or the right of an association to expend funds as it sees fit.**

The question prompting this review is whether private nonprofit associations receiving public monies through membership dues publicly disclose their expenditures by funding source. PEER does not question the need for such associations, the legal authority for public entities to pay membership dues to private nonprofit associations, or the right of an association to expend funds as it sees fit. PEER does support the idea that such associations should be sufficiently open with funding and expenditure information to allow the general public to evaluate how publicly funded dues are spent. Only then can the public make a reasoned judgment as to whether to continue supporting membership in these associations.

## Scope and Purpose

In order to determine the general level of financial information available to the public from associations receiving dues from public sources, the PEER Committee authorized an accountability assessment of public funds paid to a subset of private nonprofit associations for membership dues.

One purpose of an accountability assessment is to evaluate the extent to which an entity's use of funds can be readily determined. In keeping with this purpose, the current review has two specific objectives: to determine the amount of state and local public funds paid to a subset of private nonprofit associations known to receive public funds for membership dues during fiscal years 2000 and 2001; and, to determine the extent to which those private nonprofit associations document the use of such public funds for possible external review.

## Method

PEER assumed that associations with membership consisting primarily of public officials or public employees would be the most likely to have significant support from public funds and requested revenue information from twenty-five private nonprofit associations that have memberships of public officials or public employees. Although this is a small percentage of Mississippi's approximately 4,000 private nonprofit associations, these twenty-five associations represent the major associations of public employees and officials.

**The 17 associations responding to PEER's survey had a total membership of 3,194 in FY 2001.**

Through surveys and interviews, PEER contacted the twenty-five associations for a breakdown of state and local public revenues received and expended in fiscal years 2000 and 2001. Two of the twenty-five associations did not respond, citing the inability to report accurately the information requested and unavailability of records for the period examined. Six of the associations surveyed responded that membership dues are paid by individual employees rather than the public entities employing the members. Seventeen associations responded that they received public funds from state or local government entities in the form of membership dues paid for public employees during fiscal years 2000 and 2001. These seventeen associations had a total membership of 3,194 in FY 2001. (See Appendix A, page 11, for the list of nonprofit associations PEER surveyed.)

## Population Description

**Private nonprofit associations receiving public funds typically serve the professions or elected officials by providing training, professional development opportunities, or lobbying.**

Membership of the seventeen private nonprofit associations responding to PEER's survey as having received public funds consists largely of public officials, staff, or governmental entities. These organizations are typically professional associations serving a specific professional position or elected office. Each association is dependent exclusively on public officials, staff, and public entities for membership. The emphasis of these associations is specific to a unique public function, ranging from law enforcement to education.

The associations regularly offer conferences and training programs to their members. The associations also serve as a resource for information relevant to the association's members and their professional function.

Each of the associations surveyed lobbies the Legislature on behalf of its membership. Over 200 private nonprofit organizations operating in Mississippi annually register lobbyists with the Secretary of State. (MISS. CODE ANN. § 5-8-5 [1972] requires contracted lobbyists, as well as staff acting as lobbyists, to file a registration statement with the Office of the Secretary of State.) Each of the twenty-five associations surveyed registered lobbyists with the Secretary of State during Fiscal Year 2000 and/or 2001.

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## Results of Accountability Assessment

**The public cannot readily determine how private nonprofit associations that receive membership dues from public sources expend those funds.**

As noted on page 2, one purpose of an accountability assessment is to evaluate the extent to which an entity's use of funds can be readily determined. PEER determined that in the case of private nonprofit associations that receive membership dues from public sources, no one can readily determine how these associations expend their funds because the associations that responded to the survey did not segregate expenditures by funding source. Also, no law requires these groups to maintain a separate record of how they expend funds from public sources.

### Public Funding Received by the Selected Associations

*In FY 2001, the seventeen nonprofit associations responding to PEER's survey reported receiving a total of \$1,453,313 in membership dues paid with public funds.*

As noted on page 1, no readily available data source exists to show the amount of public funds paid to private nonprofit associations. To determine the amount of state and local public funding of nonprofit associations, PEER relied on survey data reported by seventeen private nonprofit associations that reported having received public funds in the form of membership dues in FY 2000 and/or 2001.

