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December 18, 2017

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Report to the Mississippi Legislature

# FY 2017 Annual Report: Analysis of Funding for Mississippi Charter Schools and the Charter School Authorizer Board



## **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.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues that may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

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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The Mississippi Legislature

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December 18, 2017

Honorable Phil Bryant, Governor  
Honorable Tate Reeves, Lieutenant Governor  
Honorable Philip Gunn, Speaker of the House  
Members of the Mississippi State Legislature

On December 18, 2017, the PEER Committee authorized release of the report titled  
***FY 2017 Annual Report: Analysis of Funding for Mississippi Charter Schools and the  
Charter School Authorizer Board.***

A handwritten signature in black ink that reads "Richard Bennett".

Representative Richard Bennett, Chair

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



## *Table of Contents*

Letter of Transmittal .....	i
Executive Summary .....	v
Introduction .....	1
Background.....	3
Sufficiency of Funding for Charter Schools.....	21
Efficacy of the State Formula for Authorizer Funding.....	31
Recommendations.....	36
Appendix A: Mississippi Charter School Authorizer Board Members for FY 2017 .....	37
Appendix B: Requirements for Charter School Applicants .....	38
Appendix C: Charter School Application Requirements .....	39
Appendix D: Additional Information on Federal Grants Received by Mississippi Charter Schools.....	42
Agency Response.....	45

*List of Exhibits*

Exhibit 1: Reasons for Application Denial in Stage 1 .....12

Exhibit 2: Definition of Terms .....13

Exhibit 3: Approved Charter Schools Through 2017 Application Cycle .....15

Exhibit 4: Waiting List Numbers by School and Grade .....17

Exhibit 5: FY 2017 MAEP Appropriation Amounts Per Pupil by Charter School, after  
Governor’s Budget Cuts.....22

Exhibit 6: FY 2017 Local Contributions to and Number of Students in Each Charter School,  
by Student’s District of Residence .....24

Exhibit 7: Charter School Revenue for the 2016-2017 School Year, by Funding Source.....28

Exhibit 8: FY 2017 Charter School Revenue Versus Expenditures.....29

Exhibit 9: FY 2017 Charter School Cost Per Student Compared to Cost Per Student  
for Mississippi Public Schools, Excluding Capital and Interest Expenses .....30

Exhibit 10: Sources of Revenue for the Mississippi Charter School Authorizer Board,  
FY 2014-FY 2017 .....32

Exhibit 11: Mississippi Charter School Authorizer Board Expenditures by Major Category,  
FY 2014-FY 2017 .....35

# FY 2017 Annual Report: Analysis of Funding for Mississippi Charter Schools and the Charter School Authorizer Board

## Executive Summary

### Introduction

In 2013 the Mississippi Legislature enacted the “Mississippi Charter Schools Act of 2013,” providing authorization for a charter school oversight board and guidance for the formation of charter schools in Mississippi.

MISS. CODE ANN. § 37-28-37(2) (1972) requires PEER (the Joint Legislative Committee on Performance Evaluation and Expenditure Review) to prepare an annual report that

1. assesses the sufficiency of funding for charter schools;
2. assesses the efficacy of the state formula for authorizer funding; and
3. suggests changes to state law or policy that might strengthen charter schools.

This annual report, the second conducted by PEER, addresses only the first two mandates in state law. Because the Legislature made significant changes to the “Mississippi Charter Schools Act” in 2016, PEER believes that such changes need to be monitored over time before assessing any effects that result or therefore suggesting additional changes per the third mandate.

The scope of this review includes the three charter schools operating during the 2016–2017 school year: Midtown Public Charter School, Reimagine Prep, and Joel E. Smilow Prep.

### Background

Charter schools are publicly funded, independently managed, semi-autonomous schools of choice that operate with freedom from many of the local and state regulations that apply to traditional public schools. The “Mississippi Charter Schools Act of 2013” establishes all charter schools as public schools and as part of the state’s public school system, with an emphasis on expanding opportunities for “underserved students.”<sup>1</sup> The underserved student composition of a charter

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<sup>1</sup>MISS. CODE ANN. Section 37-28-5(o) defines “underserved students” as students participating in the federal free lunch program who qualify for at-risk student funding under the Mississippi Adequate Education Program (MAEP) and students who are identified as having special educational needs.

school's enrollment must reflect that of students attending the school district in which the charter school is located, and is defined as being at least 80 percent of that population.

The Mississippi Charter School Authorizer Board (MCSAB) is the sole authorizing body for charter schools in the state and is responsible for oversight of the schools' operations. The MCSAB responsibilities include developing chartering policies, reviewing charter school applications, deciding whether to approve or reject applications (including renewal applications), entering into charter contracts with applicants, overseeing charter schools, and, when necessary, revoking a charter school's contract.

During the 2016 Regular Session the Legislature amended the "Mississippi Charter Schools Act of 2013" to include the following:

- To allow students in districts rated "C," "D," or "F" to cross district lines to attend charter schools;
- To require charter schools to meet or exceed graduation requirements set by the State Board of Education for a regular high school diploma; and
- To require that MAEP payments to charter schools be reconciled each year using average daily attendance (ADA) for months two and three, with the reconciliation being applied to the following year's MAEP payments.

Per state law, the Mississippi Charter School Authorizer Board may approve a maximum of 15 qualified charter applications during a fiscal year. Through the 2017 application cycle, the board had evaluated 28 applications, denying 24 while approving four, including one new charter school to be located in the Clarksdale Municipal School District.

In September 2017, the U.S. Department of Education awarded a five-year, \$15 million grant to the Mississippi Charter School Authorizer Board to help expand the state's charter school sector. The board aims to increase the number of charter schools from four to 19 over the next five years<sup>2</sup> and to create at least 15,000 additional seats.

In 2016 the Legislature made changes to the "Mississippi Charter Schools Act" by allowing students in "C," "D," or "F" districts to cross district lines to attend charter schools. Thus, the 2016-2017 school year was the first year that charter schools enrolled students residing in districts other than the Jackson Public School District. In addition to the JPSD, three charter schools served students from the Hinds County School District, the Leake County School District, and the Yazoo City School District.

The MCSAB developed a performance framework to provide criteria (i.e., performance measures) for assessing charter schools. For each performance measure, a school receives one

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<sup>2</sup>October 1, 2017-September 30, 2022.



of four ratings: “Exceeds Expectations,” “Meets Expectations,” “Approaches Expectations,” or “Fails to Meet Expectations.” The framework includes the academic measures for student academic proficiency, academic growth, and performance of major student subgroups, etc.; financial measures; and organizational measures, including enrollment, discipline, and at-risk student populations.

Schools that “Exceed Expectations” earn an “A,” “Meet Expectations” earn a “B” or “C,” “Approach Expectations” earn a “D,” and “Fail to Meet Expectations” earn an “F.”

For the 2015–2016 school year, Midtown Public Charter School received a rating of “F” and Reimagine Prep received a rating of “D.” Although the MCSAB has not yet released its 2017 annual report, the MDE released its most recent accountability ratings in October 2017 for the 2016–2017 school year. Midtown Public received a rating of “F,” and Reimagine Prep and Smilow Prep both received ratings of “D.”

## **Sufficiency of Funding for Charter Schools**

Charter schools receive funding from state sources, local ad valorem taxes, federal funds, and through fund-raising and other sources, such as grants and gifts. During the 2016–2017 school year Midtown Public received approximately \$1.6 million, Reimagine Prep approximately \$2.75 million, and Smilow Prep approximately \$2 million from Mississippi Adequate Education Program (MAEP) funding, local ad valorem taxes, federal funds, and other sources.

### **Sufficiency of MAEP Funding**

The Mississippi Legislature defines what constitutes adequate funding to public schools through a formula known as the Mississippi Adequate Education Program funding. For purposes of this review to assess the sufficiency of funding for charter schools as required by statute, PEER equates the Legislature’s definition of adequate funding through the MAEP formula to constitute sufficient funding from the state for charter schools.

Under MAEP, the Legislature provides funding to school districts and charter schools to cover instruction, administration, plant and maintenance, and ancillary (e.g., librarians and counselors) expenditures. Also under MAEP, the Legislature provides funding to each school district and charter school for add-ons, which are special education, gifted, alternative school, and transportation programs. During the 2016–2017 school year the MDE distributed MAEP funding to charter schools in the amount of \$4,073 per pupil (before add-on program costs), which was the same amount provided to the JPSD in accordance with MISS. CODE ANN. Section 37-28-55(1)(a).

### **Sufficiency of Funding from Local Ad Valorem Taxes**

For purposes of this review, PEER equates the sufficiency of local funding levels for Midtown Public, Reimagine Prep, and Smilow Prep to the funding levels provided to other school districts in which charter school students reside.

For the 2016–2017 school year, Midtown Public, Reimagine Prep, and Smilow Prep received local support payments from ad valorem taxes in a manner consistent with MISS. CODE ANN. Section 37-28-55(2) and (3). However, the local ad valorem pro rata calculation required by that statute provides unequal shares between charter schools and the school districts. Further, the statute does not require that local ad valorem support to charter schools be reconciled annually, as it does for MAEP payments.

Because the 2016–2017 school year was the first in which charter schools enrolled students from districts other than the Jackson Public School District, for the three charter schools operating during that school year, per-pupil local support payments were based on the previous fiscal year's ad valorem tax receipts received by the student's district of residence.

### **Pro Rata Share of Local Ad Valorem Taxes to Charter Schools**

The pro rata amount to the charter school is calculated by dividing the total amount of ad valorem receipts and in-lieu receipts of the school district in which the student resides by its months one through nine average daily membership (ADM). The school district in which the student resides will then pay an amount equal to this pro rata amount multiplied by the number of students residing in its district who are enrolled in the charter school, based on the charter school's end of first month enrollment for the current school year.

Calculating the pro rata share of local ad valorem taxes to charter schools in this manner results in the charter schools receiving more funds per pupil than the school district in which the student resides.

### **Local Ad Valorem Contributions Not Reconciled**

Although state statute requires the annual reconciliation of MAEP payments to charter schools, it does not require reconciliation of local ad valorem contributions paid to charter schools by school districts. Therefore, the per-pupil local ad valorem contributions paid to charter schools each year are not consistent with the actual number of students in attendance at the charter schools for that year.

### **Sufficiency of Federal Funding**

The Mississippi Department of Education receives federal grant funds and distributes them to each qualified school

based on the standards set forth in each grant's program and agreement and a school's ability to meet these specifications. The MDE must comply with the distribution requirements specified by each federal program or grant.

Within this framework for the distribution of federal funds, charter schools have equal access to apply for and receive federal funds. Regarding sufficiency, the amount a charter school receives in federal funds depends upon its characteristics related to meeting the requirements set forth by the federal program or grant.

### **Sufficiency of Funding from Other Sources**

A charter school's ability to obtain funding from grants, gifts, and donations depends upon its success applying for grants and attracting gifts and donations from other sources. Therefore, sufficiency of funding from these sources is unique to each charter school and the amount received from these sources will vary among charter schools. During the 2016–2017 school year charter schools received \$1,350,682 from other sources.

### **Charter School Revenue Versus Expenditures**

PEER reviewed each charter school's audited financial statements for FY 2017 to determine whether revenues were sufficient to cover the schools' expenditures. The difference in revenues and expenditures for Reimagine Prep was \$140,046 and the difference for Smilow Prep was \$498,712—both schools' revenues exceeding expenses. However, Midtown's revenues failed to cover its expenses by \$133,206, which according to the school, was due to such costs as building expansion, desks, books, and the loss of the 21st Century Grant.

## **Efficacy of the State Formula for Authorizer Funding**

For purposes of this report, PEER equates efficacy of the MCSAB funding model to be provision of sufficient revenue from charter school fees to fully fund MCSAB operations.

Under state law, the MCSAB receives 3% of annual per-pupil allocations received by charter schools from state and local sources. As occurred in FY 2016, funding from the 3% fee of annual per-pupil allocations was insufficient to fully fund MCSAB operations in FY 2017. The Legislature included additional funding for the board in Institutions of Higher Learning–appropriated funding.

If Mississippi charter schools receive FY 2018 per-student funding equal to amounts received during FY 2017, enrollment of 2,643 charter school students will be necessary

to fund MCSAB FY 2018 operations<sup>3</sup> if those operations were to be based solely on revenue from the 3% fees. The contracts between the charter schools and the board project FY 2018 enrollment to be 776 students.

