

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

Report to  
the Mississippi Legislature



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**A Review of Expenditures of Mississippi's  
Public School Districts, FY 2005 through  
FY 2014**

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September 15, 2015

## **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 joint committee, the PEER Committee is composed of seven members of the House of Representatives appointed by the Speaker and seven 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 and three at-large members appointed from each house. 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 four Representatives and four 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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September 15, 2015

Honorable Phil Bryant, Governor  
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Members of the Mississippi State Legislature

On September 15, 2015, the PEER Committee authorized release of the report entitled **A Review of Expenditures of Mississippi's Public School Districts, FY 2005 through FY 2014.**

A handwritten signature in cursive script that reads "Becky Currie".

Representative Becky Currie, Chair

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



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# A Review of Expenditures of Mississippi's Public School Districts, FY 2005 through FY 2014

## Executive Summary

### Introduction

Mississippi, like other states, annually makes a substantial investment in education efforts. Typically, the Legislature dedicates more than half of available general fund revenue to the funding of all educational activities. Federal and local financial resources supplement the amounts provided to school districts annually by the Legislature.

Given Mississippi's philosophy of local control of school districts, local school boards must consider the needs and priorities of their students and make decisions as to how financial resources will be expended within their districts.

The PEER Committee conducted this review to determine how Mississippi public school districts expended state, local, and federal funds during the ten-year period of FY 2005 through FY 2014. PEER also sought to determine trends associated with expenditures and changes in expenditures for staffing, salaries, and areas of school operations that led to the trends during the ten-year period.

For purposes of this review, PEER reviewed school districts' expenditures in these seven major budget categories:

- Instructional;
- Administration;
- Plant Operations (including maintenance);
- Food Services;
- Transportation;
- Student Support; and,
- Other Programs.

As discussed on page 17 of this report, when considering expenditures over an extended period, the effects of inflation must be considered for a true comparison of financial effort. **Therefore, the conclusions in this executive summary refer only to inflation-adjusted dollars.**

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<sup>1</sup>Mississippi's public school districts operate on a fiscal year from July 1 through June 30. For example, FY 2005 refers to expenditures from July 1, 2004, through June 30, 2005, even though the school year is on a slightly different calendar.

## Conclusions

**Overall, Mississippi's public school districts increased spending in all major budget categories over the ten-year period except for the Instructional category.**

From FY 2005 through FY 2014, Mississippi's public school districts spent approximately \$42.8 billion in the seven major budget categories. Districts' FY 2014 total expenditures were approximately \$152 million more than in FY 2005.

With the exception of the Instructional category, the major budget categories all experienced spending increases from FY 2005 through FY 2014, from approximately 4% in Food Services to approximately 24% in Plant Operations. Total expenditures in the Instructional category decreased by approximately 3.2% during this period. (See Exhibit A, page ix.)

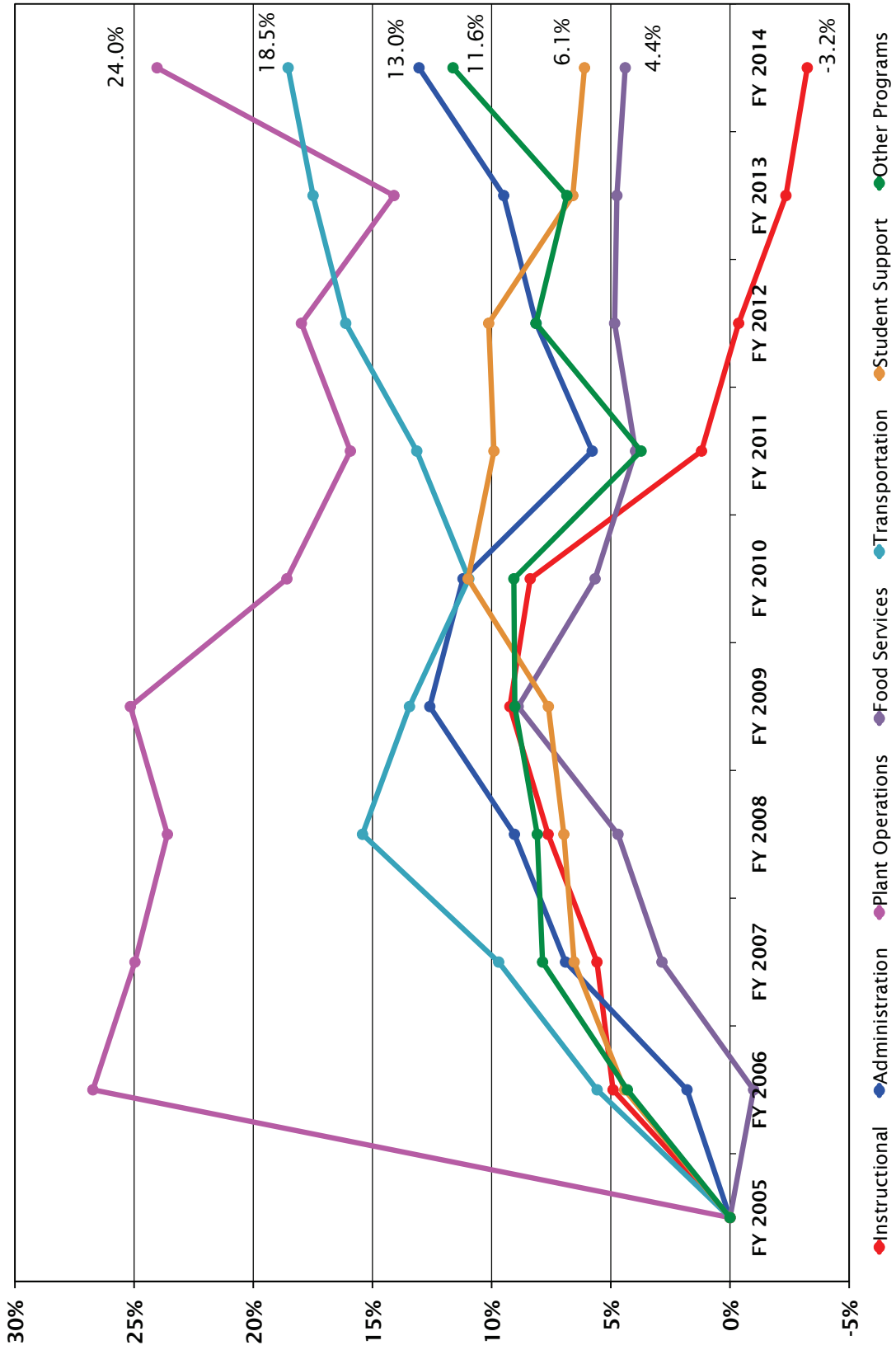
Noteworthy changes from FY 2005 to FY 2014 within each of the seven major budget categories were as follows:

- *Instructional:* Salaries of teachers and other professional personnel declined by approximately \$130 million.<sup>4</sup>
- *Administration:* Salaries of professional personnel increased by approximately \$15 million.
- *Plant Operations:* Spending for repairs/maintenance paid to individuals who were not school district employees increased by approximately \$30 million, spending for utilities increased by approximately \$23 million, and spending for insurance payments (other than employee benefits) increased by approximately \$15 million.
- *Food Services:* Spending for food increased by approximately \$12 million.
- *Transportation:* Spending for gasoline and diesel increased by approximately \$12 million and payments to individuals other than school district employees for transporting children increased by approximately \$6.4 million.
- *Student Support:* Spending increases in employee benefits and purchased professional and technical services combined with decreases in other spending to result in a net increase of approximately \$24 million.

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<sup>4</sup>PEER notes that although expenditure data used for this review did not include teachers' salary increases in FY 2015 and FY 2016 because FY 2015 data was not finalized at the time of PEER's analysis, the Instructional category would still likely have experienced a decline in salary expenditures if these increases had been included in the analysis.

**Exhibit A: Inflation-Adjusted Expenditures in All Categories, FY 2005 through FY 2014**



SOURCE: PEER analysis

- *Other Programs:* Spending for athletics increased by approximately \$20.6 million. When combined with other changes in this category, the result was a net increase of approximately \$13.7 million.

**Overall, school districts increased total expenditures per student in all major budget categories over the ten-year period except for the Instructional category.**

At the level of expenditures per student, total expenditures per student increased from \$8,714 in FY 2005 to \$9,196 in FY 2014. With the exception of the Instructional category, expenditures per student increased in all categories from FY 2005 to FY 2014. In the Instructional category, expenditures per student decreased from \$4,969 in FY 2005 to \$4,890 in FY 2014.

**Overall, school districts' spending in the Instructional category declined by approximately 3.2% over the ten-year period. Spending in the Administration category increased by approximately 13% during the same period.**

From FY 2005 through FY 2014, total expenditures in the Instructional category declined by approximately \$75 million, or approximately 3.2%. During the same period, total expenditures in the Administration category increased by approximately \$57 million, or approximately 13%. (See Exhibit B, page xi.)

**During the ten-year period, school districts' spending for salaries of teachers and other professional personnel in the Instructional category declined by approximately 8.6%, while spending for salaries in the Administration category increased by approximately 8.1%.**

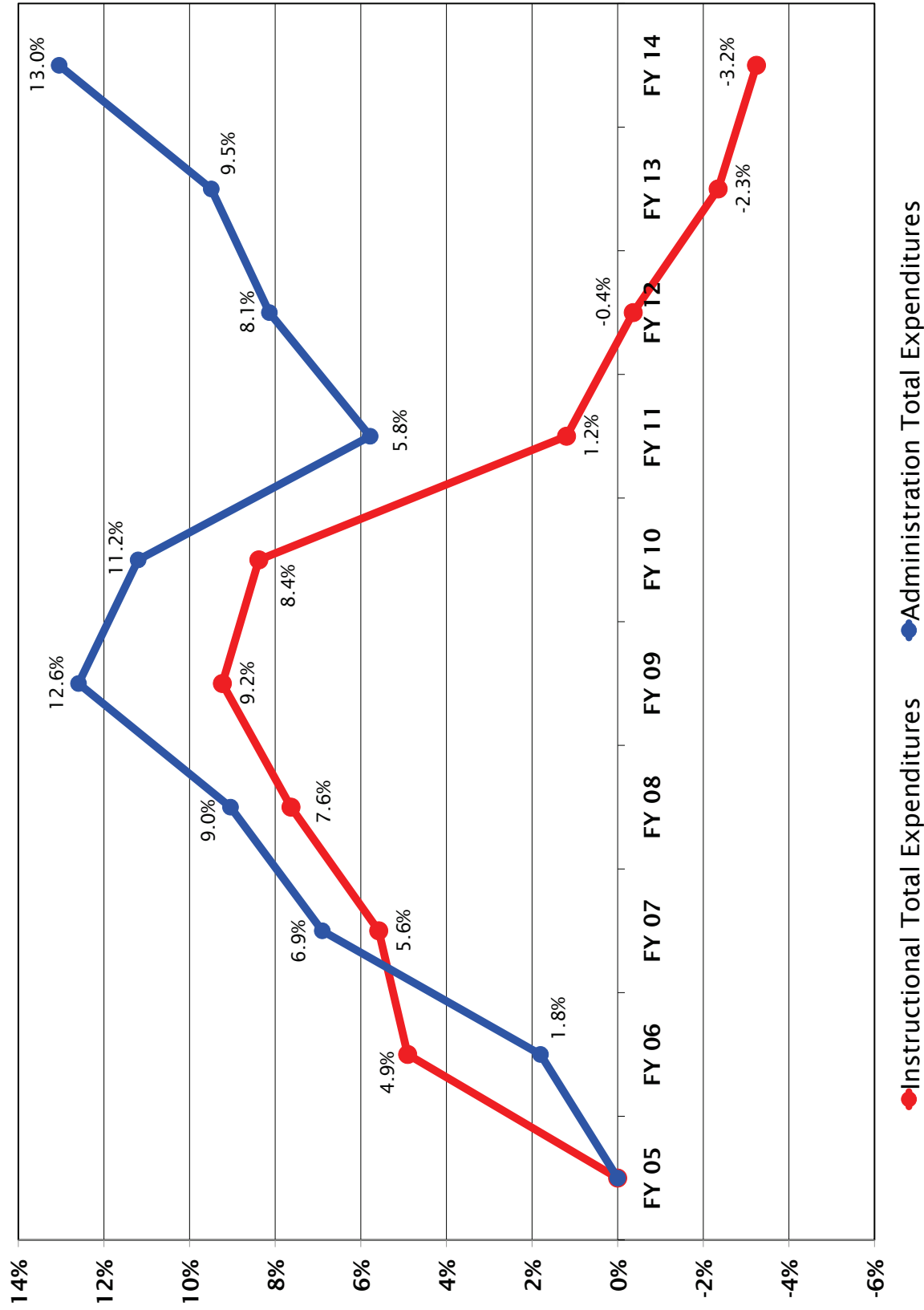
From FY 2005 through FY 2014, expenditures for salaries of teachers and other professional personnel in the Instructional category declined by approximately \$130 million, or approximately 8.6%. During the same period, expenditures for salaries in the Administration category increased by approximately \$15 million, or approximately 8.1%. (See Exhibit C, page xii.)