**While not inclusive of all associations receiving public funds, the associations responding to PEER's survey include the major associations of public employees or officials receiving public funds.**

As shown in Exhibit 1 on page 5, public funds paid to the seventeen associations responding to PEER's survey totaled \$1,402,535 for Fiscal Year 2000 and \$1,453,313 for Fiscal Year 2001 and provided from 5 percent to as much as 73 percent of the total revenues for these associations. While not inclusive of all associations receiving public funds, the associations responding to PEER's survey include the major associations of public employees or officials receiving public funds. Annual dues paid per member to these associations by public entities range from \$25 for the Mississippi Association of Governmental Purchasing Agents to \$3,600 for the Mississippi Association of Community and Junior Colleges. Membership dues for associations such as the Mississippi Municipal League, with dues based on a variable fee structure rather than a flat fee, encompass a wider range. Membership dues for the Mississippi Municipal League range from \$321 for a small municipality to \$59,291 for the state's largest municipality.



**Exhibit 1: Membership Dues Paid to Selected Associations by State and Local Governments (FY 2000 and FY 2001)**

Association	Fiscal Year 2000				Fiscal Year 2001				Total FY 00 and 01
	Number of Members	Annual Dues	Total Received	Percentage of Revenues	Number of Members	Annual Dues	Total Received	Percentage of Revenues	
Mississippi Assessors and Collectors Association	98	\$225	\$22,050	N/A	99	225	\$22,275	N/A	\$44,325
Mississippi Association of Chiefs of Police	281	50	14,050	28%	281	50	14,050	28%	28,100
Mississippi Association of Community and Junior Colleges	15	3,600	54,000	N/A	15	3,600	54,000	N/A	108,000
Mississippi Association of Governmental Purchasing Agents	472	25	11,800	7%	472	25	11,800	9%	23,600
Mississippi Association for School Administrators	385	75	28,875	23%	385	75	28,875	20%	57,750
Mississippi Association of School Superintendents	144	750	108,000	15%	144	750	108,000	N/A	298,691
Mississippi Association of Supervisors	410	1,125 to 2,025	118,435	16%	410	1,125 to 2,025	120,000	15%	238,435
Mississippi Chancery Clerks Association	82	250	20,500	N/A	82	250	20,500	N/A	41,000
Mississippi Circuit Clerks Association	82	250	20,500	N/A	82	250	20,500	N/A	41,000

**Exhibit 1: Membership Dues Paid to Selected Associations by State and Local Governments (FY 2000 and FY 2001) continued**

Association	Fiscal Year 2000				Fiscal Year 2001				Total FY 00 and 01
	Number of Members	Annual Dues	Total Received	Percentage of Revenues	Number of Members	Annual Dues	Total Received	Percentage of Revenues	
Mississippi Constables Association	98	\$50	\$4,900	N/A	98	\$50	\$4,900	N/A	\$9,800
Mississippi Coroner Medical Examiner Association	150	50	7,500	N/A	150	50	7,500	N/A	15,000
Mississippi E-911 Coordinators Association	17	100	1,700	N/A	20	100	2,000	N/A	3,700
Mississippi High School Activities Association	257	72-1,100	90,445	5%	257	59-1,200	89,927	5%	150,372
Mississippi Justice Court Judges Association	176	200	35,200	64%	184	200	36,800	73%	72,000
Mississippi Municipal League	289	321 to 59,291	472,028	36%	284	326 to 55,577	515,668	43%	987,696
Mississippi School Boards Association	151	821 to 3,000	353,552	46%	151	776 to 3,000	362,518	44%	716,070
Mississippi Sheriffs Association	78	500	39,000	N/A	80	500	40,000	N/A	79,000
<b>Total</b>	<b>3,185</b>		<b>\$1,402,535</b>		<b>3,194</b>		<b>\$1,459,313</b>		<b>\$2,861,849</b>

SOURCE: PEER survey of nonprofit associations.

NOTE: County association membership dues are determined by assessed value. Municipal association membership dues are determined by population.

NOTE: Dues for MS School Boards Association and MS High School Activities Association are determined by school district size and student population.