Until charter school enrollment reaches a level sufficient for the 3% fee combined with any gifts, grants, or donations the authorizer board may receive is large enough to fully fund the board's operations, supplemental legislative funding will continue to be necessary.

## Recommendations

1. The Mississippi Charter School Authorizer Board should formally adopt regulations requiring all charter schools in the state to report quarterly and annual financial information in the format required by the Mississippi Department of Education's accounting manual for Mississippi public school districts. Adoption and enforcement of these regulations would facilitate future comparison of charter school and public school expenditures.
2. Under the current funding model, the Mississippi Charter School Authorizer Board receives 3% of the state and local funds received by charter schools. Therefore, the total amount of funds from sources available to charter schools on a per-pupil basis is less than the total amount of funds provided to public schools on a per-pupil basis. To provide fully equitable state and local funding between public school and charter school pupils, the Legislature should consider amending MISS. CODE ANN. Section 37-28-11(1) to remove the 3% funding the Mississippi Charter School Authorizer Board receives from charter schools' state and local revenue sources. The Legislature should also consider amending the same section to provide that the authorizer board shall be annually funded from any funds available to the Legislature.
3. To ensure funding and accountability of appropriations, the Legislature should consider providing specifically for MCSAB operations by taking one of the following options:
  - a. Because the board is a state agency per MISS. CODE ANN. Section 37-28-7, the Legislature could consider enacting a separate appropriations bill for the board. Such bill should contain the total amount of funds appropriated for the operations of the board and a total number of authorized full and part-time positions.
  - b. The Legislature, while continuing to fund the board through appropriations to Institutions of Higher Learning, could provide a specific line item in the IHL

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<sup>3</sup>The FY 2017 per-student MCSAB 3% fee of \$241.04 is based on 3% fee collections of \$119,314.44 from a combined enrollment of 495 from the three charter schools in operation that year. To obtain FY 2018 revenue solely from the 3% fees, the charter schools would need to enroll 2,643 students bringing in \$241.04 each in order to provide revenue for MCSAB's operating budget of \$637,000.

appropriation for board support with provision for total authorized positions.

4. The Legislature should consider amending MISS. CODE ANN. Section 37-28-55(2) and (3) to require that local ad valorem contributions to charter schools be reconciled each year in the same manner as Mississippi Adequate Education Program payments are reconciled for charter schools in MISS. CODE ANN. Section 37-28-55(1)(b).
5. In order to make the pro rata distribution of local ad valorem funds equitable between school districts and charter schools, the Legislature should consider amending MISS. CODE ANN. Section 37-28-55(2) and (3) to include the charter schools' average daily membership for the first month of the current year in the denominator of the calculation.

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# FY 2017 Annual Report: Analysis of Funding for Mississippi Charter Schools and the Charter School Authorizer Board

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## Introduction

### Authority, Scope, and Purpose

In 2013 the Mississippi Legislature enacted the “Mississippi Charter Schools Act of 2013” (Chapter 497, *Laws of 2013*), which repealed the “Conversion Charter Schools Act of 2010,”<sup>4</sup> MISS. CODE ANN. Section 37-165-1 et seq., and provided authorization for a charter school oversight board and guidance for the formation of charter schools in Mississippi.

As stated in MISS. CODE ANN. Section 37-28-37(2):

*The Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER) shall prepare an annual report assessing the sufficiency of funding for charter schools, the efficacy of the state formula for authorizer funding, and any suggested changes in state law or policy necessary to strengthen the state’s charter schools.*

PEER conducted this review in accordance with MISS. CODE ANN. Section 5-3-51 et seq.

This annual report, the second conducted by PEER, addresses the first two mandates in state law: sufficiency of funding for charter schools and the efficacy of the state formula for authorizer funding. It does not address the third mandate: to make suggested changes in state law or policy to strengthen the state’s charter schools. Because the Legislature made significant changes to the “Mississippi Charter Schools Act” in 2016 in an effort to strengthen the act, PEER believes that such changes need to be monitored over time before assessing any effects that result and suggesting additional changes.

The scope of this review includes the three charter schools that served students during the 2016–2017 school year: Midtown Public Charter School, Reimagine Prep, and Joel E. Smilow Prep, all of which are located in Jackson.

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<sup>4</sup>The “Conversion Charter School Act of 2010” provided a means whereby the parents or guardians of students enrolled in a chronically underperforming local public school could petition the Mississippi State Board of Education to convert the public school to a conversion charter school. This conversion status would have required a contract issued by the State Board of Education.

## Method

In conducting this review, PEER

- reviewed relevant sections of the state law;
- interviewed managerial and financial staff from the Mississippi Charter School Authorizer Board, Midtown Public Charter School, Reimagine Prep, Joel E. Smilow Prep, the Mississippi Department of Education, and the Board of Trustees of Institutions of Higher Learning; and
- reviewed federal, state, and local funding information provided to charter schools and the MCSAB.



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# Background

This chapter addresses:

- the definition of a charter school and its purpose in the state’s education system;
- the membership, staffing, and responsibilities of the Mississippi Charter School Authorizer Board (MCSAB);
- 2016 changes to the “Mississippi Charter Schools Act of 2013”;
- charter school applicants from 2014 to 2017;
- charter schools serving students in the 2016–2017 school year;
- MCSAB’s goals to expand the state’s charter school sector; and
- MCSAB’s evaluation of charter school performance.

## Definition of a Charter School and Its Purpose in the State’s Education System

**Charter schools are publicly funded, independently managed, semi-autonomous schools of choice that operate with freedom from many of the local and state regulations that apply to traditional public schools. The “Mississippi Charter Schools Act of 2013” establishes all charter schools as public schools and as part of the state’s public school system, with an emphasis on expanding opportunities for “underserved students.”**

According to the U.S. Department of Education’s National Center for Education Statistics, an estimated 2.7 million students were enrolled in charter schools across the nation during the 2014–2015 school year.

The U.S. Department of Education defines charter schools as follows:

*Charter schools are public schools that operate with freedom from many of the local and state regulations that apply to traditional public schools. Charter schools allow parents, community leaders, educational entrepreneurs, and others the flexibility to innovate and provide students with increased educational options within the public school system. Charter schools are sponsored by local, state, or other organizations that monitor their quality while holding them accountable for academic results and responsible fiscal practices.*

The National Conference of State Legislatures defines charter schools as “publicly funded, independently managed and semi-autonomous schools of choice.”

In its 2013 Regular Session, the Legislature passed the “Mississippi Charter Schools Act of 2013,” which declared the general purposes of the state’s charter schools.

MISS. CODE ANN. Section 37-28-3(1) outlines the Legislature’s findings and declarations regarding charter schools. These general purposes are stated as follows:

- a. To improve student learning by creating high-quality schools with high standards for student performance;*
- b. To close achievement gaps between high-performing and low-performing groups of public school students;*
- c. To increase high-quality educational opportunities within the public education system for all students, especially those with a likelihood of academic failure;*
- d. To create new professional opportunities for teachers, school administrators and other school personnel which allow them to have a direct voice in the operation of their schools;*
- e. To encourage the use of different, high-quality models of teaching, governing, scheduling and other aspects of schooling which meet a variety of student needs;*
- f. To allow public schools freedom and flexibility in exchange for exceptional levels of results driven accountability;*
- g. To provide students, parents, community members and local entities with expanded opportunities for involvement in the public education system; and*
- h. To encourage the replication of successful charter schools.*

In alignment with the act, the charter school contracts establish “high-quality charter schools,” particularly schools designed to expand opportunities for “underserved students.”<sup>5</sup> According to the act, all applications must include, among other requirements, detailed enrollment policies and procedures, educational program requirements, and grade-level enrollment projections. The underserved student composition of a charter school’s enrollment must reflect that of the enrollment of underserved students attending the school district in which the charter school is located, which is defined as being at least 80% of that population.

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<sup>5</sup>MISS. CODE ANN. Section 37-28-5(o) defines “underserved students” as students participating in the federal free lunch program who qualify for at-risk student funding under the Mississippi Adequate Education Program (MAEP) and students who are identified as having special educational needs.

## Mississippi Charter Schools Litigation

*On July 11, 2016, seven plaintiffs who are residents of Jackson brought suit in the Hinds County Chancery Court against the Governor, the Department of Education, and the Jackson Public School District. The plaintiffs allege that the provisions of law allowing the use of ad valorem taxes and appropriated funds for charter schools violate Sections 206 and 208 of the MISSISSIPPI CONSTITUTION of 1890. To date, no dispositive order has been entered in this matter.*

Charter school funding is a subject of ongoing state court litigation. On July 11, 2016, seven plaintiffs who are residents of Jackson brought suit in the Hinds County Chancery Court for declaratory and injunctive relief against the Governor, the Department of Education, and the Jackson Public School District (JPSD), alleging that the provisions of law allowing the use of ad valorem taxes and appropriated funds for charter schools violate Sections 206 and 208 of the MISSISSIPPI CONSTITUTION of 1890. According to the plaintiffs, charter schools are not public schools within the meaning of Section 206 for which ad valorem tax levies may be expended and Section 208 prohibits the expenditure of appropriated funds on schools that are not under the authority of the Mississippi Department of Education (MDE) and the local school district authorities. To date, no dispositive order has been entered in this matter. Since the filing of the lawsuit, the following parties have intervened:

- parents of students at Republic Schools;
- Midtown Public Charter School; and
- the Mississippi Charter School Association.

## Membership of the Authorizer Board and Responsibilities of the Authorizer Board and Staff

**The Mississippi Charter School Authorizer Board is a state agency of seven appointed members. It is the sole authorizing body for charter schools in the state and is responsible for oversight of the schools' operations. The board employs an Executive Director whose responsibilities include working with board members to implement the state's charter school laws.**

MISS. CODE ANN. Section 37-28-7(3) outlines the composition of the Mississippi Charter School Authorizer Board. The appointment of the board is as follows:

- The Governor appoints three members, with one member being from each of the Mississippi Supreme Court districts.
- The Lieutenant Governor appoints three members, one member each from the Mississippi Supreme Court districts.
- The State Superintendent of Public Education appoints one member.

All appointments must be made with the advice and consent of the Senate.

MISS. CODE ANN. Section 37-28-7(4) outlines statutory qualifications for board members, which include that members:

*...collectively must possess strong experience and expertise in public and nonprofit governance, management and finance, public school leadership, assessment, curriculum and instruction, and public education law. Each member of the Mississippi Charter School Authorizer Board must have demonstrated an understanding of and commitment to charter schooling as a strategy for strengthening public education.*

According to MISS. CODE ANN. Section 37-28-7(8), no board member, employee, agent, or representative of the board may serve simultaneously as an employee, trustee, agent, representative, vendor, or contractor of a charter school authorized by the board.

For a list of current board members and appointment authorities see Appendix A on page 37.

MISS. CODE ANN. Section 37-28-9(1) outlines the responsibilities of the board, which include the following powers and duties:

- (a) Developing chartering policies and maintaining practices consistent with nationally recognized principles and standards for quality charter authorizing in all major areas of authorizing responsibility, including the following:
  - (i) organizational capacity and infrastructure;*
  - (ii) solicitation and evaluation of charter applications;*
  - (iii) performance contracting;*
  - (iv) ongoing charter school oversight and evaluation; and*
  - (v) charter renewal decision-making.**
- (b) Approving quality charter applications that meet identified educational needs and promote a diversity of educational choices;*
- (c) Declining to approve weak or inadequate charter applications;*
- (d) Negotiating and executing charter contracts with approved charter schools;*
- (e) Monitoring, in accordance with charter contract terms, the performance and legal compliance of charter schools;*
- (f) Determining whether each charter contract merits renewal, nonrenewal, or revocation; and*

*(g) Applying for any federal funds that may be available for the implementation of charter school programs.*

In September 2014, the Mississippi Charter School Authorizer Board hired an Executive Director who is responsible for working with board members to implement the state's charter school laws. The Executive Director's job responsibilities include but are not limited to the following:

- providing operational support and policy analysis to the board, ensuring that it and the state's charter schools operate with national best practices to maintain high standards, uphold school autonomy, and protect student and public interest;
- facilitating the application process for new charter schools in Mississippi;
- monitoring the operations of existing charter schools and enforcing compliance with each school's charter contract; and
- providing operational management and oversight to MCSAB staff.