**School districts' spending for employee benefits and for the purchase of professional and technical services increased in all major budget categories over the ten-year period.**

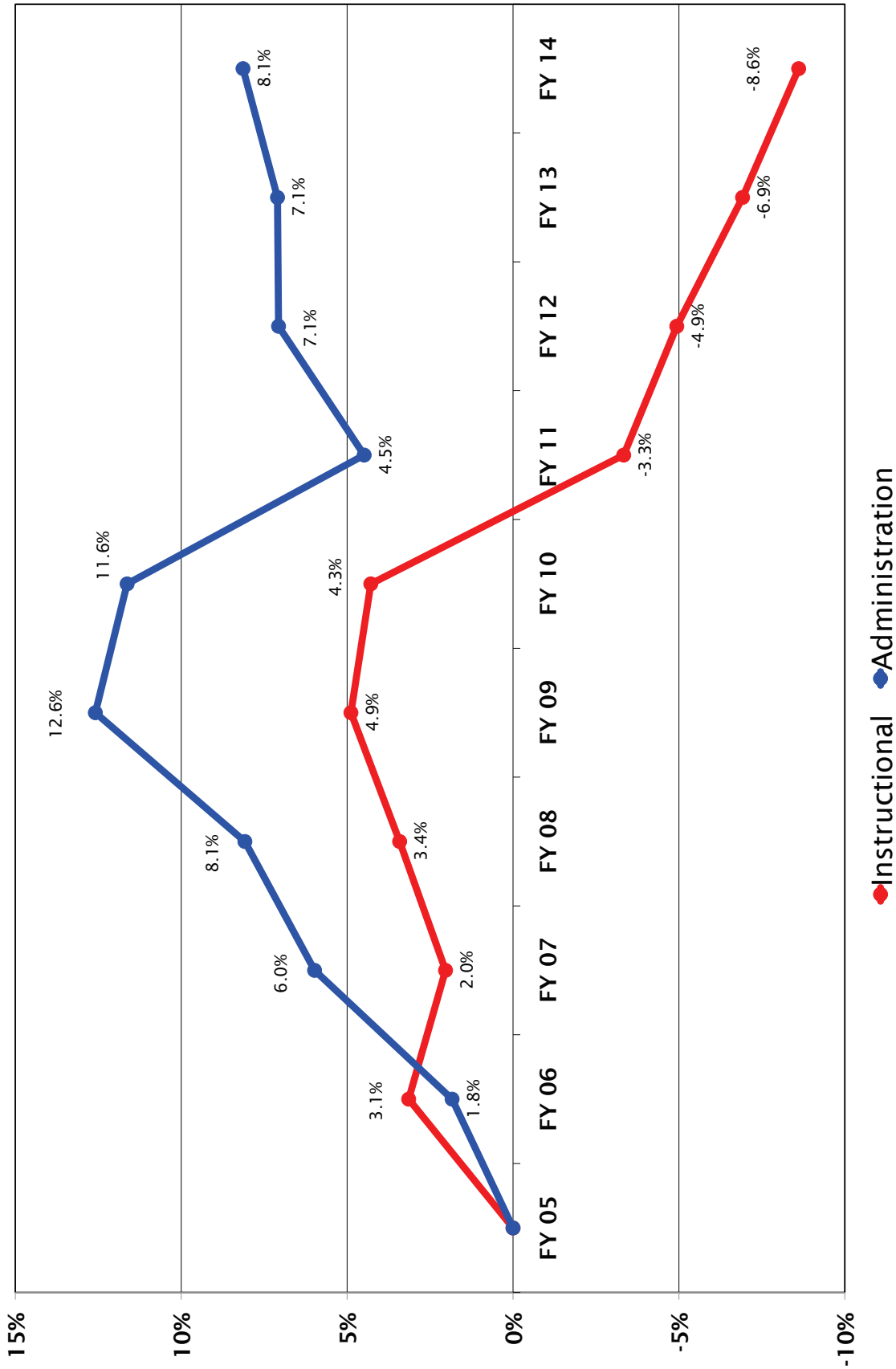
Expenditures for employee benefits increased in all seven major budget categories over the ten-year period by a total of approximately \$119 million due to reasons that included the following:

- districts increased the number of personnel by 1,562; and,

# Exhibit B: Total Inflation-Adjusted Instructional Expenditures Compared to Total Inflation-Adjusted Administration Expenditures, FY 2005 through FY 2014



# Exhibit C: Inflation-Adjusted Instructional Salaries Compared to Inflation-Adjusted Administration Salaries, FY 2005 through FY 2014



SOURCE: PEER analysis

- districts paid higher employer contributions to the Public Employees' Retirement System.

Expenditures for the purchase of professional and technical services increased in all seven major budget categories by approximately \$41 million over the ten-year period, including spending for:

- support of policymaking and managerial activities;
- services such as curriculum improvement, counseling and guidance, and contracted instructional services; and,
- professional services from lawyers, architects, and accountants.

**From FY 2009 to FY 2014, total expenditures declined by approximately \$295 million.**

From FY 2009 to FY 2014, total expenditures by public school districts declined by approximately \$295 million. Changes during this time in the seven major budget categories were:

- Instructional--\$288 million decrease;
- Administration--\$2 million increase;
- Plant Operation--\$4 million decrease;
- Food Services--\$11 million decrease;
- Transportation--\$9 million increase;
- Student Support--\$6 million decrease; and,
- Other Programs--\$3 million increase.

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# A Review of Expenditures of Mississippi's Public School Districts, FY 2005 through FY 2014

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## Introduction

### Authority

The PEER Committee conducted this review pursuant to the authority granted by MISS. CODE ANN. Section 5-3-51 et seq. (1972).

### Problem Statement

The PEER Committee conducted this review to determine how Mississippi public school districts expended state, local, and federal funds during the ten-year period of FY 2005 through FY 2014.<sup>1</sup> PEER also sought to determine trends associated with expenditures and the changes in expenditures for staffing, salaries, and areas of school operations that led to the trends during the ten-year period.

### Scope and Purpose

PEER sought to address the following questions:

- From FY 2005 through FY 2014, what were the major categories of expenditures for Mississippi's public school districts?
- From FY 2005 through FY 2014, how much did Mississippi's public school districts spend in these major budget categories?

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<sup>1</sup>Mississippi's public school districts operate on a fiscal year from July 1 through June 30. For example, FY 2005 refers to expenditures from July 1, 2004, through June 30, 2005, even though the school year is on a slightly different calendar.

- What changes in school districts' staffing, salaries, and operational spending from FY 2005 through FY 2014 led to changes in expenditure levels?
- What expenditure trends did PEER observe in school districts' spending from FY 2005 through FY 2014?

## Scope Limitations

PEER's analysis included those expenditures that were recurring operational expenses during FY 2005 through FY 2014 (e. g., salaries, employee benefits, utilities, insurance) and excluded capitalized expenditures and selected non-capitalized expenditures (e. g., purchase of athletic fields, lighting, bleachers). PEER's intent was to focus on the items or services that would be purchased by all school districts in their day-to-day operations and not the capitalized and non-capitalized items that might apply only to a few districts.

See Appendix A, page 49, for a list of the function codes and object codes omitted from this analysis and a brief description of each.

## Method

Because of the forced relocation of the Mississippi Department of Education's offices in July 2015 due to smoke and water damage at the downtown Jackson site, the Mississippi Department of Education's (MDE's) staff was unable to provide expenditure information to PEER within the requested time frame. MDE was cooperative with PEER's request for expenditure information and promised to provide expenditure information as quickly as possible. However, due to time constraints, PEER sought and obtained the expenditure information from the Office of the State Auditor's Performance Audit Division, which had previously obtained the expenditure information from MDE. The Performance Audit Division provided copies of the expenditure information to PEER for this review and PEER gratefully acknowledges its assistance.

PEER also notes that MDE provided other requested information in a timely manner and PEER gratefully acknowledges MDE's assistance under difficult circumstances.

During the course of this review, PEER obtained the following information for all Mississippi public school districts from July 1, 2004 (FY 2005) through June 30, 2014 (FY 2014):

- expenditures from state, local, and federal sources;
- average daily attendance; and,
- staffing and salary information.

PEER used this information to determine the amounts of expenditures from FY 2005 through FY 2014 and the reasons for changes in expenditure categories.

To be consistent with prior PEER reports dealing with school expenditures, PEER divided the expenditures into the seven categories used in PEER report #589, *Improving the Efficiency of Mississippi's School Districts: Phase Two* (December 9, 2014). The seven categories are:

- Instructional;
- Administration;
- Plant Operations (including maintenance);
- Food Services;
- Transportation;
- Student Support; and,
- Other Programs.

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## Background

### How School Districts Spend Money

Each Mississippi school district operates as a separate financial entity. School districts' funds come from state appropriations, local revenue, federal revenue, and other sources such as grants and donations from foundations.

The district's personnel develop a budget that is approved by that district's school board. The budget determines how much the district can spend for instruction, administration, plant operations, food services, transportation, student support, and other programs.

State law mandates minimum salary levels for teachers and teaching assistants and specifies salary supplements that must be paid to employees meeting minimum requirements, such as master teachers or as licensed school nurses, school counselors, speech-language pathologists, or audiologists. Decisions regarding local supplements to these amounts, as well as the salaries of other school district employees, are made at the district level.

The district must also pay the state-mandated employer contributions for school district employees' health insurance and the Public Employees' Retirement System.

MDE's School Financial Services Office maintains the *Expenditures/Expense Function and Object Codes* manual for Mississippi's public school districts that details accounting codes that districts must use to record expenditures. Annually, each school district reports its expenditures to MDE for use in departmental publications. Also, each school district undergoes an annual audit by the Mississippi State Auditor's office.

### Major Budget Categories

As noted previously, to be consistent with recent PEER reports dealing with school expenditures, PEER divided school districts' expenditures into the seven major budget categories noted on page 3. See Exhibit 1, page 5, for examples of the types of expenditures that school districts would make from each of the seven major budget categories.

The components of these seven major budget categories differ slightly from the components of budget categories used in MDE reports such as the Superintendent's Report and school

## Exhibit 1: Examples of the Types of Expenditures in the Seven Major Budget Categories

<div style="background-color: #555; color: white; padding: 5px; text-align: center; font-weight: bold;">Instructional</div> <ul style="list-style-type: none"> <li>● salaries for teachers in elementary, middle, high, and alternative schools</li> <li>● classroom assistants for elementary and special education programs</li> <li>● employee benefits</li> <li>● textbooks and other supplies</li> </ul>	<div style="background-color: #555; color: white; padding: 5px; text-align: center; font-weight: bold;">Food Services</div> <ul style="list-style-type: none"> <li>● food services supervisors' salaries</li> <li>● cafeteria personnel's salaries</li> <li>● employee benefits</li> <li>● food</li> <li>● cafeteria supplies</li> </ul>
<div style="background-color: #555; color: white; padding: 5px; text-align: center; font-weight: bold;">Administration</div> <ul style="list-style-type: none"> <li>● principals' and assistant principals' salaries</li> <li>● superintendents' and assistant superintendents' salaries</li> <li>● school office clerical staff's salaries</li> <li>● district administration office personnel's salaries</li> <li>● employee benefits</li> </ul>	<div style="background-color: #555; color: white; padding: 5px; text-align: center; font-weight: bold;">Transportation</div> <ul style="list-style-type: none"> <li>● transportation supervisors' salaries</li> <li>● bus drivers' salaries</li> <li>● employee benefits</li> <li>● operation, maintenance, and repair of buses</li> </ul>
<div style="background-color: #555; color: white; padding: 5px; text-align: center; font-weight: bold;">Plant Operations (including maintenance)</div> <ul style="list-style-type: none"> <li>● maintenance, operations, and custodial personnel's salaries</li> <li>● employee benefits</li> <li>● utilities</li> <li>● building repairs and maintenance</li> <li>● building operation and cleaning supplies</li> </ul>	<div style="background-color: #555; color: white; padding: 5px; text-align: center; font-weight: bold;">Student Support</div> <ul style="list-style-type: none"> <li>● guidance counselors' salaries</li> <li>● attendance officers' and social work counselors' salaries</li> <li>● media specialists' and librarians' salaries</li> <li>● employee benefits</li> <li>● improvement of instruction costs</li> </ul>
	<div style="background-color: #555; color: white; padding: 5px; text-align: center; font-weight: bold;">Other Programs</div> <ul style="list-style-type: none"> <li>● athletics, student activities, adult education personnel's salaries</li> <li>● summer school costs</li> <li>● athletics, student activities, and adult education costs</li> </ul>

SOURCE: PEER analysis of MDE expenditures.

districts' Children First reports. For example, in the Superintendent's Report and the Children First reports, athletic and student support expenditures are reported as instructional program expenditures and in this PEER report, these expenditures are included in the Other Programs category. (See Appendix B, page 51, for additional details regarding differences in how expenditures are presented in this PEER report and in MDE's Superintendent's Report and the Children First reports.)

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# Analysis of School Districts' Expenditures, FY 2005 through FY 2014

From FY 2005 through FY 2014, Mississippi's public school districts expended approximately \$39 billion from state, local, and federal sources in the Instructional, Administration, Plant Operations, Food Services, Transportation, Student Support, and Other Programs categories, with approximately \$22 billion, or approximately 55% of this amount, expended in the Instructional category.

## From FY 2005 through FY 2014, what were the major categories of expenditures for Mississippi's public school districts?

*From FY 2005 through FY 2014, Mississippi's public schools spent approximately ninety percent of their funds in the major budget categories of Instructional, Administration, Plant Operations, Food Services, Transportation, Student Support, and Other Programs areas.*

Exhibit 2, page 8, shows Mississippi's public school districts' expenditures in the major categories of Instructional, Administration, Plant Operations, Food Services, Transportation, Student Support, and Other Programs areas from FY 2005 through FY 2014. This represents approximately ninety percent of public school districts' total expenditures for that period.<sup>2</sup> The other approximately ten percent represents expenditures for maintaining and improving sixteenth section lands; facilities acquisition and construction, debt service; capitalized expenditures for assets over \$5,000; and selected non-capitalized expenditures for assets that PEER considered to be outside of normal operating expenditures (e. g., purchase of athletic lighting and bleachers).

## From FY 2005 through FY 2014, how much did Mississippi's public school districts spend in these major budget categories?

*From FY 2005 through FY 2014, Mississippi's public school districts spent approximately \$39 billion from state, local, and federal sources in seven major budget categories.*

As shown in Exhibit 2, page 8, from FY 2005 through FY 2014, school districts spent approximately \$39 billion in the seven major budget categories.

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<sup>2</sup>According to MDE's *Expenditures/Expense Function and Object Codes* manual, function codes 7110-8300 are not classified as expenditures and are excluded entirely from this report. An example of an item with this type of function code would be a transfer from one fund to another fund.