## Legal Authority to Pay Membership Dues

***Public entities have legal authority to pay membership dues to private nonprofit associations.***

State law authorizes agencies and public bodies in many cases to transfer public funds to private nonprofit associations in the form of dues or, in some cases, payments for services. Entities such as county boards of supervisors have the authority to pay such dues under MISS. CODE ANN. Section 19-3-40 (1972). Similarly, municipalities have the authority under MISS. CODE ANN. Section 21-17-5 (1972) to pay dues to private associations. Additionally, under MISS. CODE ANN. Section 37-7-301 (1972) school boards have the authority to pay dues to professional associations from public funds. Circuit clerks and justice clerks also have specific legal authority to pay dues to professional associations.

## Fund Segregation

***The private nonprofit associations surveyed do not segregate expenditures by funding source. As a result, PEER was unable to answer the question of how these associations expend public monies received through membership dues.***

It is the practice of nonprofit associations not to segregate expenditures by funding source. As a result, the associations cannot track how public funds are expended and PEER had no source for the information. No legal requirement mandates that private nonprofit associations segregate expenditures by funding source.

## Lack of Accountability for Funds Received from Public Entities

***While state law authorizes the use of public funds to pay the dues of public officials and employees for membership in various private, nonprofit associations, no law requires the associations to maintain a separate record of how they expend public source funds. The absence of expenditure information by fund source limits external oversight of expenditures by the public.***

As noted in Appendix B, page 12, state law places extensive controls on agencies and governing authorities' expenditure of public funds. These controls help to safeguard against waste. Similar safeguards are not in place to protect against the potential waste of public funds paid by agencies and governing authorities to private not-for-profit associations as dues payments. While the legal character of these funds ceases to be public once paid to a private entity, the fact remains that funds that could have been used to further public purposes are passed to private entities that may do with them as they see fit.

For example, these associations are free to pay salaries as high as they wish, they are not required to issue requests for proposals when they are considering the purchase of services or commodities, and no controls exist to ensure that lease payments made to lessors are reasonable in light of market rates. The price of a membership is left to the discretion of each association. In most cases, there are no competing associations to drive down the cost of membership and there is not a standard good or service inherent in the term “membership” by which to determine a fair or reasonable price.

Private associations also often expend funds on lobbying activities. In light of the fact that public and private funds of these associations are commingled, the public or a public entity cannot determine how much of a recipient’s funds from public sources were expended on lobbying. (For a list of lobbying expenses reported by each association, see Exhibit 2, on page 9.)

Further, while most associations are governed by a board, the boards are comprised of members of the association elected according to the association’s bylaws. No third-party entity, such as the Legislature or a board of supervisors, has oversight of a private entity’s budget to protect against inappropriate expenditures.

**Without detailed knowledge of the purposes for which funds are expended, public entities and their members lack sufficient knowledge to be fiscally informed members of their associations.**

As a result of this lack of external oversight, neither the public nor the public entities that have paid dues to the not-for-profit entities that receive dues can determine for what ends their resources have been expended. Without this detailed knowledge of the purposes for which funds were expended, public entities and their members lack sufficient knowledge to be fiscally informed members of their associations and to encourage changes in the ways private associations spend publicly provided funds.

## Exhibit 2: Nonprofit Associational Lobbying Expenses

Association	2000	2001	Total
Mississippi Assessors and Collectors Association	\$0	\$1,875	\$1,875
Mississippi Association of Chiefs of Police	\$10,625	\$7,500	\$18,125
Mississippi Association of Community/Junior Colleges	\$24,000	\$24,000	\$48,000
Mississippi Association of Governmental Purchasing Agents	\$0	\$0	\$0
Mississippi Association of School Administrators	\$12,000	\$12,000	\$24,000
Mississippi Association of School Superintendents	\$31,400	\$30,000	\$61,400
Mississippi Association of Supervisors	\$34,500	\$34,500	\$69,000
Mississippi Chancery Clerks Association	\$0	\$7,500	\$7,500
Mississippi Circuit Clerks Association	\$0	\$8,000	\$8,000
Mississippi Constables Association	\$5,000	\$5,000	\$10,000
Mississippi Coroner Medical Examiner Association	\$3,000	\$3,000	\$6,000
Mississippi E-911 Coordinators Association	\$0	\$1,250	\$1,250
Mississippi High School Activities Association	\$18,000	\$18,000	\$36,000
Mississippi Justice Court Judges Association	\$5,000	\$5,000	\$10,000
Mississippi Municipal League	\$77,391	\$75,424	\$152,815
Mississippi School Boards Association	\$31,000	\$34,000	\$65,000
Mississippi Sheriffs Association	\$10,000	\$7,500	\$17,500
<b>Total Lobbying Expenditures</b>	<b>\$261,916</b>	<b>\$274,579</b>	<b>\$535,465</b>

SOURCE: Office of the Mississippi Secretary of State

NOTE: Mississippi Association of Governmental Purchasing Agents annually registers a lobbyist, but reported no lobbyist compensation for either year examined.