In addition to hiring an Executive Director, the authorizer board has employed contractors in satisfying its mandate. For example, in FY 2017 the MCSAB contracted with the National Association of Charter School Authorizers (NACSA) to evaluate charter school applications and paid \$31,739 for the services. The board also contracted with Cornerstone Consulting Group and paid \$8,692 for accounting services in FY 2017. For more information on contract expenditures, see pages 32-33.

## **2016 Changes to the 'Mississippi Charter Schools Act of 2013'**

**In the 2016 Regular Session, the Legislature made several changes, effective July 1, 2016, intended to strengthen the state's charter school laws. Most notably, the legislation expanded access to charter schools by allowing students in school districts rated "C," "D," or "F"<sup>6</sup> to cross district lines to attend those schools.**

Changes made in the 2016 Regular Session to the "Mississippi Charter Schools Act of 2013" included the following:

- Allowing students in districts rated "C," "D," or "F" to cross district lines to attend charter schools. These students were previously not allowed to do so.
- Requiring charter schools to meet or exceed graduation requirements set by the State Board of Education for a regular high school diploma.

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<sup>6</sup>School district grades "A through F" are designated by the State Board of Education under the state's accreditation rating system.

- Making teachers eligible for the Public Employees' Retirement System if they work in a charter school and the charter school governing board chooses to participate.
- Giving charter school teachers three years from the date of their employment to earn state certification as long as no more than 25% of a charter school's teachers are uncertified. Previously, the act required teachers to earn state certification within three years of the date of MCSAB's approval of the initial charter application.
- Granting conversion<sup>7</sup> charter schools a right to purchase or lease their facilities from the local school district at market value.
- Allowing charter schools to participate in the state public school building fund program.
- Requiring that MAEP payments to charter schools be reconciled each year using average daily attendance (ADA) for months two and three, with the reconciliation being applied to the following year's MAEP payments.

The amendments also outlined the flow of funds when students attend a charter school but reside in a different school district and authorized the MCSAB to obtain office space for administrative purposes. In 2017 the MCSAB moved its offices from the Institutions of Higher Learning building to the Robert E. Lee State Office Building in downtown Jackson.

## Charter School Applicants 2014–2017

**Through the 2017 application cycle,<sup>8</sup> the Mississippi Charter School Authorizer Board had received 30 applications. Of those, the MCSAB (with assistance from the National Association of Charter School Authorizers) approved four applications (13%) and denied 24 (80%). Two applicants (7%) withdrew their applications during the process.**

MISS. CODE ANN. Section 37-28-15(1) and (2) requires the Mississippi Charter School Authorizer Board to publicize a request for proposals before September 1 of each year. Furthermore, the board must establish and disseminate a statewide timeline for charter approval or denial decisions.

Mandatory elements of the board's request for proposals include the following:

- a statement of any preferences the authorizer wishes to grant to applications intended to help underserved students;
- a description of the performance framework that the authorizer has developed for charter school oversight and evaluation;

<sup>7</sup>According to MISS. CODE ANN. Section 37-28-5(f), a conversion charter school is a charter school that existed as a non-charter public school before becoming a charter school.

<sup>8</sup>Application cycles take place at least one year before a charter school begins operation.

- the criteria that will guide the authorizer’s decision to approve or deny an application; and
- a clear statement of detailed questions concerning the format and content essential for demonstrating the capacity necessary to establish and operate a successful charter school.

Any party seeking to open a charter school in Mississippi must submit an application to the authorizer board. Per MISS. CODE ANN. Section 37-28-17, the purpose of this application is

- *to present the proposed charter school’s academic and operational vision and plans;*
- *to demonstrate the applicant’s capacities to execute the proposed vision and plans; and*
- *to provide the authorizer a clear basis for assessing the applicant’s plans and capacities.*

According to MISS. CODE ANN. Section 37-28-7(2)(b), the board may approve a maximum of 15 qualified charter applications during a fiscal year.

The MCSAB began contracting with the National Association of Charter School Authorizers in 2014 to manage the application process and to provide independent recommendations of approval or denial of each charter school application. The NACSA recruited local evaluators to help ensure understanding of the specific state context and landscape and out-of-state evaluators with experience evaluating charter school applications. Thus, the teams responsible for evaluating charter school applications in Mississippi included both local and national expertise related to charter school operation. Each application resulted in a Charter School Application Recommendation Report, in which evaluator biographies were included.

The application process includes three stages of review: the completeness check, the threshold quality review, and the independent evaluation team review. In the completeness check (Stage 1), the authorizer board reviews applications for completeness<sup>9</sup> and applicants’ eligibility<sup>10</sup> before distributing applications to NACSA evaluators. When MCSAB staff identifies a problem (e.g., an element of the application is missing), applicants have 48 hours to rectify and resubmit the application. If the MCSAB ultimately deems an application incomplete or deems the applicant ineligible, the application will not be qualified to proceed to the threshold quality review (Stage 2). In Stage 2, NACSA evaluators assess critical elements of the application against published criteria listed in the

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<sup>9</sup>Completeness refers to the elements that an application must contain to qualify as a finished response based upon the requirements set forth in the request for proposals (e.g., a complete budget).

<sup>10</sup>Eligibility refers to the statutory requirements that a group must meet to qualify to submit an application (e.g., group must be a nonprofit education organization).

request for proposal. If an application fails to meet the minimum quality threshold, it will be deemed substantially inadequate and not eligible to proceed to the capacity review (Stage 3). In Stage 3, NACSA evaluators review the application and then conduct an in-person interview to assess the applicant's overall capacity to implement the plans in the application.

For the initial 2014 application cycle, NACSA evaluators conducted analyses of each application in six required areas: culture leadership, school structure and operations, educational program, instructional staff, and governance.

From the second 2014 application cycle to the 2017 application cycle, the NACSA evaluators conducted analyses of the applicant's capacity in three required categories: educational program design and capacity, operations plan and capacity, and financial plan and capacity. If applicable, evaluators also reviewed other supplemental areas (e.g., waivers, conversion charter schools, and educational service providers).

When the NACSA completes these reviews, the evaluators write a recommendation report for review by the authorizer board. Each applicant is given a copy of the recommendation on its proposal and an opportunity to provide a final written response to the authorizer board, which then votes to approve or deny each application.<sup>11</sup>

Through the 2017 application cycle, the Mississippi Charter School Authorizer Board had received 30 applications. Of those, the MCSAB (with assistance from the National Association of Charter School Authorizers) approved four applications (13%) and denied 24 (80%). Two applicants (7%) withdrew.

(See Appendix B, page 38, for legal requirements and application requirements based on accountability grades and Appendix C, page 39, for a comprehensive list of application requirements.)

## Denied Applications

***From 2014 to 2017, the Mississippi Charter School Authorizer Board denied 24 charter school applications. Of those, 11 were denied at Stage 1 of the process; seven applications were denied at Stage 2 of the process; and six were denied at Stage 3 of the application process.***

From 2014 to 2017, the Mississippi Charter School Authorizer Board denied 24 charter school applications: 11 (46%) of the applications were denied at the Stage 1 completeness check; seven (29%) applications were denied at the Stage 2 threshold quality review; and six (25%) were denied at Stage 3 capacity review.

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<sup>11</sup>Applicants were given an opportunity to provide a final written response to the MCSAB beginning with the 2015 request for proposals cycle.



Exhibit 1, page 12, shows specific reasons for denial for each stage of the application process and Exhibit 2, pages 13-14, defines the terms used in Exhibit 1. The authorizer board denied 11 applications in Stage 1 because they were incomplete. Of applicants that moved to Stage 2, seven were then ruled ineligible.

Notably, six of the seven applicants denied at Stage 2 failed to meet the minimum quality threshold for student populations. The student population threshold is substantially inadequate if

- the applicant response on relevant sections is wholly lacking in merit or raises significant concerns about the applicant's understanding of, preparation and/or commitment to meeting the needs of all special populations, including students with disabilities, English language learners, students requiring remediation, or gifted and talented students;
- the funds allocated to serving special populations are wholly inadequate or plainly contradicted by the assumptions in other parts of the plan; or
- demographic projections fail to meet the statutory "80% rule" (i.e., the proposed school's underserved student percentage is equivalent to at least 80% of the underserved student population of the school district in which the school will be located).

The NACSA noted the following inadequacies in the area of student populations in one 2017 application for a charter school:

- *The applicant did not articulate appropriate procedures to identify students with special needs.*
- *The funds allocated to serving special populations are inadequate and inconsistent throughout the proposal.*
- *The demographics table indicates that the school would serve 1%-2% special education students; (the school district in which the school would be located) serves approximately 13 percent; therefore, the applicant does not meet the 80% rule.*

The Mississippi Charter School Authorizer Board denied 24 of the 30 applications (80%) submitted from 2014 to 2017. For a general comparison, PEER reviewed the Arkansas Charter Authorizer Panel's approval/denial application rates, which were available online. The panel denied 42 out of 66 (64%) charter school applications submitted during this same period and approved 24 (36%) applications.

## Exhibit 1: Reasons for Application Denial in Stage 1

Stage 1							
Denials	Eligibility			Completeness			
11 Applicants	7			11			
Stage 2							
Denials	Substantially Inadequate Minimum Quality Thresholds						
	Public Charter School Obligations	Student Populations	Start-Up Plan	Personnel	Financial Plan	Performance History	Education Service Provider Relationship
7 Applicants	1	6	2	1	3	0	1
Stage 3 (Initial 2014 Application Cycle)							
Denials	Failure to Meet or Exceed Evaluation Standard						
	Culture	Leadership	School Structure and Operations	Educational Program	Instructional Staff	Governance	
2 Applicants	2	2	2	2	2	2	
Stage 3 (From Second 2014 Application Cycle to Present) <sup>12</sup>							
Denials	Failure to Meet or Exceed Evaluation Standard						
	Education Program Design & Capacity	Operations Plan & Capacity	Financial Plan & Capacity	Request for Waivers (if applicable)	Conversion Charter Schools (if applicable)	Education Service Provider (if applicable)	
4 Applicants	3	4	3	0	0	0	

SOURCE: PEER analysis of charter school applications.

<sup>12</sup>For the initial 2014 application cycle, NACSA evaluators conducted analyses of each application in six required areas: culture leadership, school structure and operations, educational program, instructional staff, and governance. After the initial 2014 cycle, the MCSAB changed the Stage 3 criteria, and the NACSA evaluators began to conduct analyses of applicant's capacity in three required categories: educational program design, operations plan, and financial plan, along with supplemental areas if applicable (i.e., waivers, conversion charter schools, and educational service providers.)

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## Exhibit 2: Definitions of Terms

### *Stage 1 Definitions*

**Eligibility** - the statutory requirements that a group must meet to qualify to submit an application (e.g., group must be a nonprofit education organization).

**Completeness** - the elements that an application must contain to qualify as a finished response based upon the requirements set forth in the request for proposals (e.g., a complete budget).

### *Stage 2 Definitions*

**Public Charter School Obligations** - applicant must demonstrate a commitment to nonsectarian operation, and applicant's proposed application, admissions, and enrollment policies and/or practices must comply all legal requirements for charter schools.

**Student Populations** - applicant must show a commitment to the needs of all special student populations (i.e., students with disabilities, English language learners, students requiring remediation, or gifted and talented students) and plan to recruit the equivalent of 80% of the underserved student population currently attending the school district in which the charter school will be located.

**Start-up Plan** - applicant must identify critical work streams required to open, set reasonable completion deadlines, and plan to secure a viable facility to demonstrate preparation to open on time and serve students effectively.

**Personnel** - applicant's staffing structure must be viable and consistent with other parts of the plan, and the proposed school leader must have experience serving the proposed student population.

**Financial Plan** - applicant's proposed budget must accurately account for realistic revenue and expenditure assumptions without projecting a cash-negative position. Applicant must provide evidence of any private funds (i.e., loans, grants, etc.) included in financial projections and account for employees/consultants/contractors working prior to school opening.

**Performance History** - existing charter school operators and applicant's planning to contract with an educational service provider must show a positive track record of academic performance and/or successful management of nonacademic school functions.

**Education Service Provider (ESP) Relationship** - contract with ESP must be a fee-for service agreement that does not exceed the duration of the first term of the charter; clearly articulates the roles and responsibilities of the governing board, school staff, and the ESP; and clearly assigns ownership rights for all parties.

### *Stage 3 (Initial 2014 Application Cycle) Definitions*

**Culture** - applicant describes the systems in place to support a strong school culture and involve key stakeholders in the school community.