## Exhibit 2: School Districts' Expenditures by Major Budget Category, FY 2005 through FY 2014

Fiscal Year	Instructional	Administration	Plant Operations	Food Services	Transportation	Student Support	Other Programs*	Total
2005	\$ 1,888,923,675	\$ 355,757,148	\$ 304,014,605	\$ 202,832,773	\$ 145,691,556	\$ 318,586,957	\$ 96,727,424	\$ 3,312,534,138
2006	2,048,757,646	374,449,715	398,333,063	207,631,941	159,026,900	343,941,003	104,312,003	3,636,452,271
2007	2,115,749,187	403,454,226	403,037,850	221,322,385	169,559,872	360,078,654	110,684,397	3,783,886,571
2008	2,234,536,947	426,374,470	413,007,569	233,409,726	184,816,656	374,564,255	114,909,506	3,981,619,129
2009	2,267,819,919	440,255,774	418,197,575	242,744,930	181,662,272	376,841,369	115,909,121	4,043,430,960
2010	2,291,404,937	442,788,566	403,527,594	239,872,900	180,938,199	395,765,889	118,080,813	4,072,378,898
2011	2,200,013,377	433,130,726	405,626,641	242,698,497	189,716,608	402,986,002	115,481,119	3,989,652,970
2012	2,207,798,689	451,283,857	420,760,492	249,454,878	198,460,432	411,562,064	122,703,992	4,062,024,404
2013	2,206,276,524	465,907,799	414,891,507	254,114,349	204,739,111	406,179,129	123,612,673	4,075,721,092
2014	2,207,685,030	485,791,551	455,497,381	255,773,325	208,607,703	408,317,303	130,415,232	4,152,087,525
<b>Total</b>	<b>\$ 21,668,965,931</b>	<b>\$ 4,279,193,832</b>	<b>\$ 4,036,894,277</b>	<b>\$ 2,349,855,704</b>	<b>\$ 1,823,219,309</b>	<b>\$ 3,798,822,625</b>	<b>\$ 1,152,836,280</b>	<b>\$ 39,109,787,958</b>

\* Includes areas such as Athletics, Student Activities, Adult Basic Programs, and other instructional and non-instructional programs operated by school districts.



**Exhibit 2 (continued): School Districts' Expenditures by Major Budget Category,  
FY 2005 through FY 2014**

**Category expenditures as a percentage of total expenditures and changes in category expenditures, FY 2005 through FY 2014**

Item	Instructional	Administration	Plant Operations	Food Services	Transportation	Student Support	Other Programs*	Total
Category as a percent of total expenditures, FY 2005 to FY 2014	55%	11%	10%	6%	5%	10%	3%	-
Dollar change in each category, FY 2005 - FY 2014	\$ 318,761,355	\$ 130,034,403	\$ 151,482,776	\$ 52,940,552	\$ 62,916,147	\$ 89,730,346	\$ 33,687,808	\$ 839,553,387
Expenditure percentage change, FY 2005 to FY 2014	17%	37%	50%	26%	43%	28%	35%	25%

**Category expenditures as a percentage of total expenditures, FY 2005 compared to FY 2014**

Item	Instructional	Administration	Plant Operations	Food Services	Transportation	Student Support	Other Programs*	Total
Category as a percent of total expenditures, FY 2005	57%	11%	9%	6%	4%	10%	3%	-
Category as a percent of total expenditures, FY 2014	53%	12%	11%	6%	5%	10%	3%	-

**Changes in category expenditures FY 2010 (peak expenditures in the instructional category) compared to FY 2014**

Item	Instructional	Administration	Plant Operations	Food Services	Transportation	Student Support	Other Programs*	Total
Dollar change in each category, FY 2010 - FY 2014	\$ (83,719,907)	\$ 43,002,985	\$ 51,969,787	\$ 15,900,425	\$ 27,669,504	\$ 12,551,414	\$ 12,334,419	\$ 79,708,627
Expenditure percentage change, FY 2010 - FY 2014	-4%	10%	13%	7%	15%	3%	10%	-

\* Includes areas such as Athletics, Student Activities, Adult Basic Programs, and other instructional and non-instructional programs operated by school districts.

SOURCE: Mississippi Department of Education via Mississippi State Auditor's Performance Audit Division.

By category, total expenditures for the ten-year period were:

Instructional	\$21,668,965,931
Administration	4,279,193,832
Plant Operations	4,036,894,277
Food Services	2,349,855,704
Transportation	1,823,219,309
Student Support	3,798,822,625
Other Programs	1,152,836,280
Total	\$39,109,787,958

Exhibit 2 also shows major budget category expenditures for this same period as a percentage of total expenditures and changes in category expenditures. Readers of this report should keep in mind that when dealing with such large numbers, even a one percent change can represent a significant amount of funds. For example, a one percent change in expenditures during this ten-year period would represent almost \$400 million and a one percent change in FY 2014 expenditures would represent over \$41 million.

Finally, Exhibit 2 also shows peak expenditures in the instructional category, which occurred in FY 2010. This includes salaries for teachers and teachers' aides for this same period.

**Analysis of School Districts' Expenditures from FY 2005 through FY 2014 in Major Budget Categories (in Actual Dollars Not Adjusted for Inflation)**

*In terms of actual dollars (not adjusted for inflation), in FY 2005 through FY 2014, Mississippi's public school districts increased their total expenditures and per-student expenditures in all major budget categories.*

PEER analyzed public school districts' expenditures in actual dollars from FY 2005 through FY 2014 from the following perspectives:

- total expenditures in individual major budget categories as a percentage of total expenditures in all seven categories over the ten-year period;
- total expenditures in individual major budget categories as a percentage of total expenditures in all seven categories in FY 2005 compared to FY 2014;
- changes in expenditures from peak instructional spending in FY 2010 compared to FY 2014; and,
- expenditures per student based on statewide average daily attendance, FY 2005 through FY 2014.

The following sections, pages 11 through 16, present this analysis.

***Total Expenditures in Individual Major Budget Categories as a Percentage of Total Expenditures in All Seven Categories Over the Ten-Year Period***

From FY 2005 through FY 2014, school districts expended approximately \$39 billion, with approximately 55% of total expenditures expended for instruction. Although expenditures in the Instructional category increased by the largest amount (approximately \$319 million) in terms of dollars expended, expenditures for instruction increased by the smallest percentage (approximately 17%) of all the major budget categories during the ten-year period.

PEER reviewed expenditures in individual major budget categories as a percentage of total expenditures over the ten-year period to determine notable increases/decreases or trends.

As noted previously, from FY 2005 through FY 2014, public school districts' expenditures from state, local, and federal funding sources totaled approximately \$39 billion, with approximately \$18.3 billion coming from the state level through funding under the Mississippi Adequate Education Program and Chickasaw Cession funding.<sup>3</sup>

During this ten-year period:

- school districts expended approximately 55% of their total expenditures for instruction (approximately \$21.7 billion); and,
- expenditures for administration represented the second largest category of expenditures (approximately 11% of total expenditures, or approximately \$4.3 billion).

Over the same ten-year period, in terms of growth of expenditures in approximate percentages:

- expenditures for instruction increased 17%;

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<sup>3</sup>Annually, the Mississippi Legislature appropriates money in an effort to resolve the disparity between counties that have sixteenth section lands and the Chickasaw Cession counties, which have no sixteenth section lands.

- expenditures for administration increased 37%;
- expenditures for plant operations increased 50%;
- expenditures for food services increased 26%;
- expenditures for transportation increased 43%;
- expenditures for student support increased 28%; and,
- expenditures for other programs increased 35%.

Over the same ten-year period, in terms of growth in expenditures in approximate dollars:

- expenditures for instruction increased by \$319 million;
- expenditures for administration increased by \$130 million;
- expenditures for plant operations increased by \$151 million;
- expenditures for food services increased by \$53 million;
- expenditures for transportation increased by \$63 million;
- expenditures for student support increased by \$90 million; and,
- expenditures for other programs increased by \$34 million.

Overall, annual expenditures in the seven major budget categories increased by approximately \$840 million from FY 2005 to FY 2014.

***Total Expenditures in Individual Major Budget Categories as a Percentage of Total Expenditures in All Seven Categories in FY 2005 Compared to FY 2014***

In FY 2005, expenditures for instruction represented approximately 57% of that fiscal year's total expenditures; in FY 2014, expenditures for instruction as a percentage of total fiscal year expenditures represented approximately 53%. In FY 2014, expenditures in all other major budget categories had increased from their FY 2005 levels or remained constant.

As shown in Exhibit 2, page 8, expenditures in the Instructional category represented approximately 57% of total expenditures in FY 2005 and declined to approximately 53% in FY 2014.

Expenditures in the Administration, Plant Operations, and Transportation categories increased slightly as a percentage of total fiscal year expenditures from FY 2005 compared to FY 2014, as follows:

- expenditures for Administration rose from approximately 11% of total expenditures to approximately 12%;
- expenditures for Plant Operations rose from approximately 9% of total expenditures to approximately 11%; and,
- expenditures for Transportation rose from approximately 4% of total expenditures to approximately 5%.

Expenditure percentages in Food Services, Student Support, and Other Programs categories remained constant during this period.

***Changes in Expenditures from Peak Instructional Spending in FY 2010 Compared to FY 2014***

In FY 2010, expenditures for instruction reached a peak of approximately \$2.3 billion for the ten-year period PEER reviewed. From FY 2010 to FY 2014, expenditures for instruction decreased by approximately \$84 million, while expenditures in each of the other six major budget categories increased.

In FY 2010, expenditures for instruction reached a peak of approximately \$2.3 billion. As shown in Exhibit 3, below, in FY 2011, expenditures for instruction declined by approximately \$91 million from the previous fiscal year. Since FY 2011, instructional expenditures have remained relatively flat at approximately \$2.2 billion, and as of FY 2014, remained approximately \$84 million below FY 2010 expenditure levels.

Regarding expenditure changes from FY 2010 to FY 2011 in the other major budget categories, expenditures in the Administration and Other Programs categories decreased slightly while Plant, Food Services, Transportation, and Student Support categories experienced expenditure increases ranging from 1% in Plant Operations and Food Services to 5% in Transportation. Since FY 2011, expenditures in all categories except Instructional increased to levels above FY 2010 expenditures.

**Exhibit 3: Changes in Expenditures in Major Budget Categories, FY 2010 Compared to FY 2014**

Category	FY 2010 Expenditures	FY 2011 Expenditures	FY 2014 Expenditures	Change in Expenditures, FY 2010 to FY 2014
Instructional	\$2,291,404,937	\$2,200,013,377	\$2,207,685,030	(\$83,719,907)
Administration	442,788,566	433,130,726	485,791,551	43,002,985
Plant Operations	403,527,594	405,626,641	455,497,381	51,969,787
Food Services	239,872,900	242,698,497	255,773,325	15,900,425
Transportation	180,938,199	189,716,608	208,607,703	27,669,504
Student Support	395,765,889	402,986,002	408,317,303	12,551,414
Other Programs	118,080,813	115,481,119	130,415,232	12,334,419
Total	\$4,072,378,898	\$3,989,652,970	\$4,152,087,525	\$79,708,627

SOURCE: Mississippi Department of Education via Mississippi State Auditor's Office's Performance Audit Division

***Expenditures Per Student Based on Statewide Average Daily Attendance, FY 2005 through FY 2014***

Total expenditures per student (based on statewide average daily attendance) increased from \$7,142 in FY 2005 to \$9,104 in FY 2014. Per-student expenditures for instruction were approximately equal in FY 2008 and FY 2014 (\$4,842 and \$4,841, respectively).

PEER analyzed public school districts' expenditures per student from FY 2005 through FY 2014 based on statewide average daily attendance (ADA) figures.<sup>4</sup> Analyzing expenditures on a per-student basis is important because it allows policymakers and stakeholders to view expenditures in terms of resources expended on each student in the seven categories referred to in this report.

Exhibit 4, page 15, shows statewide ADA for FY 2005 through FY 2014. The ADA used in this report differs from ADA used in the Mississippi Adequate Education Program calculations because kindergarten and special education students are included in the figures PEER uses in this report. PEER included students in kindergarten and special education so that all students in school districts would be included for calculation of per-student expenditures. As shown in Exhibit 4, Mississippi's ADA declined by approximately 7,800 students from FY 2005 through FY 2014.

As shown in Exhibit 5, page 16, Mississippi's public school districts expended \$7,142 per student in FY 2005 and \$9,104 per student in FY 2014. As expected, expenditures per student for instruction were the highest of any individual category in every fiscal year from FY 2005 through FY 2014. However, Instructional category expenditures in FY 2014 were \$4,841 per student, which was almost exactly equal to FY 2008 expenditures per student of \$4,842.

In FY 2014, expenditures per student for the remaining six categories were at their highest amounts for the ten years reviewed by PEER.

As expected, the per-student expenditures are reflective of the total expenditures in the seven categories. Expenditures per student in the Instructional category in FY 2014 of \$4,841 remained below FY 2010 peak levels of \$4,978, while spending in the remaining six categories continued to increase and go above FY 2010 levels.

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<sup>4</sup>*Average daily attendance* is the average number of pupils present each day school was in session for each fiscal year.

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**Exhibit 4: Mississippi's Statewide Average Daily Attendance, FY 2005 through FY 2014**

Fiscal Year	Average Daily Attendance
2005	463,816
2006	461,112
2007	462,251
2008	461,459
2009	459,841
2010	460,274
2011	459,894
2012	460,683
2013	460,883
2014	456,022

NOTE: Average Daily Attendance (ADA) used in this report includes kindergarten and special education students and therefore differs from ADA used in the Mississippi Adequate Education Funding (MAEP) calculation. PEER included kindergarten and special education students so that all students in school districts would be included for calculation of expenditures per student.

SOURCE: PEER analysis of the Mississippi Department of Education's average daily attendance figures FY 2005 through FY 2014.

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### Exhibit 5: School Districts' Expenditures per Student, FY 2005 through FY 2014

Fiscal Year	Instructional	Administration	Plant Operations	Food Services	Transportation	Student Support	Other Programs*	Total
2005	\$ 4,073	\$ 767	\$ 655	\$ 437	\$ 314	\$ 687	\$ 209	\$ 7,142
2006	4,443	812	864	450	345	746	226	7,886
2007	4,577	873	872	479	367	779	239	8,186
2008	4,842	924	895	506	401	812	249	8,629
2009	4,932	957	909	528	395	820	252	8,793
2010	4,978	962	877	521	393	860	257	8,848
2011	4,784	942	882	528	413	876	251	8,676
2012	4,792	980	913	541	431	893	266	8,816
2013	4,787	1,011	900	551	444	881	268	8,842
2014	\$ 4,841	\$ 1,065	\$ 999	\$ 561	\$ 457	\$ 895	\$ 286	\$ 9,104

\* Includes areas such as Athletics, Student Activities, Adult Basic Programs, and other instructional and non-instructional programs.