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## Recommendation

The Legislature should enact disclosure and accountability requirements for nonprofit associations receiving public funds so that the public has full access to information on how funds received from public sources are being spent.

Specifically, the Legislature should require that nonprofit associations maintain accounting records that segregate the receipt of public funds and accurately reflect the expenditure of all funds received from public sources, reporting every expenditure by major object. Also, the Legislature should mandate that when private nonprofit associations report lobbying expenditures as required by MISS. CODE ANN. Section 5-8-9 (1972), they should clearly identify those expenditures made with funds received from public sources.

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## Appendix A: Nonprofit Associations Surveyed by PEER

Conference of Chancery Judges and Circuit Court Judges<sup>1</sup>  
Mississippi Alliance of State Employees<sup>1</sup>  
Mississippi American Federation of Teachers<sup>1</sup>  
Mississippi Assessors and Collectors Association  
Mississippi Association of Chiefs of Police  
Mississippi Association of Community and Junior Colleges  
Mississippi Association of Governmental Purchasing Agents  
Mississippi Association of School Administrators  
Mississippi Association of School Superintendents  
Mississippi Association of Supervisors  
Mississippi Chancery Clerks Association  
Mississippi Circuit Clerks Association  
Mississippi Constables Association  
Mississippi Coroner Medical Examiner Association  
Mississippi Deputy Sheriffs Association<sup>1</sup>  
Mississippi E-911 Coordinators Association  
Mississippi Economic Council\*  
Mississippi High School Activities Association  
Mississippi Justice Court Judges Association  
Mississippi Law Enforcement K-9 Association\*  
Mississippi Law Enforcement Officers Association<sup>1</sup>  
Mississippi Municipal League  
Mississippi School Boards Association  
Mississippi Sheriffs Association  
State Employees Association of Mississippi<sup>1</sup>

\*Associations that did not respond to PEER's survey.

<sup>1</sup>Denotes the six associations that responded that membership dues are always or usually paid by individual members, rather than by the public entity with whom they are employed.

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## Appendix B: Legal Controls over the Expenditure of Public Funds by Government Entities

State law sets forth both broad and specific controls regarding the expenditure of state and local public funds by government entities. These controls exist to help minimize waste of public monies and to ensure that public monies are used for public purposes.

At the local level, for example, state law requires counties and municipalities to prepare an annual budget (MISS. CODE ANN. Sections 19-11-9, 21-35-7 [1972]) and to keep all expenditures within the approved budget (MISS. CODE ANN. Sections 19-11-17, 21-35-17 [1972]). State law also requires local governments to report the expenditures and liabilities incurred each month (MISS. CODE ANN. Sections 19-3-35, 21-35-13 [1972]). More specific regulations are also in place, such as requirements that the types of investments made by counties be authorized by law and that county lease-purchase agreements and funding contracts cannot exceed a term of five years. Local governing authorities, such as counties, school boards, and municipalities, must purchase their commodities in accordance with state purchasing laws (MISS. CODE ANN. Section 31-7-1 et seq. [1972])

State law places more stringent controls on state agencies than on local governmental entities. As in the case of local governmental entities, state agencies must request and obtain budgets (MISS. CODE ANN. Section 27-103-101 et seq. [1972] and MISSISSIPPI CONSTITUTION of 1890, Section 64). These agencies also must spend their personal services funds in accordance with legislative appropriation mandates and the provisions of the statewide personnel system act (MISS. CODE ANN. Section 25-9-101 [1972]). The Department of Finance and Administration places controls on the method of payment for goods and services (MISS. CODE ANN. Section 7-7-2 et seq. [1972]) and also places controls on the development of agency operating budgets (MISS. CODE ANN. Section 27-104-1 et seq. [1972]). State agencies must also procure commodities in strict accordance with the state purchasing laws (MISS. CODE ANN. Section 31-7-1 et seq. [1972]).



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