**Leadership** - applicant outlines school leadership and the process that will ensure school sustainability and achievement.

**School Structure and Operations** - applicant describes proposed school personnel structure, student recruitment and enrollment, operations, facility for school, and start-up plan.

**Educational Program** - applicant plans to meet the needs of all students through a well-developed curriculum, an assessment system, programs for special populations and clear systems for instructional planning.

**Instructional Staff** - applicant describes systems to promote teacher quality beginning with a hiring process and including coaching, evaluation, and professional development.

**Governance** – applicant’s governing board is legally responsible for the holding the charter, entering into the contract with the Mississippi Charter School Authorizer Board and overseeing the operation and academic performance of the charter school. Governance includes all financial planning, budgeting, and oversight.

*Stage 3 (From Second 2014 Application Cycle to Present) Definitions*

**Educational Program Design and Capacity** – Applicant describes rigorous learning standards detailing intended academic outcomes at each grade level and provides sound and credible evidence that the proposed educational model is effective with applicant’s intended student body. Education program design includes curriculum and instructional design, pupil performance standards, high school graduation requirements, school calendar and schedule, school culture, supplemental programming, special populations, at-risk students, student recruitment and enrollment, student discipline, parent and community involvement, and educational program capacity.

**Operations Plan** – Applicant provides clear evidence of its capacity and expertise to develop and execute a stable organization infrastructure to support its start-up and operation. The operations plan includes organizational charts, legal status and governing documents, governing board, advisory bodies, staff structure, staffing plans, hiring, management and evaluation, professional development, performance management, facilities, start-up and ongoing operations, and operations capacity.

**Financial Plan and Capacity** – Applicant provides clear evidence of its capacity and expertise to develop and execute a strong financial plan that aligns with the school’s vision, educational program, and organizational plan. The financial plan includes start-up and five-year budgets, cash flow projections, revenue and expenditure assumptions, financial policies and controls, and financial management capacity.

*Where applicable, evaluators also reviewed other supplemental areas:*

**Request for Waivers from MISS. CODE ANN. Section 37-28-47** – If applicable, applicant may request for waiver related to the employment of a nonimmigrant foreign worker by showing how this waiver will positively impact student achievement.

**Conversion School Proposals** – If applicant plans to convert an existing (non-charter) public school, applicant must demonstrate a clear plan to dramatically improve persistently underperforming school cultures, significantly raise student achievement, and effectively meet the needs of at-risk population especially students with disabilities.

**Education Service Providers** – If applicable, applicant may contract with a third-party education service provider for school operation or management.

SOURCE: MCSAB request for proposals 2014–2017 and NACSA and MCSAB Charter School Recommendations Report (2014–2017).

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## Approved Applications

***Through the 2017 application cycle, the Mississippi Charter School Authorizer Board approved four applications (for five schools).<sup>13</sup>***

Exhibit 3 lists the charter school applications the authorizer board has approved to date, for what school year, and their charter terms.

Since PEER's *FY 2016 Annual Report: Analysis of Funding for Mississippi Charter Schools and the Charter School Authorizer Board*, the MCSAB approved one new charter school. Clarksdale Collegiate, located in the Clarksdale Municipal School District, plans to begin operations in the 2018-2019 school year. Further, RePublic Schools, Inc. began operation of Joel E. Smilow Prep during the 2016-2017 school year but deferred the opening of Joel E. Smilow Collegiate until the 2018-2019 school year.

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### Exhibit 3: Approved Charter Schools Through 2017 Application Cycle

Charter School	School District	Charter Operator	School Year <sup>14</sup>	Contract Term <sup>15</sup>
Midtown Public Charter School	JPSD	Midtown Partners, Inc.	2015-2016	FY 2016-FY 2020
Reimagine Prep	JPSD	RePublic Schools, Inc.	2015-2016	FY 2016-FY 2020
Joel E. Smilow Prep	JPSD	RePublic Schools, Inc.	2016-2017	FY 2017-FY 2021
Joel E. Smilow Collegiate	JPSD	RePublic Schools, Inc.	2018-2019	TBD <sup>16</sup>
Clarksdale Collegiate	Clarksdale	Clarksdale Collegiate, Inc.	2018-2019	TBD

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SOURCE: PEER analysis of Mississippi Charter School Authorizer Board documents.

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<sup>13</sup>Joel E. Smilow Prep and Joel E. Smilow Collegiate were included on the same application made by RePublic Schools, Inc. during the 2015 application cycle.

<sup>14</sup>The year in which schools began serving students or are expected to serve students.

<sup>15</sup>Per MISS. CODE ANN. Section 37-28-2(2)(a), the authorizer board must grant an initial charter to each qualified applicant for a term of five operating years.

<sup>16</sup>As of October 2017, the MCSAB has not generated contracts with Joel E. Smilow Collegiate or Clarksdale Collegiate.

## **Charter Schools Serving Students During the 2016–2017 School Year**

**During the 2016–2017 school year, three charter schools located in Jackson served 495 students<sup>17</sup> residing in four school districts. In accordance with state law, Midtown Public utilized a lottery for enrollment because the school’s capacity was insufficient to enroll all students who wished to attend during the 2016–2017 school year. As of September 1, 2017, 143 children were on waiting lists for charter schools.**

The following two charter operators began serving students in the 2015–2016 school year and therefore have completed two full school years:

- Midtown Public Charter School, operated by Midtown Partners, Inc. with headquarters in Jackson, served grades 5, 6, and 7 with an average daily attendance of 161 students.
- Reimagine Prep, operated by RePublic Schools with headquarters in Nashville, served grades 5 and 6 with an average daily attendance of 222 students.

Joel E. Smilow Prep (Smilow Prep), also operated by RePublic Schools, completed its first year, serving fifth-grade students in the 2016–2017 school year with an average daily attendance of 112 students.

All three schools are located in Jackson within the geographical boundaries of the Jackson Public School District. Average daily attendance in months two and three of the school year was 495 students.

In 2016 the Legislature made changes to the “Mississippi Charter Schools Act” by allowing students in “C,” “D,” or “F” districts to cross district lines to attend charter schools. Thus, the 2016–2017 school year was the first year that charter schools enrolled students residing in districts other than the Jackson Public School District. In addition to the JPSD, three charter schools served students from, the Hinds County School District, the Leake County School District, and the Yazoo City School District.

Additionally, MISS. CODE ANN. Section 37-28-23(7) states that if capacity is insufficient to enroll all students who wish to attend the school based upon initial application, the charter school must select students through a lottery. According to MISS. CODE ANN. Section 37-28-23(8)(b), a charter school must give enrollment preference to students enrolled in the charter school during the preceding school year and to siblings of students attending the school. An enrollment preference for returning students excludes those students from the lottery.

For the 2016–2017 school year, both Reimagine Prep and Smilow Prep enrolled all students who applied, making a lottery unnecessary. Midtown Public enrolled all students who applied for fifth grade but selected seven sixth-grade

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<sup>17</sup>Average daily attendance in months two and three of the 2016–2017 school year.

students and three seventh-grade students through the lottery.

For the 2017-2018 school year, as of September 1, 2017, the charter schools had placed approximately 143 children on waiting lists for enrollment. (See Exhibit 4 for a breakdown by school and grade.)

**Exhibit 4: Waiting List Numbers by School and Grade**

Charter School	Grade				
	5th	6th	7th	8th	TOTAL
Midtown Public Charter School	0	4	7	23	34
Reimagine Prep	16	39	25	N/A	80
Joel E. Smilow Prep	6	23	N/A	N/A	29
<b>TOTAL</b>	<b>22</b>	<b>66</b>	<b>32</b>	<b>23</b>	<b>143</b>

SOURCE: RePublic Schools, Midtown Public.

**MCSAB’s Goals to Expand the State’s Charter School Sector**

In September 2017, the U.S. Department of Education awarded a five-year, \$15 million grant to the Mississippi Charter School Authorizer Board to help expand the state’s charter school sector. The board aims to increase the number of charter schools from four to 19 over the next five years<sup>18</sup> and to approve at least 15,000 additional seats when the charter schools reach full capacity.<sup>19</sup>

In September 2017, the U.S. Department of Education’s Expanding Opportunity through Quality Charter Schools Program awarded new grants totaling \$253 million to nine states and 17 charter management organizations to create and expand charter schools across the nation. The Mississippi Charter School Authorizer Board received a five-year, \$15 million grant to help achieve the following goals from the board’s grant application:

- *Increase the number of new, high-quality charter schools launching in Mississippi by at least 375% over the next five years to create 15,000 new high-quality charter school seats.*
- *Support all charter schools in earning an “A” or “B” letter grade on Mississippi’s statewide accountability system or*

<sup>18</sup>October 1, 2017–September 30, 2022.

<sup>19</sup>According to the MCSAB Executive Director, while MCSAB expects to have approved 15,000 additional seats within five years, it does not expect all seats to be available within five years. For example, if a charter school has been approved by the MCSAB to offer grades beyond those included in its five-year contract term, all seats for all grades that have been approved are counted.

*significantly improve by advancing two letter grades from their rating by their fourth year of operation.*

- *Advance MCSAB's standing as a national leader in authorizing quality, as demonstrated by the National Association of Charter School Authorizers' State Policy ranking.*

MCSAB will direct the majority of grant funding to the first goal of increasing the number of charter schools. Plans to accomplish this goal include the following:

- to recruit applicants from high-quality charter school pipelines (e.g., charter management organizations who run high-performing schools);
- to provide preapproval technical assistance to aspiring applicants; and
- to implement a sub-grant program to alleviate the burden of start-up costs for new charter schools, including hiring administrative staff and teachers, securing facilities, conducting enrollment activities, and purchasing technology, equipment, and curriculum.

According to MCSAB's grant application, these tasks will be conducted with the assistance of MCSAB partners, including Mississippi First, Mississippi Education Accelerator, and the National Association of Charter School Authorizers. The MCSAB estimates approval of 15 additional charter schools with these funds over the lifetime of the grant. PEER notes that to reach the goal of 15 additional charter schools and 15,000 new charter school seats in five years, the MCSAB would need to approve three schools and 3,000 new seats per year.

## **MCSAB Evaluation of Charter School Performance**

**The Mississippi Charter School Authorizer Board uses the Mississippi Charter School Performance Framework to evaluate each charter school's academic, financial, and organizational performance. The MCSAB's most recently released annual report dated December 2016 indicates that both Midtown Public Charter School and Reimagine Prep met expectations in the areas of financial performance and organizational performance for the 2015–2016 school year. However, the schools did not meet academic expectations, including the state accountability letter grade goals and school-specific academic goals.**

According to MISS. CODE ANN. Section 37-28-29, charter contracts must include a performance framework that outlines academic and operational performance indicators as well as measures and metrics that will guide the authorizer's evaluations of the charter school (e.g., student academic proficiency, financial performance, and sustainability). Per MISS. CODE ANN. Section 37-28-31, the MCSAB must submit an annual report to the Legislature regarding its evaluation of charter schools according to their contracts. Also, the MCSAB must provide a performance report for each charter school it



oversees in accordance with the performance framework. If a charter school's performance is unsatisfactory, the MCSAB must notify the charter school and provide a reasonable opportunity for the school to remedy the problem unless the problem warrants revocation.

The MCSAB developed a performance framework to provide criteria (i.e., performance measures) for assessing charter schools. For each performance measure, a school receives one of four ratings: "Exceeds Expectations," "Meets Expectations," "Approaches Expectations," or "Fails to Meet Expectations." The framework includes the following areas:

- academic measures for student academic proficiency, academic growth, performance of major student subgroups, etc.;
- financial measures, including fund balance, audit findings, debt-to-asset ratio, and timely reporting; and
- organizational measures, including enrollment, discipline, and at-risk student populations.

MCSAB's most recently released annual report (December 2016) indicates that both Midtown Public Charter School and Reimagine Prep met expectations in the areas of financial performance and organizational performance for the 2015-2016 school year. However, the schools did not meet academic expectations, including the state accountability letter grade and school-specific academic goals.

The Mississippi Department of Education releases letter grades for schools and districts based on the state's "A through F" accountability system that evaluates how schools and districts performed in the most recently completed school year.<sup>20</sup> This letter grade factors into the performance framework as part of the school's academic measures for student academic proficiency.<sup>21</sup>

For charter school letter grades, MCSAB's 2016 annual report indicates that Midtown Public Charter School "fails to meet expectations," while Reimagine Prep "approaches expectations."<sup>22</sup> For school-specific academic goal performance,<sup>23</sup> both schools failed to

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<sup>20</sup>For more information on MDE's accountability standards, see PEER Report #596, *A Review of the Accountability Standards of the Mississippi Department of Education*.