SOURCE: Mississippi Department of Education via Mississippi State Auditor's Performance Audit Division.



## Analysis of School Districts' Expenditures from FY 2005 through FY 2014 in Major Budget Categories (with Dollars Adjusted for Inflation)

*In inflation-adjusted dollars, school districts' expenditures increased by a much smaller rate (approximately 4%) than did actual expenditures not adjusted for inflation (approximately 25%) over the ten-year period. Also, inflation-adjusted expenditures in the Instructional category declined by approximately \$75 million (approximately 3%) from FY 2005 through FY 2014.*

### **Effects of Inflation**

When considering expenditures over an extended period, the effects of inflation must be considered for a true comparison of financial effort. For example, goods costing \$100,000 in 2005 would cost approximately \$122,000 in 2015.

When considering expenditures over an extended period, the effects of inflation must be considered for a true comparison of financial effort. For example, due to the effects of inflation, goods costing \$100,000 in 2005 would cost \$122,190 in 2015 or, stated another way, it would cost \$122,190 in 2015 to buy the same goods that cost \$100,000 in 2005.

Therefore, for this analysis, PEER used the United States Bureau of Labor Statistics' Consumer Price Index method<sup>5</sup> to adjust school districts' expenditures from FY 2005 through FY 2014 into 2015 dollars. PEER's adjustment for inflation shows how much school districts would have to spend in 2015 to purchase the same goods and services that were purchased during the years FY 2005 through FY 2014.

PEER reviewed public school districts' inflation-adjusted expenditures from FY 2005 through FY 2014 from five perspectives:

- inflation-adjusted total expenditures for FY 2014 compared to FY 2005;
- changes in inflation-adjusted expenditures in total and in the Instructional category for FY 2005 to FY 2014;
- changes in inflation-adjusted expenditures in major budget categories for FY 2014 compared to FY 2005;
- changes in inflation-adjusted expenditures from peak instructional spending in FY 2009 compared to FY 2014; and,

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<sup>5</sup>The consumer price index method calculates inflation rates by measuring changes in a representative sample of goods and services purchased by households.

- inflation-adjusted per student-expenditures based on statewide average daily attendance.

***Inflation-Adjusted Total Expenditures for FY 2014 Compared to FY 2005***

The inflation-adjusted value of public school districts’ total expenditures from FY 2005 through FY 2014 was approximately \$42.8 billion (compared to approximately \$39 billion in total expenditures in unadjusted dollars). Inflation-adjusted expenditures have grown by approximately \$152 million (approximately 4%) since FY 2005 compared to unadjusted expenditure growth of approximately \$840 million (approximately 25%).

As shown in Exhibit 6, below, although the growth in school districts’ expenditures in actual unadjusted dollars from FY 2005 through FY 2014 was approximately 25%, true growth in districts’ expenditures (i. e., inflation-adjusted) was much smaller. After accounting for the effects of inflation, true growth in expenditures during the ten-year period was approximately \$152 million rather than the approximately \$840 million growth in actual unadjusted dollars. The true inflation-adjusted growth rate of expenditures from FY 2005 through FY 2014 was much smaller (approximately 3.8%) than the growth rate in expenditures appeared (approximately 25.3%) in unadjusted dollars.

The information in Exhibit 6 is important because it illustrates how expenditure information must be adjusted for inflation to show true changes in expenditure patterns. Therefore, when viewing school district expenditures’ growth, policymakers and stakeholders should keep in mind the inflation-adjusted growth amounts and percentages as a true indicator of expenditure growth rather than focusing on growth in unadjusted dollars.

**Exhibit 6: School Districts’ Total Expenditures in Actual Unadjusted Dollars vs. Inflation-Adjusted Dollars, FY 2005 through FY 2014**

	Total Expenditures, FY 2005 through FY 2014	Expenditure Change, FY 2005 through FY 2014	Percent Change, FY 2005 to FY 2014
Actual Unadjusted Dollars	\$39,109,787,958	\$839,553,387	25.3%
Inflation-Adjusted Dollars	\$42,834,854,924	\$152,316,749	3.8%

SOURCE: Mississippi Department of Education via Mississippi State Auditor’s Office’s Performance Audit Division and PEER analysis.

***Changes in Inflation-Adjusted Expenditures in Total and in the Instructional Category for FY 2005 to FY 2014***

From FY 2005 to FY 2014, although school districts' expenditures increased by approximately \$840 million in dollars not adjusted for inflation, the true increase was approximately \$152 million (in inflation-adjusted dollars). Expenditures for instruction increased by approximately \$319 million over that period, but when adjusted for inflation, expenditures for instruction *decreased* by approximately \$75 million.

As noted previously, the use of inflation-adjusted dollars in analyzing expenditures is important to show the true changes in the economic resources devoted to each category. As shown in Exhibit 7, page 20, school districts' total expenditures from FY 2005 to FY 2014 for all categories increased by approximately \$152 million when adjusted for inflation. Expenditures increased (when adjusted for inflation) in all major budget categories except for the Instructional category. Expenditures in the Instructional category, when adjusted for inflation, *decreased* by approximately \$75 million over the ten-year period.

Upon cursory review of school districts' expenditures, policymakers and stakeholders might draw the conclusion that more economic resources were being expended in the Instructional category in FY 2014 than in FY 2005. However, adjusting dollars for inflation shows that the true amount of economic resources directed to the Instructional category decreased by approximately \$75 million from FY 2005 to FY 2014.

***Changes in Inflation-Adjusted Expenditures in Major Budget Categories for FY 2014 Compared to FY 2005***

Although school districts' expenditures in the Instructional category declined by approximately \$75 million from FY 2005 to FY 2014 (with dollars adjusted for inflation), the other six major budget categories experienced increases ranging from approximately \$11 million in Food Services to approximately \$89 million in Plant Operations (with dollars adjusted for inflation).

PEER reviewed changes in inflation-adjusted expenditures and unadjusted expenditures for FY 2014 compared to FY 2005 for each major budget category. See Exhibit 8, page 21, for inflation-adjusted expenditures in each category for FY 2005 through FY 2014.

As shown in Exhibit 8, expenditures in the Instructional category actually declined by approximately \$75 million, or approximately 3%, from FY 2005 to FY 2014. The Instructional category was the only category that experienced a decline in expenditures after adjusting dollars for inflation. Plant Operations experienced the largest inflation-adjusted growth of approximately \$89 million and Administration experienced

## Exhibit 7: Comparison of School Districts' Expenditures, Inflation-Adjusted Dollars vs. Unadjusted Dollars, FY 2014 Compared to FY 2005

### Changes in category expenditures, FY 2014 compared to FY 2005

Item	Instructional	Administration	Plant Operations	Food Services	Transportation	Student Support	Other Programs*	Total
Inflation-adjusted total expenditures, FY 2014 vs. FY 2005	\$ (74,725,004)	\$ 56,625,745	\$ 89,154,536	\$ 10,875,075	\$ 32,950,082	\$ 23,724,388	\$ 13,711,927	\$ 152,316,750
Unadjusted (actual) total expenditures, FY 2014 vs FY 2005	\$ 318,761,355	\$ 130,034,403	\$ 151,482,776	\$ 52,940,552	\$ 62,916,147	\$ 89,730,346	\$ 33,687,808	\$ 839,553,387

### Percentage change for categories, FY 2014 compared to FY 2005

Item	Instructional	Administration	Plant Operations	Food Services	Transportation	Student Support	Other Programs*	Total
Percentage inflation adjusted growth or decline	-3%	13%	24%	4%	19%	6%	12%	4%
Percentage unadjusted (actual) total expenditures, FY 2014 vs FY 2005	17%	37%	50%	26%	43%	28%	35%	25%

\* Includes areas such as Athletics, Student Activities, Adult Basic Programs, and other instructional and non-instructional programs.

SOURCE: PEER analysis of expenditure information from the Mississippi Department of Education via Mississippi State Auditor's Performance Audit Division.

**Exhibit 8: School Districts' Inflation-Adjusted Expenditures by Major Budget Category, FY 2005 through FY 2014**

Fiscal Year	Instructional	Administration	Plant Operations	Food Services	Transportation	Student Support	Other Programs*	Total
2005	\$ 2,304,486,884	\$ 434,023,721	\$ 370,897,819	\$ 247,455,983	\$ 177,743,698	\$ 388,676,088	\$ 118,007,457	\$ 4,041,291,650
2006	2,417,534,022	441,850,663	470,033,015	245,005,691	187,651,742	405,850,384	123,088,163	4,291,013,680
2007	2,433,111,565	463,972,360	463,493,527	254,520,742	194,993,853	414,090,452	127,287,057	4,351,469,556
2008	2,480,336,012	473,275,662	458,438,401	259,084,796	205,146,488	415,766,323	127,549,551	4,419,597,233
2009	2,517,280,110	488,683,909	464,199,309	269,446,873	201,645,122	418,293,920	128,659,124	4,488,208,367
2010	2,497,631,381	482,639,536	439,845,078	261,461,461	197,222,637	431,384,819	128,708,086	4,438,892,998
2011	2,332,014,180	459,118,570	429,964,239	257,260,407	201,099,604	427,165,162	122,409,986	4,229,032,148
2012	2,296,110,637	469,335,211	437,590,912	259,433,074	206,398,849	428,024,546	127,612,152	4,224,505,381
2013	2,250,402,054	475,225,955	423,189,337	259,196,636	208,833,893	414,302,711	126,084,926	4,157,235,512
2014	2,229,761,880	490,649,466	460,052,355	258,331,058	210,693,780	412,400,476	131,719,384	4,193,608,399
<b>Total</b>	\$ 23,758,668,725	\$ 4,678,775,053	\$ 4,417,703,992	\$ 2,571,196,721	\$ 1,991,429,666	\$ 4,155,954,881	\$ 1,261,125,886	\$ 42,834,854,924

**Category expenditures as a percentage of total expenditures and changes in category expenditures FY 2005 to FY 2014**

Item	Instructional	Administration	Plant Operations	Food Services	Transportation	Student Support	Other Programs*	Total
Category as a percent of total expenditures, FY 2005 to FY 2014	55%	11%	10%	6%	5%	10%	3%	-
Dollar change in each category, FY 2005 to FY 2014	\$ (74,725,004)	\$ 56,625,745	\$ 89,154,536	\$ 10,875,075	\$ 32,950,082	\$ 23,724,388	\$ 13,711,927	\$ 152,316,749
Expenditure percentage change, FY 2005 to FY 2014	-3%	13%	24%	4%	19%	6%	12%	4%

\* Includes areas such as Athletics, Student Activities, Adult Basic Programs, and other instructional and non-instructional programs operated by school districts.

SOURCE: Mississippi Department of Education via Mississippi State Auditor's Performance Audit Division.

the second largest inflation-adjusted growth of approximately \$57 million. The remaining categories experienced inflation-adjusted growth ranging from approximately \$11 million in Food Services to approximately \$33 million in Transportation.

The reduction of expenditures in the Instructional category from FY 2005 to FY 2014, while all other categories experienced true growth in expenditures, is evidence that school districts placed fewer economic resources into the Instructional category during FY 2014 than in FY 2005 and more economic resources into the remaining six major budget categories.

### ***Changes in Inflation-Adjusted Expenditures from Peak Instructional Spending in FY 2009 Compared to FY 2014***

In inflation-adjusted dollars, school districts' expenditures in the Instructional category reached a peak of approximately \$2.5 billion in FY 2009 but by FY 2014 had decreased by approximately \$288 million.

In inflation-adjusted dollars, school districts' expenditures in the Instructional category reached their peak in FY 2009 at approximately \$2.5 billion. (The spending peak in actual unadjusted dollars was approximately \$2.3 billion in FY 2010, as noted on page 13.) As shown in Exhibit 8, since FY 2009, inflation-adjusted expenditures in the Instructional category declined each year through FY 2014.

As shown in Exhibit 9, page 23, inflation-adjusted expenditures in the Instructional category declined by approximately \$287.5 million (approximately 11%) from FY 2009 to FY 2014.

Changes in the remaining major budget categories from FY 2009 to FY 2014 in inflation-adjusted dollars ranged from a decline of approximately 4.1% in Food Services to an approximately 4.5% increase in Transportation.

### ***Inflation-Adjusted Per-Student Expenditures Based on Statewide Average Daily Attendance***

After being adjusted for inflation, school districts' total expenditures per student increased from \$8,714 in FY 2005 to \$9,196 in FY 2014. Although the Instructional category had the highest level of expenditures per student from FY 2005 through FY 2014, expenditures in that category decreased \$79 per student over the ten-year period (from \$4,969 per student in FY 2005 to \$4,890 per student in FY 2014).

After adjusting for inflation, PEER reviewed public school districts' expenditures per student based on statewide average daily attendance (ADA) figures. Reviewing inflation-adjusted expenditures on a per-student basis allows policymakers and stakeholders to see how inflation-adjusted economic resources

are allocated when accounting for changes in student population.

**Exhibit 9: Changes in Inflation-Adjusted Expenditures by Major Budget Category, FY 2009 Compared to FY 2014**

Category	FY 2009	FY 2014	Change in Expenditures	Percentage Change in Expenditures
Instructional	\$2,517,280,110	\$2,229,761,880	\$(287,518,230)	(11.4%)
Administration	488,683,909	490,649,466	1,965,557	0.4%
Plant Operations	464,199,309	460,052,355	(4,146,954)	(0.9%)
Food Services	269,446,873	258,331,058	(11,115,815)	(4.1%)
Transportation	201,645,122	210,693,780	9,048,658	4.5%
Student Support	418,293,920	412,400,476	(5,893,444)	(1.4%)
Other Programs	128,659,124	131,719,384	3,060,260	2.4%
Total Inflation Adjusted Expenditures	\$4,488,208,367	\$4,193,608,399	\$(294,599,968)	(6.6%)

SOURCE: Mississippi Department of Education via Mississippi State Auditor's Office's Performance Audit Division.

As shown in Exhibit 10, page 24, after adjusting for inflation, Mississippi's public school districts expended \$8,714 per student in FY 2005 and \$9,196 per student in FY 2014. Instructional category expenditures per student constituted the largest single category of expenditures in each fiscal year from FY 2005 through FY 2014. However, instructional category inflation-adjusted expenditures in FY 2014 were \$4,890 per student, which is \$79 lower than inflation-adjusted expenditures of \$4,969 in FY 2005.