<sup>21</sup>Schools that "Exceed Expectations" have earned an "A"; "Meet Expectations" have earned a "B" or "C"; "Approach Expectations" have earned a "D"; and "Fail to Meet Expectations" have earned an "F."

<sup>22</sup>For the 2015-2016 school year, Midtown Public Charter School received a rating of "F" and Reimagine Prep received a rating of "D." Although the MCSAB has not yet released its 2017 annual report, the MDE released its most recent accountability ratings in October 2017 for the 2016-2017 school year. Midtown Public received a rating of "F," and Reimagine Prep and Smilow Prep both received ratings of "D."

<sup>23</sup>Schools that "Exceed Expectations" exceeded the school-specific annual goals; "Meet Expectations" met the school-specific annual goals; "Approach Expectations" did not meet school-specific academic goals; and "Fail to Meet Expectations" fell far below school-specific academic goals.

meet expectations.<sup>24</sup> Reimagine Prep fared better in subgroup growth and proficiency, meeting or exceeding expectations in several areas involving math (e.g., growth among males and females).

The MCSAB will use results from the performance framework evaluations for charter renewal decisions and to initiate charter school revocation proceedings during the contract term if the school has persistent shortcomings or incidents that threaten the health, safety, or welfare of students.

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<sup>24</sup>Reimagine Prep sought for 100% of students who started the school year reading below grade level, as measured by the Scholastic Reading Inventory, to grow at least 1.5 grade levels over the course of the year; however, only 46% of students met this goal. Midtown Public sought that 100% of students who scored basic or below basic at the beginning of the school year in reading and math would demonstrate 1.5 years of growth in reading and math as measured by the STAR assessment; however, only 20% of students met this goal.

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## Sufficiency of Funding for Charter Schools

MISS. CODE ANN. Section 37-28-37(2) requires in part that the PEER Committee prepare an annual report assessing the sufficiency of funding for charter schools. This chapter addresses the following issues regarding the sufficiency of charter school funding from

- state sources,
- local ad valorem taxes,
- federal funds, and
- other sources, such as grants and gifts.

### Sufficiency of State-Level Funding

During the 2016–2017 school year the Mississippi Department of Education distributed Mississippi Adequate Education Program funding to charter schools at an amount of \$4,073 per pupil (before add-on program costs), which was the same amount provided to the Jackson Public School District in accordance with MISS. CODE ANN. Section 37-28-55(1)(a).

The Mississippi Legislature defines what constitutes adequate funding to public schools through a formula known as the Mississippi Adequate Education Program (MAEP). MISS. CODE ANN. Section 37-151-5(a) defines MAEP adequate funding as:

*“Adequate program” or “adequate education program” or “Mississippi Adequate Education Program (MAEP)” shall mean the program to establish adequate current operation funding levels necessary for the programs of such school district to meet at least a successful Level III rating of the accreditation system as established by the State Board of Education using current statistically relevant state assessment data.*

Different stakeholders may define “adequate funding” and “sufficient funding” differently. Therefore, for purposes of this review to assess the sufficiency of funding for charter schools as required by statute, PEER equates the Legislature’s definition of adequate funding through the MAEP formula to constitute sufficient funding from the state for charter schools.

Under MAEP, the Legislature provides funding to school districts and charter schools to cover instruction, administration, plant and maintenance, and ancillary (e.g., librarians and counselors) expenditures. Also under MAEP, the Legislature provides funding to each school district and charter school for add-ons, which are special education, gifted, alternative school, and transportation programs. Funding per student for add-on programs is unique to each school district and charter school based on the criteria associated with each add-on program’s funding formula and the district or charter school’s characteristics relative to the criteria.

For the 2016–2017 school year, MAEP formula calculations resulted in per-pupil amounts<sup>25</sup> for the charter schools and for the JPSD as shown in Exhibit 5. The difference in funding per pupil among the schools and the JPSD is attributable to the amount each charter school and the JPSD received from the add-on programs component of the MAEP formula.

Exhibit 5 also shows the comparison between the amount of funding provided in the 2015–2016 school year and the 2016–2017 school year to the charter schools and the JPSD.

**Exhibit 5: FY 2017 MAEP Appropriation Amounts Per Pupil by Charter School, after Governor’s Budget Cuts**

Charter School or School District	2016–2017 School Year			2015–2016 School Year
	Per-Pupil MAEP before Add-Ons	Per-Pupil Add-Ons <sup>26</sup>	Total Per-Pupil MAEP	Total Per-Pupil MAEP
Midtown Public	\$4,073	\$1,044	\$5,117	\$5,998
Reimagine Prep	\$4,073	\$797	\$4,870	\$5,898
Smilow Prep	\$4,073	\$1,718	\$5,791	N/A
JPSD	\$4,073	\$831	\$4,904	\$4,883

SOURCE: PEER analysis of MDE documents.

Each public school district receiving MAEP funding shared on a pro rata basis the Governor’s budget cut<sup>27</sup> adjustments to MAEP funding experienced by all three charter schools. During the 2016–2017 school year, the Legislature provided MAEP funding to Midtown Public, Reimagine Prep, and Smilow Prep in a manner consistent with its provision of MAEP funds to

<sup>25</sup>For charter schools, the 2016–2017 school year per pupil amounts are based on 2016–2017 school year enrollment projections for each charter school. MISS. CODE ANN. Section 37-28-55(1)(b) states that the enrollment figure used for Mississippi Adequate Education Program funding for charter schools is to be the projected enrollment stated in the charter school contract. Senate Bill 2161, passed during the 2016 Regular Legislative Session, amended MISS. CODE ANN. Section 37-28-55(1)(b) to provide for a reconciliation of MAEP funds distributed to the charter schools using months two and three average daily attendance for the current year, to be applied to the next school year’s MAEP payments. For traditional school districts, FY 2017 per pupil amounts are based on FY 2015 ADA for months two and three.

<sup>26</sup>The charter schools did not receive any vocational funds for FY 2017, and Midtown Public and Reimagine Prep did not receive any gifted education funds for FY 2017.

<sup>27</sup>FY 2017 Governor’s budget cuts were 0.88%.

## Sufficiency of Funding from Local Ad Valorem Taxes

For the 2016–2017 school year, Midtown Public, Reimagine Prep, and Smilow Prep received local support payments from ad valorem taxes in a manner consistent with MISS. CODE ANN. Section 37-28-55(2) and (3). However, the local ad valorem pro rata calculation required by that statute provides unequal shares between charter schools and the school districts. Further, the statute does not require that local ad valorem support to charter schools be reconciled annually, as it does for MAEP payments.

Under MISS. CODE ANN. Section 37-57-104, during the submission of its annual budget, the school board of each school district sets local funding for public school districts up to a maximum of 55 mills.<sup>28</sup> Further, MISS. CODE ANN. Section 37-28-55(2) requires each school district in which a charter school is located to distribute a pro rata share of local ad valorem funds to all charter schools in the district.<sup>29</sup> Under MISS. CODE ANN. Section 37-28-55(3), effective July 1 2016, if a student who resides in one school district attends a charter school located in a different school district, the district in which the student resides distributes its own district's pro rata share of local ad valorem support funds to the charter school the student attends.

For purposes of this review, PEER equates the sufficiency of local funding levels for Midtown Public, Reimagine Prep, and Smilow Prep to the funding levels provided to other school districts in which charter school students reside.

The 2016–2017 school year was the first year that charter schools enrolled students from districts other than the Jackson Public School District. Therefore, for the three charter schools in operation that year, per-pupil local support payments were based on ad valorem tax receipts received by the student's district of residence for the previous fiscal year, as shown in Exhibit 6, page 24.

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<sup>28</sup>For the purpose of property tax assessment, one mill represents \$1 in property taxes for every \$1,000 in assessed property value.

<sup>29</sup>If the school district does not pay the required local amount to the charter school before January 16, the MDE shall reduce the local school district's January transfer of MAEP funds by the amount owed to the charter school and shall redirect that amount to the charter school.

**Exhibit 6: FY 2017 Local Contributions to and Number<sup>30</sup> of Students in Each Charter School, by Student’s District of Residence**

<b>Charter School</b>	<b>Hinds County School District</b> \$3,206.76/pupil <sup>31</sup>	<b>Leake County School District</b> \$1,360.54/pupil	<b>Yazoo City School District</b> \$848.72/pupil	<b>Jackson Public School District</b> \$2,700.93/pupil	<b>Total</b>
Midtown Public	\$6,413.52 (2 students)	---	---	\$440,251.59 (163 students)	\$446,665.11 (165 students)
Reimagine Prep	\$19,240.56 (6 students)	\$1,360.54 (1 student)	---	\$618,512.97 (229 students)	\$639,114.07 (236 students)
Smilow Prep	\$3,206.76 (1 student)	---	\$848.72 (1 student)	\$329,513.46 (122 students)	\$333,568.94 (124 students)
<b>Total</b>	<b>\$28,860.84</b> <b>(9 students)</b>	<b>\$1,360.54</b> <b>(1 student)</b>	<b>\$848.72</b> <b>(1 student)</b>	<b>\$1,388,278.02</b> <b>(514 students)</b>	<b>\$1,419,348.12</b> <b>(525 students)</b>

SOURCE: PEER analysis of MDE documents.

**Pro Rata Share of Local Ad Valorem Taxes to Charter Schools**

*Determining the pro rata share of local ad valorem taxes to charter schools according to the calculation in MISS. CODE ANN. Section 37-28-55(2) and (3) results in the charter schools receiving more funds per pupil than the school district in which the student resides.*

MISS. CODE ANN. Section 37-28-55(2) and (3) requires, for students attending a charter school located in the school district in which the student resides and for students attending a charter school located in a school district in which the student does not reside, the pro rata amount to the charter school be calculated by dividing the total amount of ad valorem receipts and in-lieu receipts of the school district in which the student resides by its months one through nine average daily membership (ADM). The school district in which the student resides will then pay an amount equal to this pro rata amount multiplied by the number of students residing in its district who are enrolled in the charter school, based on the charter school’s end of first month enrollment for the current school year.

<sup>30</sup>For purposes of calculating the number of students for which local ad valorem contributions are made to charter schools, MISS. CODE ANN. Section 37-28-55(2) and (3) requires the use of the average daily membership for month 1 of the 2016-2017 school year. Because of this, the total number of students (525) is different from the actual number of students (495), which was derived using average daily attendance for months two and three of the 2016-2017 school year.

<sup>31</sup>For purposes of calculating local ad valorem contributions per pupil made to charter schools for the 2016-2017 school year, MISS. CODE ANN. Section 37-28-55(2) and (3) require that total ad valorem receipts received by the student’s resident district in the 2015-2016 school year be divided by its average daily membership for months one through nine.

Calculating the pro rata share of local ad valorem taxes to charter schools in this way results in the charter schools receiving more funds per pupil than the school district in which the student resides.

For example, the total amount of ad valorem receipts collected by the Jackson Public School District during the 2015-2016 school year was \$73,408,588.31. Months one through nine of ADM that year for the JPSD was 27,179 (this does not include students at the charter schools). The local ad valorem pro rata calculation for students who resided within the boundaries of the JPSD and who also attended the three charter schools located within the boundaries of the JPSD during the 2016-2017 school year, was as follows:

$$\$73,408,588.31 \div 27,179 = \$2,700.93$$

Therefore, the pro rata share the Jackson Public School District distributed to the charter schools was \$2,700.93 per pupil. However, because the denominator (27,179) only included the ADM for the Jackson Public School District and not the charter schools, and therefore the full population of students to receive the pro rata share was not included, it left only \$2,649.85 per pupil for JPSD students, a difference of \$51.07 per pupil. As the charter schools grow, this statutory calculation will affect the school districts more adversely, particularly districts in which multiple charter schools are operating.