Inflation-adjusted expenditures per student in the instructional category steadily increased each fiscal year from FY 2005 through FY 2009. However, after reaching a peak in FY 2009 of \$5,474 per student, instructional expenditures on a per-student basis began to decline and in FY 2014 were approximately 1.6% lower than in FY 2005.

In contrast, FY 2014 expenditures per student in the remaining six major budget categories were higher than FY 2005 expenditures per student. Percentage changes on a per-student basis ranged from an increase of approximately 6% in Food Services to approximately 26% in Plant Operations.

### Exhibit 10: School Districts' Inflation-Adjusted Expenditures per Student, FY 2005 through FY 2014

Fiscal Year	Instructional	Administration	Plant Operations	Food Services	Transportation	Student Support	Other Programs*	Total
2005	\$ 4,969	\$ 936	\$ 800	\$ 534	\$ 383	\$ 838	\$ 254	\$ 8,714
2006	5,243	958	1,019	531	407	880	267	9,305
2007	5,264	1,004	1,003	551	422	896	275	9,415
2008	5,375	1,026	993	561	445	901	276	9,577
2009	5,474	1,063	1,009	586	439	910	280	9,761
2010	5,426	1,049	956	568	428	937	280	9,644
2011	5,071	998	935	559	437	929	266	9,195
2012	4,984	1,019	950	563	448	929	277	9,170
2013	4,883	1,031	918	562	453	899	274	9,020
2014	\$ 4,890	\$ 1,076	\$ 1,009	\$ 566	\$ 462	\$ 904	\$ 289	\$ 9,196

### Dollar and Percentage Changes FY 2005 to FY 2014

Item	Instructional	Administration	Plant Operations	Food Services	Transportation	Student Support	Other Programs*	Total
Dollar changes FY 2005 to FY 2014	(\$79)	\$140	\$209	\$32	\$79	\$66	\$35	\$482
Percentage changes FY 2005 to FY 2014	-1.6%	15.0%	26.2%	6.2%	20.6%	7.9%	13.5%	5.5%

\* Includes areas such as Athletics, Student Activities, Adult Basic Programs, and other instructional and non-instructional programs operated by school districts.

SOURCE: Mississippi Department of Education via Mississippi State Auditor's Performance Audit Division.



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# Factors Contributing to Changes in School Districts' Expenditures

After calculating the inflation-adjusted changes in school districts' expenditure levels between FY 2005 and FY 2014, PEER analyzed additional information to determine the possible causes of the changes.

## **What changes in school districts' staffing, salaries, and operational spending from FY 2005 through FY 2014 led to changes in expenditure levels?**

From FY 2005 through FY 2014, PEER noted the following changes in school districts' inflation-adjusted expenditures:

- employee benefits in all seven major budget categories increased by approximately \$119 million;
- purchases of professional and technical services increased in all seven major budget categories by approximately \$41 million;
- salaries of teachers and other professional personnel in the Instructional category declined by approximately \$130 million;
- salaries for professional personnel in the Administration category increased by approximately \$15 million;
- expenditures for repairs and maintenance paid to individuals who were not employees of the school district increased by approximately \$30 million; and,
- approximately, the number of classroom teachers increased by 1.2%, administrators increased by 9.6%, student support personnel increased by 0.2%, operations and maintenance of plant personnel declined by 2.5%, and other employees (e. g., athletic coaches, assistant program directors, special education personnel) increased by 21%.

PEER reviewed inflation-adjusted changes in staffing, salaries, and operational spending from FY 2005 through FY 2014 from three perspectives:

- changes in expenditures at the account group level within the major budget categories;
- changes in expenditures at the major budget category level; and,
- changes in the number of school districts' employees.

**What were the changes in school districts' staffing, salaries, and operational spending at the account group level from FY 2005 to FY 2014?**

*When comparing inflation-adjusted expenditures for FY 2005 to FY 2014 at the account group level, PEER found the following to be true for all seven major budget categories:*

- *Inflation-adjusted expenditures for employee benefits increased in all seven categories by a total of approximately \$119 million due to the following:*
  - *school districts increased personnel by 1,562 individuals;*
  - *expenditures increased for salaries in the Administration, Student Support, and Other Programs categories; and,*
  - *school districts paid higher employer contributions to the Public Employees' Retirement System.*
- *Inflation-adjusted expenditures for the purchase of professional and technical services increased in all seven categories by approximately \$41 million.*

PEER reviewed inflation-adjusted expenditures in the seven major budget categories at the account level and aggregated the account level changes into account groups according to the MDE's *Expenditures/Expense Function and Object Codes* manual. (See Appendix C, page 52, for more detail regarding the accounts within each of the account groups listed below.) The following account groups were used for PEER's review of expenditures within each major budget category:

- Personal Services - Salaries;
- Personal Services - Employee Benefits;
- Purchased Professional and Technical Services;
- Purchased Property Services;
- Other Purchased Services;
- Supplies;
- Property; and,
- Other Items.

In order to provide a clearer picture of the expenditure of resources for salaries, PEER further divided the Personal Services - Salaries category into two groups: (1) salaries of teachers and other professional personnel; and (2) salaries of all other school district employees.

### ***Increased Inflation-Adjusted Expenditures for Employee Benefits***

*Inflation-adjusted expenditures for employee benefits increased in all seven major budget categories by a total of approximately \$119 million due to an increased number of school district personnel; increased salaries in the Administration, Student Support, and Other Programs categories; and higher employer contributions to the Public Employees' Retirement System.*

As shown in Exhibit 11, page 28, from FY 2005 to FY 2014, inflation-adjusted expenditures for employee benefits in all seven major budget categories increased by a total of approximately \$119 million due to a statewide increase of approximately 1,562 in school district personnel. (See pages 36 through 40 for additional information regarding changes in the number of school district personnel for the ten-year period.)

Also contributing to the increase in expenditures for employee benefits were increased expenditures for salaries in the Administration, Student Support, and Other Programs categories. Overall, inflation-adjusted expenditures for Administration increased approximately \$15 million, Student Support increased by approximately \$4 million, and Other Programs increased by approximately \$6 million.

Another contributing factor to the increased employee benefits expenditures was school districts paying the required higher employer match payments to the Public Employees' Retirement System (PERS). In FY 2005, the employer contribution rate to PERS was 9.75% of covered employees' salaries; by FY 2014, the employer contribution rate had increased to 15.75% of covered employees' salaries.

### ***Increased Inflation-Adjusted Expenditures for the Purchase of Professional and Technical Services***

*Inflation-adjusted expenditures for the purchase of professional and technical services increased in all seven major budget categories by approximately \$41 million from FY 2005 to FY 2014.*

As can be seen in Exhibit 11, page 28, inflation-adjusted expenditures for the purchase of professional and technical services increased in all seven major budget categories by a total of approximately \$41 million from FY 2005 to FY 2014. MDE's *Expenditures/Expense Function and Object Codes* manual describes "purchased professional and technical services" as:

*Services which, by their nature, can be performed only by persons or firms with specialized skills and knowledge. While a product may or may not result from the transaction, the primary reason for the purchase is the service provided. Included are the services of architects, engineers, auditors, dentists, medical doctors, lawyers, consultants, teachers, accountants, etc.*

### Exhibit 11: Account Group Level Analysis of Seven Categories of School Districts' Expenditures, FY 2005 to FY 2014

Account Group*	Instructional	Administration	Plant Operations	Food Services	Transportation	Student Support	Other Programs^	Total Change
Personal Services - Salaries: Teachers and Professional Personnel**	\$ (129,668,020)	\$ 14,949,202	\$ (2,871,416)	\$ (2,907,488)	\$ (3,000,258)	\$ 3,957,786	\$ 6,062,519	\$ (113,477,675)
Personal Services - Salaries: Other Employees**	(12,233,254)	8,237,314	(1,125,814)	(1,008,896)	4,886,595	680,175	1,950,948	1,387,068
Personal Services - Employee Benefits	64,920,618	26,253,588	4,029,942	1,319,575	3,525,634	16,887,656	2,451,009	119,388,022
Purchased Professional and Technical Services	11,538,168	8,517,482	8,931,184	1,668,740	1,790,094	8,084,535	756,847	41,287,050
Purchased Property Services	663,823	787,724	63,392,108	54,504	1,866,595	1,194,538		70,331,608
Other Purchased Services	447,991	(1,167,704)	16,335,593	716,628	5,924,308	(2,762,809)	(71,623)	19,422,384
Supplies	(17,444,910)	(794,983)	(1,874,930)	12,104,226	17,220,043	(4,599,087)	1,524,731	6,135,090
Property	5,945,102	460,266	2,424,963	(1,088,515)	771,515	(1,228,385)	(229,538)	7,055,408
Other Items	1,105,478	(617,144)	(87,094)	16,301	(34,444)	1,509,979	(1,105,283)	787,793
<b>Total</b>	\$ (74,725,004)	\$ 56,625,745	\$ 89,154,536	\$ 10,875,075	\$ 32,950,082	\$ 23,724,388	\$ 13,711,926	\$ 152,316,748

\* See Appendix C, page 52, for more detail regarding the accounts within each of the account groups listed below.

^ Includes areas such as Athletics, Student Activities, Adult Basic Programs, and other instructional and non-instructional programs operated by school districts.

\*\* Employees were separated into Teachers/Professional Personnel and Other Employees account groups to provide additional detail regarding salary changes.

SOURCE: Mississippi Department of Education via Mississippi State Auditor's Performance Audit Division.

The increased level of expenditures for professional and technical services indicates that over the ten-year period of review, school districts have increasingly used the services of outside individuals and companies in the areas of:

- support of policymaking and managerial activities of the school district;
- services such as curriculum improvement, counseling and guidance, library and media support, and contracted instructional services;
- professional services from medical doctors, lawyers, architects, auditors, accountants, therapists, audiologists, dieticians, and system analysts; and,
- services for data processing, purchasing and warehousing, graphic arts, and similar services.

### **What were the changes in school districts' staffing, salaries, and operational spending at the major budget category level from FY 2005 to FY 2014?**

*In comparing FY 2005 to FY 2014, PEER noted the following changes in school districts' inflation-adjusted expenditures:*

- *salaries of teachers and other professional personnel in the Instructional category declined by approximately \$130 million;*
- *salaries for professional personnel in the Administration category increased by approximately \$15 million;*
- *expenditures for repairs and maintenance paid to individuals who were not employees of the school district increased approximately \$30 million;*
- *expenditures for utilities increased by approximately \$23 million and insurance payments (other than employee benefits) increased by approximately \$15 million;*
- *food purchases increased by approximately \$12 million;*
- *gasoline and diesel expenditures increased by approximately \$12 million and payments to individuals other than school district employees for transporting children to and from school increased by approximately \$6.4 million; and,*
- *expenditures for athletic-related activities increased by approximately \$21 million.*

To provide policymakers and stakeholders with a clearer picture of factors influencing the changes in the seven categories, PEER presents the following notable changes in selected account groups of each major budget category.

### ***Instructional Category Expenditure Changes***

*School districts' inflation-adjusted expenditures for salaries of teachers and other professional personnel in the Instructional category declined by approximately \$130 million from FY 2005 to FY 2014. The number of classroom teachers increased slightly during this period, indicating that salaries of teachers and other professional personnel in the Instructional category did not keep pace with inflation over the ten-year period.*

As noted in Exhibit 11, page 28, inflation-adjusted salaries of teachers and other professional personnel in the Instructional category declined by approximately \$130 million from FY 2005 to FY 2014. PEER compared the number of classroom teachers in FY 2005 to FY 2014 and found that the number of classroom FTE teachers increased by 488 during the ten-year period. Given that the number of classroom teachers increased slightly during the ten-year period, the decline in inflation-adjusted salaries indicates that salaries in this category did not keep pace with inflation. PEER notes that teachers received a \$1,500 raise in FY 2015 and an additional \$1,000 raise in FY 2016, which would reduce the impact of the inflation-adjusted salary decline. *However, PEER could not calculate the extent of the decline because FY 2015 expenditure data was not finalized by the time of this review.*

As noted previously, during this period, expenditures associated with employee benefits increased due to higher employer contribution rates to the Public Employees' Retirement System.

As noted in Exhibit 11, the supplies account group within the Instructional category declined by approximately \$17.4 million in inflation-adjusted expenditures during the ten-year period. Exhibit 12, page 31, shows the inflation-adjusted changes in the accounts that make up the supplies account group within the Instructional category.

**Exhibit 12: Inflation-Adjusted Expenditure Changes in the Components of the Supplies Account Group within the Instructional Category, FY 2005 to FY 2014**

Components of the Supplies Account Group Within the Instructional Category	Amount of Change, FY 2005 Compared to FY 2014
Supplies	(\$20,072,977)
Books and Periodicals	(1,077,032)
Textbooks	2,802,847
Software	1,016,111
Remaining Accounts Net Change	(113,859)
Total	(\$17,444,910)

SOURCE: Mississippi Department of Education via Mississippi State Auditor's Office's Performance Audit Division.

***Administration Category Expenditure Changes***

*From FY 2005 to FY 2014, school districts' inflation-adjusted salary expenditures for professional personnel in the Administration category increased by approximately \$15 million and inflation-adjusted salary expenditures of all other employees in the Administration category increased by approximately \$8.2 million.*

As noted in Exhibit 11, page 28, from FY 2005 to FY 2014, inflation-adjusted expenditures for the Administration category increased by approximately \$57 million, with approximately \$26 million due to an increase in employee benefits for the reasons noted previously. Other notable increases occurred in salary expenditures for professional personnel in the Administration category, which increased by approximately \$15 million. Salary expenditures of all other employees in the Administration category increased by approximately \$8.2 million during this period.

As noted on page 37, the number of personnel in the administration category increased by 627 FTEs from FY 2005 to FY 2014. Without further detailed study, PEER would be unable to determine what portion of the increase in salary expenditures in the Administration category was due to salary increases versus new hires.