### **Local Ad Valorem Contributions Not Reconciled**

*Although state statute requires the annual reconciliation of MAEP payments to charter schools, it does not require reconciliation of local ad valorem contributions paid to charter schools by school districts. Therefore, the per-pupil local ad valorem contributions paid to charter schools each year are not consistent with the actual number of students in attendance at the charter schools for that year.*

PEER staff determined that while MISS. CODE ANN. Section 37-28-55(1)(b) requires the reconciliation of MAEP payments to charter schools each year to reflect enrollment based on ADA for months two and three (which brings it into line with the enrollment figures used to calculate MAEP payments for the school districts), MISS. CODE ANN. Section 37-28-55(2) and (3) do not require that local ad valorem contributions to charter schools be reconciled.

### **Sufficiency of Federal Funding**

**Federal funds received by the Mississippi Department of Education are distributed to each public school district and charter school based on the school's ability to meet federal program requirements.**

MISS. CODE ANN. Section 37-28-55(4)(a) requires the Mississippi Department of Education to direct to each qualified charter school a proportional share of all monies

generated under applicable federal programs and grants. The MDE receives federal grant funds and distributes them to each qualified school based on the standards set forth in each grant's program and agreement and a school's ability to meet these specifications. The MDE must comply with the distribution requirements specified by each federal program or grant. The federal government audits the distribution of these funds for compliance with stated program and grant requirements.

Within this framework for the distribution of federal funds, charter schools have equal access to apply for and receive federal funds. Regarding sufficiency, the amount a charter school receives in federal funds depends upon its characteristics related to meeting the requirements set forth by the federal program or grant.

In the 2016–2017 school year, charter schools<sup>32</sup> received grant funds totaling \$1,326,714. Of the following federal grants provided to charter schools that year, 21st Century Grants, IDEA Funding, Title I and Title II Grants, and Extended School Year Grants, pass through the Mississippi Department of Education to the charter schools, while the charter schools independently apply for the School Breakfast Program, the National School Lunch Program, and the Public Charter Schools Program:

- 21st Century Grants<sup>33</sup> support the creation of community learning centers that provide academic enrichment opportunities during non-school hours.
- IDEA Funding assists states in meeting the excess costs of providing special education and related services to children with disabilities.
- Extended School Year Grants provide special education and related services to students with disabilities in accordance with their individualized education program beyond the normal school year of the local district and at no cost to the parents of the students.
- School Breakfast Program provides cash assistance to states to operate nonprofit breakfast programs in schools and residential childcare institutions.
- National School Lunch Program provides nutritionally balanced low-cost or free lunches to children each school day.
- Public Charter Schools Program enables state entities to award sub-grants to eligible applicants in their state to open and prepare for the operation of new charter schools and to replicate and expand high-quality charter schools. This program also features a grant for replications and

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<sup>32</sup>This figure does not include \$256,688 in federal revenue, which was awarded to the charter operator (Republic Schools, Inc.) rather than directly to the charter schools in Mississippi.

<sup>33</sup>The 21st Century Grant from FY 2016 ran from August 2015 through July 2016; therefore, the July 2016 portion of the grant revenue was included in the FY 2017 school year.



expansion of high-quality charter schools; Republic Schools Inc. received its Charter School Program Grant funds through this particular grant.

- Title I and Title II Grants to Local Educational Agencies (LEAs) provide financial assistance to LEAs and schools:
  - with high numbers or high percentages of children from low-income families to help ensure that all children meet to increase academic achievement by improving teacher and principal quality (Title II).
  - to increase academic achievement by improving teacher and principal quality.

(For more information on each of these grants, see Appendix D, page 42.)

Although Midtown Public and Reimagine Prep had expected federal 21st Century Grant funds via the Mississippi Department of Education for the 2016–2017 school year, neither received the funds because, as reported in an external audit, the MDE over-allocated the grant funds from the 2015–2016 school year and thus did not provide the grant funds to the two schools for the 2016–2017 school year, for which both Reimagine Prep and Midtown Public had expected to receive \$250,000. Reimagine Prep reported that, as a result of not receiving the expected funds, it could not fill a grant-related position and it reduced some extracurricular programs, while Midtown Public reported teacher salaries and after-school activities being adversely affected.

## Sufficiency of Funding from Other Sources

**A charter school’s ability to obtain funding from grants, gifts, and donations depends upon its success applying for grants and attracting gifts and donations from other sources. During the 2016–2017 school year charter schools received \$1,350,682 from other sources.**

MISS. CODE ANN. Section 37-28-59(2) grants charter schools the authority to receive other forms of support (e.g., charitable contributions and private grants). Like federal funds, these other sources of revenue are variable and depend on each charter school’s ability to successfully apply for grants and attract donations and gifts from other sources. Therefore, sufficiency of funding from these sources is unique to each charter school and the amount received from these sources will vary among charter schools.

During the 2016–2017 school year, charter schools received \$1,350,682<sup>34</sup> from other sources that included contributions,

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<sup>34</sup>This figure does not include \$1,988,767 in other revenue, which was awarded to the charter operator (Republic Schools, Inc. rather than directly to the charter schools in Mississippi.

donations, grants, rebates,<sup>35</sup> state food service payments,<sup>36</sup> and accounting adjustments.<sup>37</sup>

## Charter School Funding Received

During the 2016–2017 school year Midtown Public received approximately \$1.6 million, Reimagine Prep approximately \$2.75 million, and Smilow Prep approximately \$2 million from Mississippi Adequate Education Program funding, local ad valorem taxes, federal funds, and other sources.

Exhibit 7 details the amount received by each charter school from funding sources.

### Exhibit 7: Charter School<sup>38</sup> Revenue for the 2016–2017 School Year, by Funding Source

Source of Funds	Midtown Public	Reimagine Prep	Smilow Prep	Smilow Collegiate <sup>(f)</sup>	TOTAL
MAEP <sup>a</sup>	\$798,275	\$1,071,471	\$689,150	\$0	\$2,558,896
Local Ad Valorem Taxes <sup>b</sup>	\$446,665	\$639,114	\$333,569	\$0	\$1,419,348
Federal Funds <sup>c</sup>	\$106,970	\$750,284	\$469,460	\$0	\$1,326,714
Other <sup>d</sup>	\$281,482	\$291,339	\$550,260	\$227,601	\$1,350,682
<b>Total<sup>e</sup></b>	<b>\$1,633,392</b>	<b>\$2,752,208</b>	<b>\$2,042,439</b>	<b>\$227,601</b>	<b>\$6,655,640</b>

- MAEP reflects amounts received by the charter schools after reductions for less than full MAEP funding and budget cuts ordered by the governor.
- Local ad valorem taxes include revenue from JPSD as well as from the home school districts (Hinds County, Leake County, and Yazoo City) of children attending the charter schools.
- Federal funds include the grants listed in Appendix D, page 42.
- Other sources of funds include contributions, grants, donations, rebates, state food service payments, and accounting adjustments.
- The total amounts do not include an ADA adjustment to the 2016–2017 school year’s MAEP payments to each charter school. These adjustments will be reflected in the 2017–2018 school year’s MAEP payments.
- Smilow Collegiate was not operational during the 2016–2017 school year. The school plans to open for the 2018–2019 school year.

SOURCE: Charter schools’ financial records and state accounting records.

<sup>35</sup>Rebates to Reimagine Prep in the form of e-rate (Internet/phone/equipment) reimbursements.

<sup>36</sup>State of Mississippi State Supplement.

<sup>37</sup>This was an adjustment to Reimagine Prep’s accounting records as a result of recording revenues on an accrual basis.

<sup>38</sup>These figures do not include revenues to Republic Schools, Inc. (charter operator for Reimagine Prep, Smilow Prep, and Smilow Collegiate) in the amounts of \$256,688 in federal funds and \$1,988,767 in other funds.

## Charter School Revenue Versus Expenditures

*While Reimagine Prep and Smilow Prep's revenues were sufficient to cover their expenditures for FY 2017, Midtown Public Charter School's expenditures exceeded its revenues by \$133,206.*

PEER reviewed each charter school's audited financial statements for FY 2017 to determine whether revenues were sufficient to cover the schools' expenditures. As shown in Exhibit 8, the difference in revenues and expenditures for Reimagine Prep was \$140,046 and the difference for Smilow Prep was \$498,712—both schools' revenues exceeding expenses. However, Midtown's revenues failed to cover its expenses by \$133,206. Midtown's Executive Director indicated that up-front costs (e.g., building expansion, desks, books) contributed to the deficit, and these costs would not be incurred in the future. The loss of the 21st Century Grant also contributed to the deficit.

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### Exhibit 8: FY 2017 Charter School Revenue Versus Expenditures

	Midtown	Reimagine Prep	Smilow Prep
<b>Revenues</b>	\$1,633,392	\$2,752,208	\$2,042,439
<b>Expenditures</b>	\$1,766,598	\$2,612,162	\$1,543,727
<b>Difference</b>	\$(133,206)	\$140,046	\$498,712

SOURCE: PEER analysis of charter schools' FY 2017 audited financial statements.

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As shown in Exhibit 9, page 30, according to the National Education Association, the projected cost per student for public schools in the state of Mississippi for the 2016–2017 school year was \$8,551. In comparison, the cost per student was \$10,245 for Midtown Public, \$10,212 for Reimagine Prep, and \$11,825 for Smilow Prep. Although the cost per student for the charter schools was higher than that of the state collectively, the charter schools are still in their infancy and at present have fewer students than typical school districts. Therefore, without economies of scale, the cost per student for the charter schools is expected to be higher than that for schools or districts with higher student populations.<sup>39</sup>

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<sup>39</sup>For example, for the 2015–2016 school year, the statewide average cost per student was \$9,704; however, the cost per student was \$11,552 for the 21 districts with fewer than 1,000 students (ADA). Also, the school with the fewest students (i.e., ADA of 227) had a cost per student of \$14,463.63.

## Charter School Account Names and Titles

The MCSAB does not require all charter schools in the state to report financial information in the format required by the Mississippi Department of Education’s accounting manual for public school districts, which inhibits comparisons of charter school and public school expenditures.

The Mississippi Department of Education requires local school districts to use a uniform chart of accounts to provide consistency in recording revenues and expenditures across school districts. Although the charter schools’ accounting structure may be sufficient to meet their accounting needs, the use of different account names and titles inhibits future comparison of expenditures between charter schools and public schools, and among charter schools. This disparity results in a more time-consuming process for PEER or another entity attempting to make accurate comparisons in expenditure data. PEER noted this issue in its previous review, and MCSAB personnel responded that the authorizer board had contemplated requiring charter schools to comply with the MDE-mandated chart of accounts but, PEER notes that as of this review, the board has not required them to do so. However, the MCSAB has developed a “crosswalk” between charter schools’ accounting codes and MDE’s accounting codes, which should allow for comparisons to be made in the future.

**Exhibit 9: FY 2017 Charter School Cost Per Student Compared to Cost Per Student for Mississippi Public Schools, Excluding Capital and Interest Expenses**

	Total Expenditures <sup>40</sup>	Enrollment <sup>41</sup>	Cost Per Student
Midtown Public	\$1,649,414	161	\$10,245
Reimagine Prep	\$2,267,036	222	\$10,212
Smilow Prep	\$1,324,415	112	\$11,825
State of Mississippi <sup>42</sup>	\$4,125,869,000	482,445	\$8,551

SOURCE: National Education Association; analysis of charter school financial documents.

<sup>40</sup>Total expenditures do not include capital expenditures of \$115,424 and interest expense of \$1,760 for Midtown, capital expenditures of \$341,136 for Reimagine Prep, capital expenditures of \$216,969 for Smilow Prep, capital expenditures of \$54,467 and interest expense of \$65,650 for the state of Mississippi. Collective interest for Reimagine Prep and Smilow Prep is \$6,333 (\$5,067 + \$1,266, not broken out by school). PEER staff applied to Reimagine Prep and Smilow Prep a pro-rata share of interest expense based on their percentage of total expenditures (including capital and interest expenses) between the two schools, with Reimagine Prep at 63% and Smilow Prep and 37%, and therefore, interest expenses of \$3,990 and \$2,343, respectively.

<sup>41</sup>Average daily attendance.

<sup>42</sup>These are projections of 2016–2017 school year data from the National Education Association. *Rankings & Estimates: Rankings of the States 2016 and Estimates of School Statistics 2017*. Tables I-3, J-7, J-9, pp. 100, 118, 120.

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## Efficacy of the State Formula for Authorizer Funding

MISS. CODE ANN. Section 37-28-37(2) requires that, as part of an annual report, the PEER Committee assess the efficacy of the state formula for funding the Mississippi Charter School Authorizer Board.

This chapter addresses

- the efficacy of the MCSAB funding model, and
- MCSAB expenditures.

### Efficacy of the MCSAB Funding Model

**Under MISS. CODE ANN. Section 37-28-11(1), the Mississippi Charter School Authorizer Board receives 3% of annual per-pupil allocations received by charter schools from state and local sources. As occurred in FY 2016, this statutory formula did not generate sufficient funding to support the board’s activities in FY 2017. The Legislature included additional funding for the board in Institutions of Higher Learning-appropriated funding.**

The National Alliance for Public Charter Schools (NAPCS), a nonprofit organization committed to advancing the public charter school movement, states that adequate authorizer funding, including provisions for guaranteed funding from the state or authorizer fees, is an essential component of the model charter public school law.

Further, funding structures for charter authorizers generally fall into three categories: fees retained from authorized charter schools, budget allocation from a parent organization (such as a university), and state or local budget appropriation. There is no single formula for authorizer funding that is “the best” for every state. The determination of an adequate, efficient, and well-working formula for authorizer funding will depend on conditions in each state.<sup>43</sup>

The National Association of Charter School Authorizers (the organization contracted to conduct Mississippi’s charter school application review) also comments on this issue, stating that when authorizers are a state entity (as is the case in Mississippi), they are most often funded through a state appropriation. Although this would make funding for the authorizer board subject to annual appropriations, it would eliminate the redirection of charter school operational funds to authorizers, remove the incentive for authorizers to approve and continue operating underperforming schools, and remove the potential for authorizers to receive too little or too much funding.<sup>44</sup>

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<sup>43</sup>Information from the National Alliance for Public Charter School’s 2016 publication *A Model Law for Supporting the Growth of High-Quality Charter Schools (2nd Edition)*.

<sup>44</sup>Information from the National Association of Charter School Authorizers 2009 policy guide, *Charter School Authorizer Funding*.

As authorized under MISS. CODE ANN. Section 37-28-11(1), the MCSAB receives 3% of annual per-pupil allocations received by charter schools from state and local sources. For purposes of this report, PEER equates efficacy<sup>45</sup> of the MCSAB funding model to provision of sufficient revenue from charter school fees to fully fund MCSAB operations.

Prior to the passage of Senate Bill 2161 during the 2016 Regular Legislative Session, MISS. CODE ANN. Section 37-28-7(10) directed IHL to provide offices and clerical support for the Mississippi Charter School Authorizer Board. Therefore, the Legislature appropriated funds to IHL for the support of the board. Although Senate Bill 2161 authorized the board to obtain its own suitable office space for administrative purposes, the Legislature’s intent continues to be that IHL transfer operating funds to the board.

The board began operating in FY 2014 but did not receive any charter school fees until FY 2016 when charter schools became operational, as noted in Exhibit 10. In FY 2016 the statutory formula failed to provide efficacy because the fees received from charter schools did not sufficiently fund MCSAB operations.

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**Exhibit 10: Sources of Revenue for the Mississippi Charter School Authorizer Board, FY 2014–FY 2017**

<b>Source of Funds</b>	<b>FY 2014 &amp; FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
IHL Appropriation	\$250,000 <sup>46</sup>	\$250,000	\$236,547
3% Fees	\$0	\$56,078	\$119,314
<b>Total Revenue</b>	<b>\$250,000</b>	<b>\$306,078</b>	<b>\$355,861</b>
Total Expenditures	\$249,797 <sup>47</sup>	\$243,929	\$244,376
<b>Balance</b>	<b>\$203</b>	<b>\$62,149</b>	<b>\$111,485</b>

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SOURCE: Mississippi Legislature, MCSAB, PEER analysis.

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<sup>45</sup>Merriam-Webster defines efficacy as “the power to produce the desired result or effect.”

<sup>46</sup>H.B. 1440, Regular Session 2014, appropriated \$250,000 from the Capital Expense Fund to Institutions of Higher Learning to defraying the costs of general operations of the MCSAB. The board was allowed to carry forward to FY 2015 any funds not expended during FY 2014.

<sup>47</sup>The MCSAB spent \$10,300 in FY 2014 and \$239,497 in FY 2015.

To provide the Mississippi Charter School Authorizer Board with sufficient funding in FY 2017, the Legislature appropriated additional funding in IHL education and general funding. For FY 2017 the Legislature appropriated \$236,547 in general funds to the authorizer board, which also received \$119,314 from the 3% fees from the charter schools bringing total revenue received for FY 2017 to \$355,861.

This spending authority allowed the board to expend funds remitted by the charter schools as provided for in MISS. CODE ANN. Section 37-28-11(1). Total expenditures for FY 2017 were \$244,376. In FY 2017 the statutory formula did not provide efficacy because the fees received from charter schools did not sufficiently fund MCSAB operations.

Under the current funding model, the Mississippi Charter School Authorizer Board receives 3% of the state and local funds that charter schools receive. Therefore, the total amount of funds from sources available to charter schools on a per-pupil basis is less than the funds provided to public schools on a per-pupil basis.

For FY 2018 the Legislature authorized \$637,000 to the MCSAB to cover administrative operational expenses. Of that amount, the Legislature appropriated \$237,000 in general funds to IHL and \$400,000 in special fund spending authority to the MCSAB for both previously collected and estimated 3% authorizer fees.

If Mississippi charter schools receive FY 2018 per-student funding equal to amounts received during FY 2017, enrollment of 2,643 charter school students will be necessary to fund the MCSAB's FY 2018 operations<sup>48</sup> if those operations were to be based solely on revenue from the 3% fees. The contracts between the charter schools and the board project FY 2018 enrollment to be 776 students.

In addition to charter school fees and legislative funding, under MISS. CODE ANN. Section 37-28-11(2) and (3):

*(2) The authorizer may receive appropriate gifts, grants and donations of any kind from any public or private entity to carry out the purposes of this chapter, subject to all lawful terms and conditions under which the gifts, grants or donations are given.*

*(3) The authorizer may expend its resources, seek grant funds and establish partnerships to support its charter school authorizing activities.*

Until charter school enrollment reaches a level sufficient for the 3% fee combined with any gifts, grants, or donations the authorizer board may receive is large enough to fully fund the

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<sup>48</sup>The FY 2017 per-student MCSAB 3% fee of \$241.04 is based on 3% fee collections of \$119,314.44 from a combined enrollment of 495 from the three charter schools in operation that year. To obtain FY 2018 revenue solely from the 3% fees, the charter schools would need to enroll 2,643 students bringing in \$241.04 each in order to provide revenue for MCSAB's operating budget of \$637,000.

board's operations, supplemental legislative funding will continue to be necessary.

The National Alliance for Public Charter Schools comments that 3% fees generally are regarded as adequate funding for authorizers in most states, particularly where separate start-up funding is allocated for the establishment of a new authorizer. In addition, once an authorizer has chartered schools for a few years and oversees a "critical mass" of charters, it might be able to continue authorizing effectively with a lower percentage fee (because it is beyond start-up and may have achieved some economies of scale) until the point at which the number of schools it authorizes increases costs on a per-school basis.

The NAPCS also comments that the state's designated authorizer oversight body should make such a determination based on several consecutive years of financial data from all authorizers in the state. If the data warrant, the existing state entity tasked with authorizer oversight could, for example, establish a sliding scale that provides for authorizers to receive a higher percentage fee (not to exceed 3% of charter school per-pupil dollars) in their first three years of authorizing, with the percentage decreasing thereafter.

## **Mississippi Charter School Authorizer Board Expenditures**

**From FY 2014 through FY 2017, the Mississippi Charter School Authorizer Board expended approximately \$738,000 with \$341,000 (46%) of this amount being in personal services.**

During FY 2014 the Mississippi Charter School Authorizer Board began operating on a limited basis (e.g., conducted initial board meetings). During FY 2015 the authorizer board hired an Executive Director, and in FY 2016 the first charter schools became operational in the state. From FY 2014 through FY 2017, the board expended approximately \$738,000 for total operations with \$341,000 of this amount being for personal services (see Exhibit 11, page 35).

From Exhibit 11, PEER noted the following from MCSAB's FY 2017 expenditures:

- **Personal Services** — All personal service expenditures for FY 2017 were for the MCSAB Executive Director. These expenditures included salary and employee benefits. In December 2016, the board voted to increase the Executive Director's salary from \$100,000 to \$105,000, effective January 1, 2017. The board hired a Deputy Director in August 2017, with a salary of \$60,000 plus benefits; therefore, the expenses for the Deputy Director will be reflected in FY 2018.
- **Travel** — MCSAB travel for FY 2017 included \$6,745 for in-state travel and \$3,702 for out-of-state travel. In-state travel included board meetings and travel to other in-state meetings.



- **Contractual Services** — During FY 2017 the board expended \$31,739 on an outside contractor for the evaluation of charter school applications. During this time, it also expended \$8,691 on an outside contractor for accounting, financial, communication, and information technology services. The remaining \$29,038 included costs for registrations, court reporters, postage, software, and memberships.
- **Commodities** — During FY 2017 the board expended \$6,215 on office supplies and materials and spent additional funds on office accessories and computer equipment.
- **Equipment** — During FY 2017 the MCSAB expended \$24,090 for technology for the MCSAB conference room. Of this amount, the board spent \$23,312 on audiovisual equipment.
- **Subsidies, Loans, Grants** — During FY 2017 the board had no expenditures in this category.

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**Exhibit 11: Mississippi Charter School Authorizer Board Expenditures by Major Category, FY 2014–FY 2017**

Major Categories	FY 2014	FY 2015	FY 2016	FY 2017	Total
Personal Services	\$0	\$84,477	\$125,037	\$131,269	\$340,783
Travel	\$7,645	\$11,612	\$13,560	\$10,447	\$43,264
Contractual Services	\$2,655	\$84,079	\$42,603	\$69,468	\$198,805
Commodities	\$0	\$9,239	\$27,938	\$9,102	\$46,279
Equipment	\$0	\$4,290	\$10,049	\$24,090	\$38,429
Subsidies, Loans, and Grants	\$0	\$45,800	\$24,742	\$0	\$70,542
<b>Total Expenditures</b>	<b>\$10,300</b>	<b>\$239,497</b>	<b>\$243,929</b>	<b>\$244,376</b>	<b>\$738,102</b>

SOURCE: PEER analysis of MCSAB financial records.

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## Recommendations

1. The Mississippi Charter School Authorizer Board should formally adopt regulations requiring all charter schools in the state to report quarterly and annual financial information in the format required by the Mississippi Department of Education's accounting manual for Mississippi public school districts. Adoption and enforcement of these regulations would facilitate future comparison of charter school and public school expenditures.
2. Under the current funding model, the Mississippi Charter School Authorizer Board receives 3% of the state and local funds received by charter schools. Therefore, the total amount of funds from sources available to charter schools on a per-pupil basis is less than the total amount of funds provided to public schools on a per-pupil basis. To provide fully equitable state and local funding between public school and charter school pupils, the Legislature should consider amending MISS. CODE ANN. Section 37-28-11(1) to remove the 3% funding the Mississippi Charter School Authorizer Board receives from charter schools' state and local revenue sources. The Legislature should also consider amending the same section to provide that the authorizer board shall be annually funded from any funds available to the Legislature.
3. To ensure funding and accountability of appropriations, the Legislature should consider providing specifically for MCSAB operations by taking one of the following options:
  - a. Because the board is a state agency per MISS. CODE ANN. Section 37-28-7, the Legislature could consider enacting a separate appropriations bill for the board. Such bill should contain the total amount of funds appropriated for the operations of the board and a total number of authorized full and part-time positions.
  - b. The Legislature, while continuing to fund the board through appropriations to Institutions of Higher Learning, could provide a specific line item in the IHL appropriation for board support with provision for total authorized positions.
4. The Legislature should consider amending MISS. CODE ANN. Section 37-28-55(2) and (3) to require that local ad valorem contributions to charter schools be reconciled each year in the same manner as Mississippi Adequate Education Program payments are reconciled for charter schools in MISS. CODE ANN. Section 37-28-55(1)(b).
5. In order to make the pro rata distribution of local ad valorem funds equitable between school districts and charter schools, the Legislature should consider amending MISS. CODE ANN. Section 37-28-55(2) and (3) to include the charter schools' average daily membership for the first month of the current year in the denominator of the calculation.