### ***Plant Operations Category Expenditure Changes***

*From FY 2005 to FY 2014, school districts' inflation-adjusted expenditures for repairs and maintenance paid to individuals who were not employees of the school district increased by approximately \$30 million. During the same period, inflation-adjusted expenditures for utilities increased by approximately \$23 million and insurance payments (other than employee benefits) increased by approximately \$15 million.*

As shown in Exhibit 11, page 28, in the Plant Operations category, approximately \$80 million of the approximately \$89 million in total changes in inflation-adjusted expenditures occurred in the Purchased Property Services and Other Purchased Services account groups.

As shown in Exhibit 13, page 33, the three largest account-level changes in inflation-adjusted expenditures representing the approximately \$80 million change occurred in repairs and maintenance paid to non-district individuals (approximately \$30 million), utilities (approximately \$23 million), and insurance (approximately \$15 million).

### ***Food Services Category Expenditure Changes***

*For FY 2005 to FY 2014, school districts' inflation-adjusted expenditures associated with food purchases increased by approximately \$12 million.*

As shown in Exhibit 11, page 28, school districts' inflation-adjusted expenditures in the Food Services category increased by approximately \$10.9 million from FY 2005 to FY 2014.

At the account level, inflation-adjusted expenditures associated with food purchases increased by approximately \$12.1 million. Decreases in other account-level groups, such as approximately \$3.9 million in salaries, and increases in other categories, such as approximately \$1.7 million in purchased professional and technical services, yielded the overall Food Services category increase of approximately \$10.9 million in inflation-adjusted expenditures.



**Exhibit 13: Inflation-Adjusted Expenditure Changes in the Components of the Purchased Property Services and Other Purchased Services Account Groups Within the Plant Operations Category, FY 2005 to FY 2014**

Components of the Purchased Property Services and Other Purchased Services Account Groups Within the Plant Operations Category	Amount of Change, FY 2005 Compared to FY 2014
Repairs and maintenance services not provided by school district employees	\$ 29,652,766
Utilities	*22,984,547
Insurance other than employee benefits	15,152,427
Custodial and lawn service not provided by school district employees	6,184,068
Renovating and remodeling paid to outside contractors	2,838,534
Rental or leasing land, buildings, equipment, and vehicles	1,043,662
Other purchased services	1,871,697
<b>Total</b>	<b>\$79,727,701</b>

\* Increased expenditures for electricity represented approximately \$14.8 million of this amount.

SOURCE: Mississippi Department of Education via Mississippi State Auditor's Office's Performance Audit Division.

***Transportation Category Expenditure Changes***

*For FY 2005 to FY 2014, school districts' inflation-adjusted expenditures associated with gasoline and diesel increased by approximately \$12 million and payments to individuals other than school district employees for transporting children to and from school increased by approximately \$6.4 million.*

As shown in Exhibit 11, page 28, school districts' inflation-adjusted expenditures in the Transportation category increased by approximately \$33 million from FY 2005 to FY 2014. As shown in Exhibit 14, page 34, of this amount, approximately \$23 million of the increase was in the Supplies and Other Purchased Services account groups.

**Exhibit 14: Inflation-Adjusted Expenditure Changes in the Components of the Supplies and Other Purchased Services Account Groups Within the Transportation Category, FY 2005 to FY 2014**

Components of the Supplies and Other Purchased Services Account Groups Within the Transportation Category	Amount of Change, FY 2005 Compared to FY 2014
Supplies: Gasoline/Diesel	\$11,905,236
Supplies: Other Transportation Supplies	3,332,896
Supplies: Other Petroleum, Oils, Lubricants	1,981,911
Other Purchased Services: Student Transportation Paid for Outside Services	6,437,623
Other Purchased Services: Includes Insurances, Travel, and Per Diem	(513,315)
<b>Total</b>	<b>\$23,144,351</b>

SOURCE: Mississippi Department of Education via Mississippi State Auditor's Office's Performance Audit Division.

***Student Support Category Expenditure Changes***

*For FY 2005 to FY 2014, school districts' inflation-adjusted expenditures for the Student Support category increased by approximately \$17 million for employee benefits and by approximately \$8 million for purchased professional and technical services. Changes in other account level groups, such as a decrease of approximately \$4.6 million in the supplies account group, resulted in a net category increase of approximately \$24 million.*

As shown in Exhibit 11, page 28, school districts' inflation-adjusted expenditures in the Student Support category increased by approximately \$24 million from FY 2005 to FY 2014.

School district expenditures increased by approximately \$17 million in the employee benefits account level group and by approximately \$8 million in the purchased professional and technical services account level group. (See the discussion above regarding changes in the employee benefits and purchased professional and technical services account level groups.) Changes in other accounts in the supplies account group, including decreases, resulted in the net increase of approximately \$24 million for the Student Support category.

**Other Programs Category Expenditure Changes**

School districts' inflation-adjusted expenditures from FY 2005 to FY 2014 in account level groups for athletics increased by approximately \$20.6 million, with combined changes in the other programs resulting in a net increase of approximately \$13.7 million for the Other Programs category.

For purposes of this review, the Other Programs category consists of expenditures for athletics, student activities, adult education, summer school, and other programs operated by school districts. This section of the report presents net changes from all account level groups combined for programs in the Other Programs category.

Of the programs in this category, school districts' inflation-adjusted expenditures for athletics increased by approximately \$20.6 million from FY 2005 to FY 2014, with expenditures for salaries of teachers/other professional personnel increasing by approximately \$7.5 million. Districts' expenditures associated with student activities increased by approximately \$1.6 million, with salaries of teachers/other professional personnel increasing by approximately \$856,000. See Exhibit 15, below, for changes in the programs within the Other Programs category.

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**Exhibit 15: Inflation-Adjusted Expenditure Changes in the Programs Within the Other Programs Category, FY 2005 to FY 2014**

Programs Within the Other Programs Category	Amount of Change, FY 2005 Compared to FY 2014
Athletics	\$20,647,590
Student Activities	1,608,576
Adult Education	(844,041)
Summer School	(1,716,619)
Other Instructional and Non-Instructional Programs	(5,983,580)
Total	\$13,711,926

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SOURCE: Mississippi Department of Education via Mississippi State Auditor's Office's Performance Audit Division.

## **What were the changes in the number of school districts' employees from FY 2005 to FY 2014?**

*From FY 2005 to FY 2014, the total number of school districts' full-time equivalent employees increased by 1,562. The following categories experienced increases in the number of FTE employees:*

- *Instructional employees, by 488;*
- *Administration employees, by 627;*
- *Student Support employees, by 4; and,*
- *Other Employees (e. g., athletic coaches, assistant program directors, special education personnel), by 769.*

*The number of FTE employees in Operation and Maintenance of Plant declined by 326.*

Because salaries, wages, and employee benefits represent approximately 92% of inflation-adjusted FY 2014 expenditures in the Instructional category and approximately 85% of inflation-adjusted FY 2014 expenditures in the Administration category--the two categories with the highest inflation-adjusted expenditures in FY 2014--PEER reviewed changes in school district employment from FY 2005 to FY 2014.

In determining the number of school district employees, PEER used full-time equivalent (FTE) information rather than using a "head count" of school district employees. This represents the number of hours worked by both part-time and full-time employees divided by forty (i. e., the number of hours worked in a week by full-time employees). The result is the number of full-time equivalent employees. For example, two school district employees that each work twenty hours a week would equal one FTE employee.

School district employees are classified into the following categories:

- Instructional--classroom teachers and assistants;
- Administration--district superintendents, principals, assistant principals, program directors, finance officers, and clerical staff;
- Student Support--guidance counselors, librarians, media specialists, psychometrists, psychologists, attendance personnel, and medical staff;
- Operation and Maintenance of Plant--maintenance personnel, cafeteria personnel, custodial staff, bus drivers, and bus maintenance personnel; and,
- Other Employees--athletic coaches, assistant program directors, special education personnel, attorneys, student case managers, and security personnel.

PEER reviewed changes in school districts' FTE personnel from FY 2005 to FY 2014 from the following perspectives:

- changes in the total number of school districts' FTE employees;
- changes in employee categories as a percentage of total workforce; and,
- changes in employee category FTEs per 1,000 students.

***Changes in the Total Number of School Districts' FTE Employees***

*From FY 2005 to FY 2014, the total number of FTE school district employees increased by 1,562.*

As shown in Exhibit 16, page 38, the number of FTE school district employees increased by 1,562 from FY 2005 to FY 2014. (See Appendix D, page 54, for a year-by-year comparison for each category.) The Other Employees category experienced the largest increase in the ten-year period, with an additional 769 FTEs (an approximately 21% increase). PEER was unable to determine changes in the sub-groups of employees in Other Employees because the FTE information received by PEER was not divided by employee group within the Other Employees category.

The Administration category FTEs increased by 627 FTEs (an increase of approximately 10%) and Instructional FTE employees increased by 488 FTEs (approximately 1%). The number of FTE employees in Student Support increased by four and the number of FTEs in Operation and Maintenance of Plant decreased by 326.

***Changes in Employee Categories as a Percentage of Total Workforce***

*As a percentage of total workforce, the percentage of FTE employees in the Other Employees category increased by 1% and FTE employees in the Administration category increased by 0.7%.*

As a percentage of total school district employees from FY 2005 to FY 2014, FTEs in the following employee categories declined:

- Operation and Maintenance of Plant declined by 1.0%;
- Instructional declined by 0.6%; and,
- Student Support declined by 0.1%.

**Exhibit 16: Changes in Full-Time Equivalent School District Employment from FY 2005 to FY 2014**

Employee Category	FY 2005	FY 2014	Change in Employees	Percentage Change in Employees
Instructional	40,476	40,964	488	1.2%
Administration	6,530	7,157	627	9.6%
Student Support	2,627	2,631	4	0.2%
Operation and Maintenance of Plant	12,789	12,463	(326)	(2.5%)
Other Employees	3,668	4,437	769	21.0%
<b>Total</b>	<b>66,090</b>	<b>67,652</b>	<b>1,562</b>	<b>2.4%</b>

NOTE: See page 36 for examples of employees in each category.

SOURCE: PEER analysis of employee information provided by the Mississippi Department of Education.

As a percentage of total school district employees from FY 2005 to FY 2014, FTEs in the following employee categories increased:

- Other Employees increased by 1.0%; and,
- Administration increased by 0.7%.

See Exhibit 17, page 39, for the change in the percentages from FY 2005 to FY 2014. (See Appendix D, page 54, for yearly changes from FY 2005 through FY 2014.) Based on the changes in the number of FTEs noted above, the Other Employees and Administration categories experienced growth in the number of FTE employees, which caused these categories to represent a greater percentage of total employees.

**Exhibit 17: Changes in Full-Time Equivalent School District Employee Categories from FY 2005 to FY 2014 as a Percentage of the Total Number of Full-Time Equivalent School District Employees**

Employee Category	FY 2005	FY 2014	Change in Category FTEs as a Percent of Total FTE Employees
Instructional	61.2%	60.6%	(0.6%)
Administration	9.9%	10.6%	0.7%
Student Support	4.0%	3.9%	(0.1%)
Operation and Maintenance of Plant	19.4%	18.4%	(1.0%)
Other Employees	5.5%	6.5%	1.0%
Total	100%	100%	-----

NOTE: See page 36 for examples of employees in each category.

SOURCE: PEER analysis of employee information provided by the Mississippi Department of Education.

***Changes in Employee Category FTEs per 1,000 Students***

*From FY 2005 to FY 2014, the number of FTE employees per 1,000 students increased in the Instructional category by approximately 2.0 FTEs and in the Administration category by approximately 1.5 FTEs.*

PEER reviewed the changes in the number of FTE employees in each employee category per 1,000 students to measure the changes in the allocation of employee resources relative to the number of students.<sup>6</sup>

From FY 2005 to FY 2014, the number of FTE employees per 1,000 students increased in the Instructional category by approximately 2.0 FTEs and in the Administration category by approximately 1.5 FTEs. See Exhibit 18, page 40, for changes in each category. (See Appendix D, page 54, for yearly changes from FY 2005 through FY 2015.) A decrease in average daily attendance from 463,816 in FY 2005 to 456,022 in FY 2014, a reduction of 7,794 students, contributed to the increase in FTE employees per 1,000 students.

<sup>6</sup>PEER based the number of students on the average daily attendance calculated by the State Auditor. PEER included kindergarten and special education students in the number of students.

**Exhibit 18: Changes in Full-Time Equivalent School District Employee Categories per 1,000 Students, FY 2005 to FY 2014**

Employee Category	FY 2005	FY 2014	Change in Category FTEs per 1,000 Students
Instructional	87.8	89.8	2.0
Administration	14.2	15.7	1.5
Student Support	5.7	5.8	0.1
Operation and Maintenance of Plant	27.7	27.3	(0.4)
Other Employees	8.0	9.7	1.7
Average Daily Attendance	463,816	456,022	(7,794)

NOTE: See page 36 for examples of employees in each category.

SOURCE: PEER analysis of employee information provided by the Mississippi Department of Education and Mississippi Office of the State Auditor's Office's Performance Audit Division.



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## Conclusions Regarding School Districts' Expenditures

According to MISS. CODE ANN. Section 37-1-2 (1972), the Legislature finds that “the quality of public education and its effect upon the social, cultural and economic enhancement of the people of Mississippi is a matter of public policy.” The section further states that the policy of the state, among other things, is to provide quality education for all school-age children in the state and to ensure that all students master the most essential parts of a basic education. To accomplish these goals, Mississippi’s school districts require financial resources to fund the programs and activities necessary to educate the state’s students.

Mississippi, like other states, annually makes a substantial investment in education efforts. Typically, the Legislature dedicates more than half of available general fund revenue to the funding of all educational activities. Federal and local financial resources supplement the amounts provided to school districts annually by the Legislature.

Given Mississippi’s philosophy of local control of school districts, local school boards must consider the needs and priorities of their students and make decisions as to how financial resources will be expended within their districts. This report is simply an account of how school districts expended their financial resources during fiscal years 2005 through 2014. PEER made no attempt to determine whether or how such spending affected student achievement or the students’ preparation for college and careers. Also, PEER does not offer an opinion regarding the effectiveness, efficiency, or prudence of school districts’ expenditures during the ten-year period.

This chapter addresses the final objective of this report: to relate to the reader the expenditure trends PEER observed through analysis of school districts’ expenditure data for FY 2005 through FY 2014.