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## Appendix A: Mississippi Charter School Authorizer Board Members for FY 2017

<b>Name</b>	<b>Appointed By</b>
Tommie Cardin	Lt. Governor
Krystal Cormack	Governor
Dr. Karen Elam	Lt. Governor
Leland Speed	Governor
Chris Wilson	Governor
Dr. Carey Wright	State Superintendent
Dr. Jean Young	Lt. Governor

SOURCE: MCSAB staff and Mississippi Legislature.

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# Appendix B: Requirements for Charter School Applicants

## Legal Requirements for Charter School Applicants

MISS. CODE ANN. Section 37-28-39(2) states:

*A charter school and any education service provider which provides comprehensive management for a charter school must be a nonprofit education organization.*

In addition to the criteria laid out in the previous section, the MCSAB, in MISS. CODE ANN. Section 37-28-15, is required to gather other various information from applicants during the evaluation process. Some of this additional information includes proof of U.S. citizenship for all board members, school staff, and key staff of the ESP, as well as evidence of community support for the proposed charter school.

Further, applicants that already operate one or more charter schools anywhere are required to submit with their application evidence of past performance and current capacity for growth, including clear evidence that it has produced statistically significant gains in student achievement or consistently produced proficiency levels as measured on state achievement tests.

## Application Requirements Based on Accountability Letter Grade

In MISS. CODE ANN. Section 37-28-7(2)(a), the MCSAB is granted the ability to authorize a charter school within the geographical boundaries of any school district. However, this authority is limited in MISS. CODE ANN. Section 37-28-7(2)(c):

*In any school district designated as an “A,” “B” or “C” school district by the State Board of Education under the accreditation rating system at the time of application, the Mississippi Charter School Authorizer Board may authorize charter schools only if a majority of the members of the local school board votes at a public meeting to endorse the application or to initiate the application on its own initiative.*

Each year the Mississippi Department of Education releases letter grades for schools and districts based on Mississippi’s “A through F” accountability system that evaluates how schools and districts performed in the most recently completed school year. MISS. CODE ANN. Section 37-28-15 designates the contents required in a charter school application. Examples include a statement of the mission and vision of the school, evidence of need and community support for the school, and a description of the school’s financial plans and policies, including financial controls and audit requirements.

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SOURCE: MISS. CODE ANN. Section 37-28-1 et seq.

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## Appendix C: Charter School Application Requirements

Per MISS. CODE ANN. Section 37-28-15(4), charter school applications must include the following elements:

- (a) An executive summary;
- (b) The mission and vision of the proposed charter school, including identification of the targeted student population and the community the school hopes to serve;
- (c) The location or geographic area proposed for the school;
- (d) The grades to be served each year for the full term of the charter contract;
- (e) Minimum, planned and maximum enrollment per grade per year for the term of the charter contract;
- (f) Evidence of need and community support for the proposed charter school;
- (g) Background information, including proof of United States citizenship, on the applicants, the proposed founding governing board members and, if identified, members of the proposed school leadership and management team. The background information must include annual student achievement data, disaggregated by subgroup, for every school under the current or prior management of each board member and leadership team member;
- (h) The school's proposed calendar, including the proposed opening and closing dates for the school term, and a sample daily schedule. The school must be kept in session no less than the minimum number of school days established for all public schools in Section 37-13-63;
- (i) A description of the school's academic program, aligned with state standards;
- (j) A description of the school's instructional design, including the type of learning environment (such as classroom-based or independent study), class size and structure, curriculum overview and teaching methods;
- (k) The school's plan for using internal and external assessments to measure and report student progress on the performance framework developed by the authorizer in accordance with Section 37-28-29;
- (l) The school's plan for identifying and successfully serving students with disabilities (including all of the school's proposed policies pursuant to the Individuals with Disabilities Education Improvement Act of 2004, 20 USCS Section 1400 et seq., Section 504 of the Rehabilitation Act of 1973, 29 USCS Section 794, and Title 11 of the Americans with Disabilities Act, 42 USCS Section 12101 et seq., and the school's procedures for securing and providing evaluations and related services pursuant to federal law), students who are English

language learners, students who are academically behind, and gifted students, including, but not limited to, compliance with any applicable laws and regulations;

(m) A description of cocurricular or extracurricular programs and how those programs will be funded and delivered;

(n) Plans and timelines for student recruitment and enrollment, including lottery policies and procedures that ensure that every student has an equal opportunity to be considered in the lottery and that the lottery is equitable, randomized, transparent and impartial so that students are accepted in a charter school without regard to disability, income level, race, religion or national origin;

(o) The school's student discipline policies, including those for special education students;

(p) An organizational chart that clearly presents the school's organizational structure, including lines of authority and reporting between the governing board, education service provider, staff, related bodies (such as advisory bodies or parent and teacher councils), and all other external organizations that will play a role in managing the school;

(q) A clear description of the roles and responsibilities of the governing board, education service provider, school leadership team, management team and all other entities shown in the organizational chart;

(r) A staffing chart for the school's first year, and a staffing plan for the term of the charter;

(s) Plans for recruiting and developing school leadership and staff, which may not include utilization of nonimmigrant foreign worker visa programs;

(t) The school's leadership and teacher employment policies, including performance evaluation plans;

(u) Proposed governing bylaws;

(v) Explanations of any partnerships or contractual relationships central to the school's operations or mission;

(w) The school's plans for providing transportation, food service and all other significant operational or ancillary services;

(x) Opportunities and expectations for parent involvement;

(y) A detailed school start-up plan, identifying tasks, timelines and responsible individuals;

(z) A description of the school's financial plans and policies, including financial controls and audit requirements;

(aa) A description of the insurance coverage the school will obtain;

(bb) Start-up and five-year budgets with clearly stated assumptions;

(cc) Start-up and first-year cash flow projections with clearly stated assumptions;

(dd) A disclosure of all sources of private funding and all funds from foreign sources, including gifts from foreign governments, foreign legal entities and domestic entities affiliated with either foreign governments or foreign legal entities. For the purposes of this paragraph, the term "foreign" means a country or jurisdiction outside of any state or territory of the United States;

(ee) Evidence of anticipated fundraising contributions, if claimed in the application; and

(ff) A sound facilities plan, including backup or contingency plans if appropriate.

SOURCE: MISS. CODE ANN. Section 37-28-15(4).

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## Appendix D: Additional Information on Federal Grants Received by Mississippi Charter Schools

### **21st Century Grants**

The 21st Century Community Learning Centers Program supports the creation of community learning centers that provide academic enrichment opportunities during non-school hours for children, particularly students who attend high-poverty and low-performing schools. The program helps students meet state and local student standards in core academic subjects, such as reading and math; offers students a broad array of enrichment activities that can complement their regular academic programs; and offers literacy and other educational services to the families of participating children.

### **IDEA Grants**

Each year Mississippi receives grant funding under Section 611 of the Individuals with Disabilities Education Act (IDEA). This program provides formula grants to assist states in meeting the excess costs of providing special education and related services to children with disabilities. Funds are allocated among states in accordance with a variety of factors, as outlined in the funding formula under section 611(d) of the Individuals with Disabilities Education Act (IDEA).

After setting aside necessary and allowable amounts for State administration and other state-level activities, the MDE allocates the remainder of the grant as flow-through sub-awards to Mississippi local education agencies (LEAs). The funding formula is calculated on a combination of a base amount plus a percentage based on the total number of children enrolled in each jurisdiction, plus a percentage based on relative numbers of children living in poverty.

### **Extended School Year Grants**

Extended school year (ESY) is the provision of special education and related services to students with disabilities in accordance with their individualized education program (IEP) beyond the normal school year of the local district and at no cost to the parents of the students. ESY is a requirement under the Individuals with Disabilities Education Act (IDEA). Eligibility for ESY must be determined each year for every child that has a current IEP. Local education agencies are required to submit an ESY budget application and receive approval from the Mississippi Department of Education in order to be reimbursed for ESY expenses.



### **School Breakfast Program Grants**

The School Breakfast Program (SBP) provides cash assistance to states to operate non-profit breakfast programs in schools and residential childcare institutions. The Food and Nutrition Service administers the SBP at the federal level. State education agencies administer the SBP at the state level, and local school food authorities operate the program in schools.

### **National School Lunch Program Grants**

The National School Lunch Program is a federally assisted meal program operating in public and nonprofit private schools and residential child care institutions. It provides nutritionally balanced low-cost or free lunches to children each school day. The Food and Nutrition Service of the United States Department of Agriculture administers the Program at the Federal level. At the state level, the NSLP is administered by state agencies, which operate the program through agreements with school food authorities.

### **Public Charter School Program Grants**

The Charter School Program (CSP) grants to State Entities is a competitive grant program that enables state entities to award sub-grants to eligible applicants in their state to open and prepare for the operation of new charter schools and to replicate and expand high-quality charter schools. Grant funds may also be used by the state entity to provide technical assistance to eligible applicants and authorized public chartering agencies in opening and preparing for the operation of new charter schools, or replicating or expanding high-quality charter schools; and to work with authorized public chartering agencies to improve authorizing quality, including developing capacity for, and conducting, fiscal oversight and auditing of charter schools. This program also features a grant for replications and expansion of high-quality charter schools; Republic Schools Inc. received its Charter School Program Grant funds through this particular grant.

### **Title I, Part A Grants**

Title I, Part A (Title I) of the Elementary and Secondary Education Act, as amended provides financial assistance to local educational agencies and schools with high numbers or high percentages of children from low-income families to help ensure that all children meet challenging state academic standards. Federal funds are currently allocated through four statutory formulas that are based primarily on census poverty estimates and the cost of education in each state.

### **Title II, Part A Grants**

Title II, Part A (Title II) of the Elementary and Secondary Education Act, as amended provides financial assistance to local educational agencies and schools for the purpose of increasing academic achievement by improving teacher and principal quality. This program is carried out by increasing the number of highly qualified teachers in classrooms; increasing the number of highly qualified principals and assistant principals in schools; and increasing the effectiveness of teachers and principals by holding LEAs and schools accountable for improvements in student academic achievement.

SOURCE: PEER staff research of federal grant sites.

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December 11, 2017

Mr. James Barber, Executive Director  
Joint Committee on Performance Evaluation and Expenditure Review (PEER)  
P.O. Box 1204  
Jackson, MS 39215

Dear Mr. Barber,

The Mississippi Charter School Authorizer Board (MCSAB) has reviewed the PEER Committee's FY2017 Annual Report: Analysis of Funding for Mississippi Charter Schools and the Charter School Authorizer Board. The annually mandated report features an assessment of the sufficiency of funding for charter schools and the efficacy of the state formula for authorizer funding which are prescribed by the Mississippi Charter Schools Act of 2013. The Authorizer Board has prepared the following responses to two of the PEER Committee's recommendations.

**Recommendation 1:** The Mississippi Charter School Authorizer Board adopt formal regulations that require all charter schools to report quarterly and annual financial information in the format required by the Mississippi Department of Education's accounting manual for Mississippi's local school districts in order to facilitate comparisons between charter school and traditional school district spending.

**Response to Recommendation 1:** While not required by law or adopted as formal board policy, the Mississippi Charter School Authorizer Board has worked with charter schools and the Mississippi Department of Education for the past two fiscal years to establish a crosswalk between the Mississippi local school district accounting manual's chart of accounts and the chart of accounts used by each charter school operator. Contracts between the Mississippi Charter School Authorizer Board and the non-profit organizations that operate charter schools also feature provisions that require charter schools to submit data and information when requested by MCSAB and other state agencies.

**Recommendation 2:** To provide fully equitable state and local funding between traditional public schools and charter schools, the authorizer board fee of three percent of state and local funds should be discontinued and funding for the Mississippi Charter School Authorizer Board should be provided instead by funds appropriated by the Mississippi legislature.

**Response to Recommendation 2:** As stated in the PEER Committee's report, the National Alliance of Public Charter Schools includes provisions for guaranteed funding from the state or authorizer fee as an essential component of its model public charter school law. The three percent authorizer fee is currently essential in ensuring that MCSAB has the funds to operate and execute its charter school authorizing functions successfully and aligned to national best practices. The MCSAB believes that eliminating the three percent authorizer fee would discontinue its only stream of guaranteed funding.

Please feel free to contact MCSAB with any questions or concerns regarding the above response at [charterschools@mississippi.edu](mailto:charterschools@mississippi.edu).

Best,

A handwritten signature in black ink, appearing to read "Marian L. Schutte".

Marian L. Schutte  
Executive Director  
Mississippi Charter School Authorizer Board







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