### What expenditure trends did PEER observe in school districts’ spending from FY 2005 through FY 2014?

As noted previously, when considering expenditures over an extended period, the effects of inflation must be considered for a true comparison of financial effort. **Therefore, the discussion in this section refers only to inflation-adjusted dollars.**

**Overall, school districts increased spending in all major budget categories over the ten-year period except for the Instructional category.**

From FY 2005 through FY 2014, Mississippi's public school districts spent approximately \$42.8 billion in the seven major budget categories. Districts' FY 2014 total expenditures were approximately \$152 million more than in FY 2005.

With the exception of the Instructional category, the major budget categories all experienced spending increases from FY 2005 through FY 2014, from approximately 4% in Food Services to approximately 24% in Plant Operations. Total expenditures in the Instructional category decreased by approximately 3.2% during this period. (See Exhibit 19, page 43.)

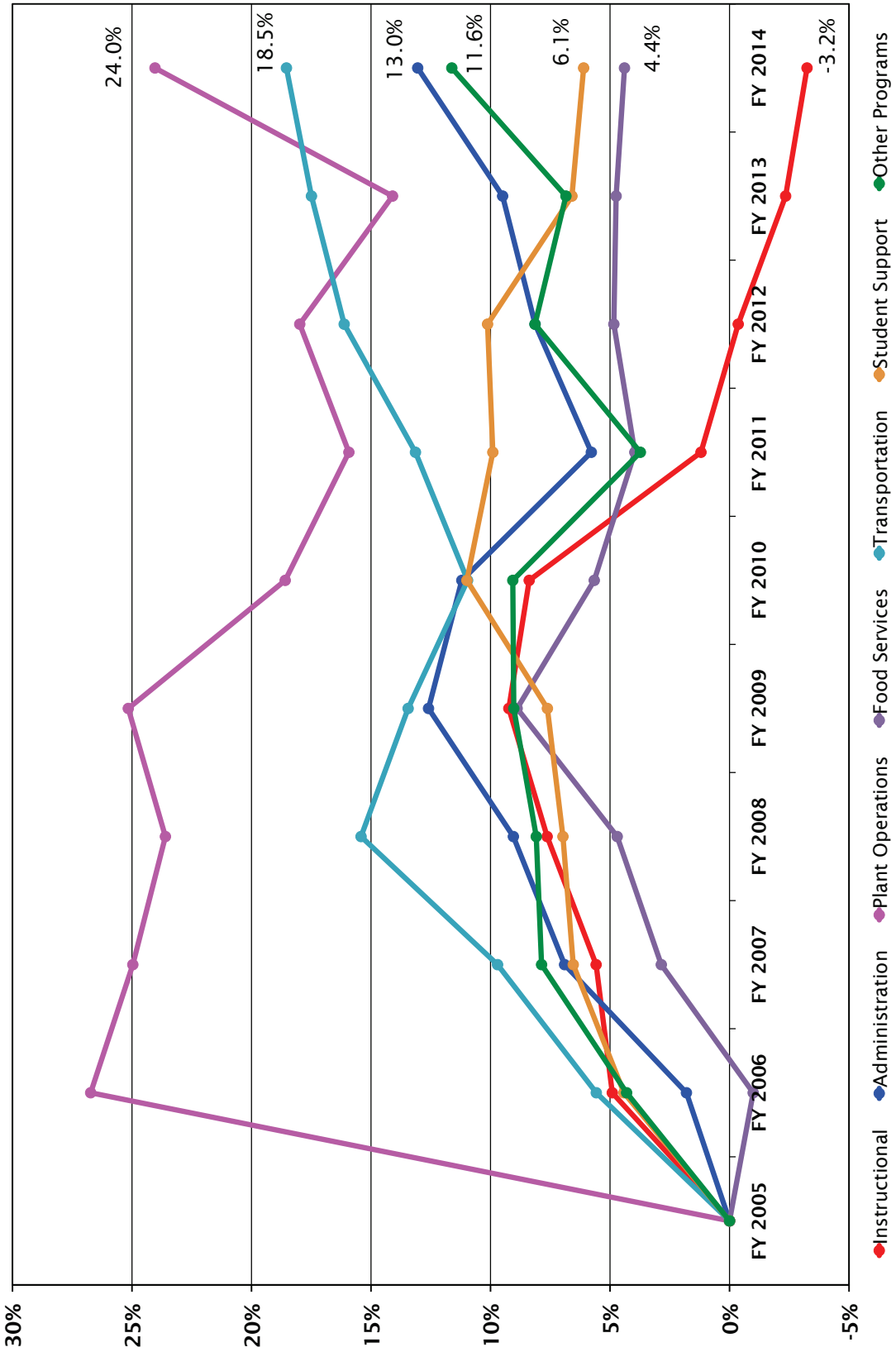
Noteworthy changes from FY 2005 to FY 2014 within each of the seven major budget categories were as follows:

- *Instructional:* Salaries of teachers and other professional personnel declined by approximately \$130 million.<sup>7</sup>
- *Administration:* Salaries of professional personnel increased by approximately \$15 million.
- *Plant Operations:* Spending for repairs/maintenance paid to individuals who were not school district employees increased by approximately \$30 million, spending for utilities increased by approximately \$23 million; and, spending for insurance payments (other than employee benefits) increased by approximately \$15 million.
- *Food Services:* Spending for food increased by approximately \$12 million.
- *Transportation:* Spending for gasoline and diesel increased by approximately \$12 million and payments to individuals other than school district employees for transporting children increased by approximately \$6.4 million.
- *Student Support:* Spending increases in employee benefits and purchased professional and technical services combined with decreases in other spending to result in a net increase of approximately \$24 million.
- *Other Programs:* Spending for athletics increased by approximately \$20.6 million. When combined with other changes in this category, the result was a net increase of approximately \$13.7 million.

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<sup>7</sup>PEER notes that although expenditure data used for this review did not include teachers' salary increases in FY 2015 and FY 2016 due to FY 2015 data not being finalized at the time of PEER's analysis, the Instructional category would still likely have experienced a decline in salary expenditures if these increases had been included in the analysis.

**Exhibit 19: Inflation-Adjusted Expenditures in All Categories, FY 2005 through FY 2014**



SOURCE: PEER analysis

**Overall, school districts increased total expenditures per student in all major budget categories over the ten-year period except for the Instructional category.**

At the level of expenditures per student, total expenditures per student increased from \$8,714 in FY 2005 to \$9,196 in FY 2014. With the exception of the Instructional category, expenditures per student increased in all categories from FY 2005 to FY 2014. In the Instructional category, expenditures per student decreased from \$4,969 in FY 2005 to \$4,890 in FY 2014.

**Overall, school districts' spending in the Instructional category declined by approximately 3.2% over the ten-year period. Spending in the Administration category increased by approximately 13% during the same period.**

From FY 2005 through FY 2014, total expenditures in the Instructional category declined by approximately \$75 million, or approximately 3.2%. During the same period, total expenditures in the Administration category increased by approximately \$57 million, or approximately 13%. (See Exhibit 20, page 45.)

**During the ten-year period, school districts' spending for salaries of teachers and other professional personnel in the Instructional category declined by approximately 8.6%, while spending for salaries in the Administration category increased by approximately 8.1%.**

From FY 2005 through FY 2014, expenditures for salaries of teachers and other professional personnel in the Instructional category declined by approximately \$130 million, or approximately 8.6%. During the same period, expenditures for salaries in the Administration category increased by approximately \$15 million, or approximately 8.1%. (See Exhibit 21, page 46.)

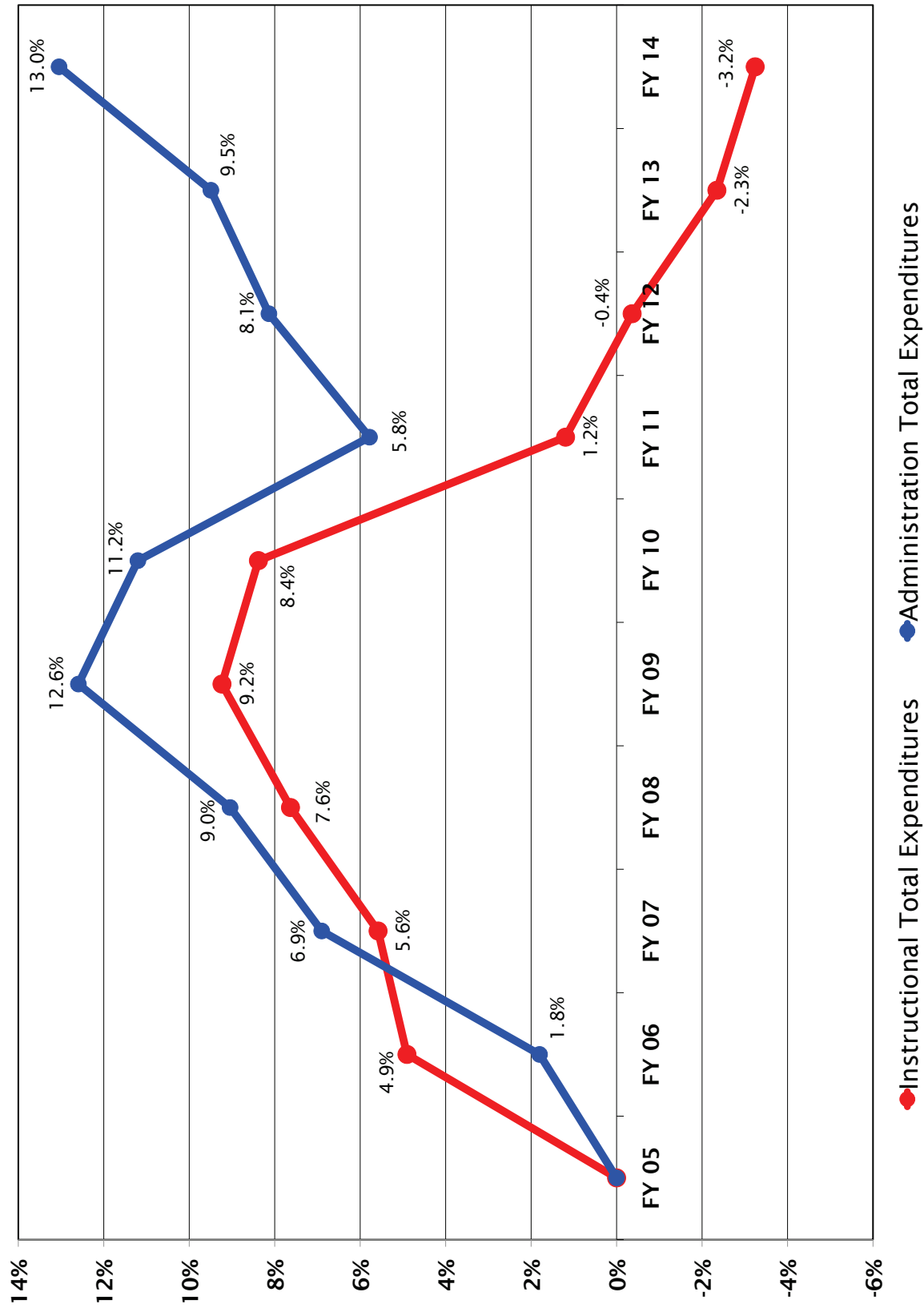
**School districts' spending for employee benefits and for the purchase of professional and technical services increased in all major budget categories over the ten-year period.**

Expenditures for employee benefits increased in all seven major budget categories over the ten-year period by a total of approximately \$119 million due to reasons that included the following:

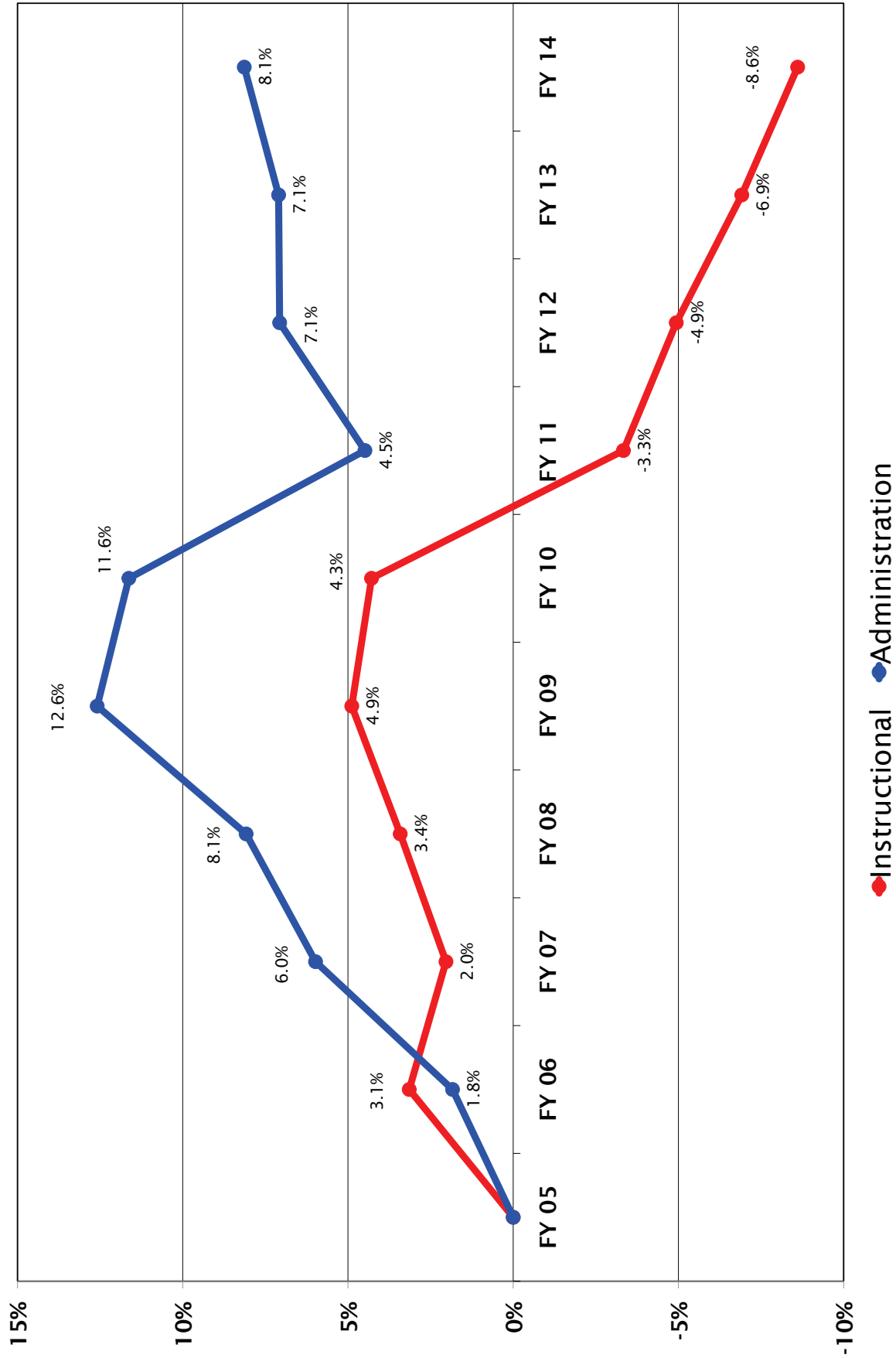
- districts increased the number of personnel by 1,562; and,
- districts paid higher employer contributions to PERS.

Expenditures for the purchase of professional and technical services increased in all seven major budget categories by approximately \$41 million over the ten-year period, including spending for:

**Exhibit 20: Total Inflation-Adjusted Instructional Expenditures Compared to Total Inflation-Adjusted Administration Expenditures, FY 2005 through FY 2014**



# Exhibit 21: Inflation-Adjusted Instructional Salaries Compared to Inflation-Adjusted Administration Salaries, FY 2005 through FY 2014



SOURCE: PEER analysis

- support of policymaking and managerial activities;
- services such as curriculum improvement, counseling and guidance, and contracted instructional services; and,
- professional services from lawyers, architects, and accountants.

**From FY 2009 to FY 2014, total expenditures declined by approximately \$295 million.**

From FY 2009 to FY 2014, total expenditures by public school districts declined by approximately \$295 million. Changes during this time in the seven major budget categories were:

- Instruction--\$288 million decrease;
- Administration--\$2 million increase;
- Plant Operation--\$4 million decrease;
- Food Services--\$11 million decrease;
- Transportation--\$9 million increase;
- Student Support--\$6 million decrease; and,
- Other Programs--\$3 million increase.





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## Appendix A: Function and Object Codes Omitted from PEER's Review of School Districts' Expenditures

As noted in the report, PEER's analysis included those expenditures that were recurring operational expenses during FY 2005 through FY 2014 (e. g., salaries, employee benefits, utilities, insurance) and excluded capitalized expenditures and selected non-capitalized expenditures (e.g., purchase of athletic fields, lighting, bleachers).

PEER's intent was to focus on the items or services that would be purchased by all school districts in their day-to-day operations and not the capitalized and non-capitalized items that might apply only to a few districts.

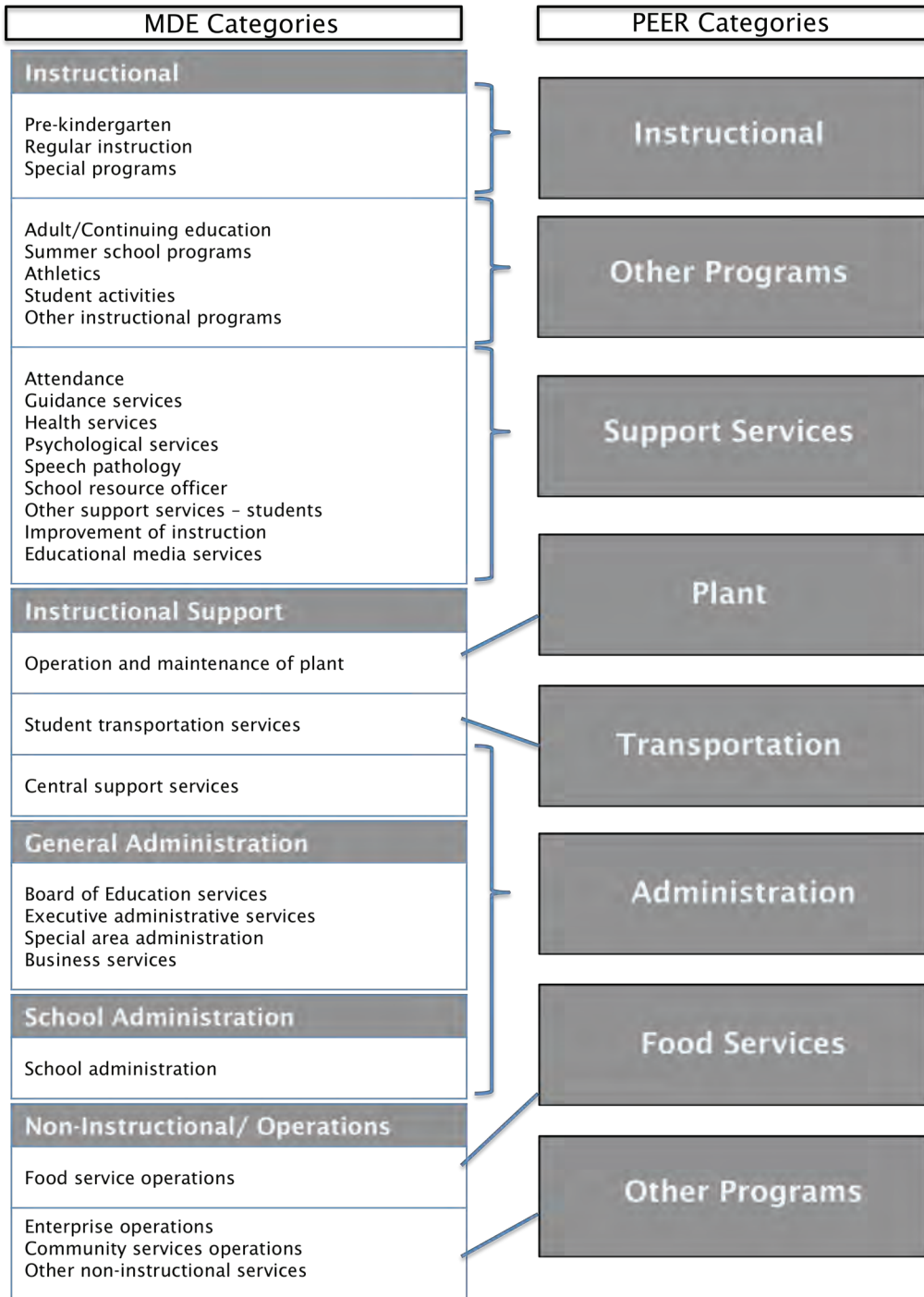
Function and Object that were omitted from PEER's review of school districts' expenditures were:

1. **Sixteenth Section Lands:** expenditures concerned with maintaining and improving sixteenth section lands
  - Function codes 4100 through 4900
2. **Facilities Acquisition and Construction Services:** activities concerned with acquiring land and buildings; constructing buildings and additions to buildings; initially installing or extending service systems and other built-in equipment; and improving sites
  - Function codes 5100 through 5900
3. **Debt Service:** the servicing of the general long-term debt of the school district; capital lease payments are included
  - Function codes 6110 through 6199
4. **Other outlays not classified as expenditures** but still requiring budgetary or accounting control
  - Function codes 7110 through 8330
5. Object codes associated with **capitalized expenditures and selected non-capitalized expenditures**
  - 710 - Land;

- 721 and 725 – Buildings;
- 728 and 729 – Building Improvements;
- 733 – Computer equipment costing \$5,000 and above;
- 737 – Other furniture and equipment costing \$5,000 and above;
- 751 and 753 – Improvements other than buildings;
- 756 – Leased property: computer equipment costing \$5,000 and above;
- 758 – Leased property: other furniture and equipment costing \$5,000 and above;
- 760 – Leased property: cars and trucks costing \$5,000 and above;
- 762 – Leased property: buses costing \$5,000 and above;
- 763 and 764 – Leased property: improvements other than buildings;
- 765 and 766 – Leased property: buildings;
- 768 – Leased property: other mobile equipment such as buses, automobiles, trucks, vans, lawn maintenance equipment, tractors, and backhoes costing \$5,000 and above;
- 772 – Cars and trucks costing \$5,000 and above;
- 774 – Buses costing \$5,000 and above;
- 776 – Other mobile equipment such as buses, automobiles, trucks, vans, lawn maintenance equipment, tractors, and backhoes costing \$5,000 and above; and,
- 790 - Depreciation

SOURCE: PEER analysis of MDE's *Expenditures/Expense Function and Object Codes* manual.

# Appendix B: Comparison of MDE's Expenditure Categories and the Expenditure Categories PEER Utilized for This Review



SOURCE: Superintendent's Annual Report FY 2014, PEER analysis

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## Appendix C: Components of Account Groups PEER Used in Analyzing Major Category Expenditures

1. Personal Services – Salaries
  - a. teachers and professional personnel;
  - b. other regular employees and temporary employees; and,
  - c. overtime salaries and compensated absences payments.
2. Personal Services – Employee Benefits
  - a. group health and life insurance payments;
  - b. Social Security contributions;
  - c. retirement contributions; and,
  - d. other benefits such as unemployment workers' compensation coverage payments.
3. Purchased Professional and Technical Services<sup>8</sup>
  - a. official/administrative services – services in support of various policymaking and managerial activities of the school district such as management consulting activities oriented to general governance, business and financial management, and school management support activities;
  - b. professional/educational services - services supporting the instructional program and its administration; and,
  - c. other professional services – examples include medical doctors, lawyers, architects, auditors, therapists, audiologists, dieticians, and systems analysts.
4. Purchased Property Services
  - a. utilities such as electricity, natural gas, water, sewage, and telephone charges;
  - b. cleaning services purchased to clean buildings apart from services provided by school district employees;
  - c. repairs and maintenance services not provided by school district employees;

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<sup>8</sup>According to the MDE *Expenditures/Expense Function and Object Codes* manual, *purchased professional and technical services are* “services which, by their nature, can be performed only by persons or firms with specialized skills and knowledge. Included are architects, engineers, auditors, dentists, medical doctors, lawyers, consultants, teachers, accountants, etc.”

- d. rentals of land, buildings, equipment, and vehicles; and,
  - e. construction services for renovating and remodeling.
5. Other Purchased Services
- a. student transportation services – payments to agencies or persons other than school district employees for transporting children to and from school and other activities;
  - b. insurance, postal services, advertising, printing, and binding services;
  - c. food service management – operation of food service facility by other than employees of the school district; and,
  - d. travel and per diem.
6. Supplies
- a. General supplies, transportation supplies, petroleum, oils, and lubricants;
  - b. Food used in the school food service program;
  - c. Textbooks; and,
  - d. Books and periodicals.
7. Property
- a. furniture, equipment, and computer equipment costing less than \$5,000;
  - b. property not capitalized;
  - c. leased property with a value less than \$5,000;
  - d. equipment such as cars, trucks, vans, lawn maintenance equipment, and tractors costing less than \$5,000.
8. Other items
- a. dues and fees – membership in professional organizations or payments to a paying agent for services rendered;
  - b. judgments and claims against the school district; and,
  - c. miscellaneous expenditures.

SOURCE: PEER analysis of MDE's *Expenditures/Expense Function and Object Codes* manual.

Appendix D: Changes in School Districts' Full-Time Equivalent Employee Categories, FY 2005 through FY 2014

Changes in the Total Number of School Districts' FTE Employees												
Employee Category	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2014	Difference FY 2005 to FY 2014
Instructional	40,476	40,523	41,022	42,303	42,217	42,522	40,622	40,999	41,141	40,964	40,964	488
Administration	6,530	6,672	6,865	6,949	6,936	7,219	6,945	7,045	7,050	7,157	7,157	627
Student Support	2,627	2,696	2,709	2,740	2,743	2,838	2,648	2,662	2,664	2,631	2,631	4
Operation and Maintenance of Plant	12,789	12,688	12,599	12,627	12,567	13,059	12,547	12,556	12,346	12,463	12,463	(326)
Other Employees*	3,668	3,786	3,854	4,461	4,600	4,463	4,220	4,275	4,469	4,437	4,437	769
Total	66,090	66,365	67,049	69,080	69,063	70,101	66,982	67,537	67,670	67,652	67,652	1,562

Changes in Employee Categories as a Percentage of Total Workforce												
Employee Category	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2014	Difference FY 2005 to FY 2014
Instructional	61.2%	61.1%	61.2%	61.2%	61.1%	60.7%	60.6%	60.7%	60.8%	60.6%	60.6%	(0.6)%
Administration	9.9%	10.0%	10.3%	10.1%	10.0%	10.3%	10.4%	10.4%	10.4%	10.6%	10.6%	0.7%
Student Support	4.0%	4.1%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	3.9%	3.9%	(0.1)%
Operation and Maintenance of Plant	19.4%	19.1%	18.8%	18.3%	18.2%	18.6%	18.7%	18.6%	18.2%	18.4%	18.4%	(1.0)%
Other Employees*	5.5%	5.7%	5.7%	6.4%	6.7%	6.4%	6.3%	6.3%	6.6%	6.5%	6.5%	1.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-

Changes in Employee Category FTEs per 1,000 Students												
Employee Category	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2014	Difference FY 2005 to FY 2014
Instructional	87.8	87.9	88.7	91.7	91.8	92.4	88.3	89.0	89.3	89.8	89.8	2.0
Administration	14.2	14.5	14.9	15.1	15.1	15.7	15.1	15.3	15.3	15.7	15.7	1.5
Student Support	5.7	5.8	5.9	5.9	6.0	6.2	5.8	5.8	5.8	5.8	5.8	0.1
Operation and Maintenance of Plant	27.7	27.5	27.3	27.4	27.3	28.4	27.3	27.3	26.8	27.3	27.3	(0.4)
Other Employees*	8.0	8.2	8.3	9.7	10.0	9.7	9.2	9.3	9.7	9.7	9.7	1.7
Total	143.4	143.9	145.1	149.8	150.2	152.4	145.7	146.7	146.9	148.3	148.3	4.9

\* Other employees includes athletic coaches, assistant program directors, special education personnel, student case managers, attorneys, and security personnel.  
SOURCE: Mississippi Department of Education.

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# PEER Committee Staff

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Ben Collins  
Barton Norfleet

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