



#629
December 11, 2018

Report to the Mississippi Legislature

FY 2018 Annual Report: Analysis of Funding for Mississippi Charter Schools and the Charter School Authorizer Board

PEER: The Mississippi Legislature's Oversight Agency

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December 11, 2018

Honorable Phil Bryant, Governor
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On December 11, 2018, the PEER Committee authorized release of the report titled ***FY 2018 Annual Report: Analysis of Funding for Mississippi Charter Schools and the Charter School Authorizer Board.***

A handwritten signature in cursive script that reads "Videt Carmichael".

Senator Videt Carmichael, Chair

This report does not recommend increased funding or additional staff.

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CONCLUSION: Funding from state, local, federal, and other sources was sufficient for charter schools in FY 2018. However, the local ad valorem pro rata calculation required by state law provides for unequal shares between charter schools and the school districts. Further, state law does not require that local ad valorem support to charter schools be reconciled annually. However, while funding was sufficient for the charter schools, the state funding formula, in which each charter school provides 3% of its state and local revenue to the MCSAB, did not on its own generate sufficient funding to support the board's activities in FY 2018.

Background:

The Mississippi Charter School Authorizer Board (MCSAB), a state agency of seven appointed members, is the sole authorizing body for charter schools in the state and is responsible for oversight of the schools' operations. As of September 2018, the board has no staff, as the former Executive Director resigned in June and the Deputy Director resigned in August 2018.

The MCSAB received nine applications for charter schools in its 2018 application cycle. Of those, the MCSAB (with the assistance from the National Association of Charter School Authorizers) approved two applications (for three schools) and denied seven applications. Ambition Prep was approved to open a K-8th grade school for the 2019-2020 school year. RePublic Schools, Inc., which already operates three charter schools in Mississippi, was approved to open two additional schools: Revive Prep, a K-8th grade school, and RePublic High School, the state's first charter high school, both with plans to open in the 2021-2022 school year.

During the 2017-2018 school year, three charter schools (Midtown Public, ReImagine Prep, and Smilow Prep), all located within the boundaries of JPS, served 885 students. As of September 1, 2018, no students were on waiting lists for these charter schools.

In September 2017, the U.S. Department of Education awarded a five-year, \$15 million grant to the MCSAB to help expand the state's charter school sector. The MCSAB did not expend any grant funds in FY 2018 but did approve two contracts to assist with various services and activities associated with the grant.

The MCSAB has not released an annual report since December 2016 because it is revising how it evaluates charter school performance. The board does not intend to release its 2017 annual report until 2019.

Charter school funding continues to be a subject of ongoing state court litigation. In 2018 a judge upheld the constitutionality of the state law that established charter schools. The case is currently on appeal in the Mississippi Supreme Court by the Southern Poverty Law Center.

Charter Schools Operating in Mississippi in FY 2018

Charter School	Grades Served
Midtown Public	Grades 5-8
ReImagine Prep	Grades 5-7
Smilow Prep	Grades 5-6



Academic Performance Results, FY 2016-FY 2018

School	Academic Letter Grade		
	2015-2016	2016-2017	2017-2018
Midtown Public	F	F	F
ReImagine Prep	D	D	C
Smilow Prep	n/a	D	D

MCSAB Approves Application for New Schools Despite NACSA Recommendation for Denial

MCSAB approved applications	NACSA recommendation
Ambition Prep	Approve
RePublic Schools, Inc. (for Revive Prep and RePublic High School)	Deny

The MCSAB contracts with the National Association of Charter School Authorizers (NACSA) to manage the application process and provide independent recommendations of approval or denial for each charter school

application. Although NACSA recommended that the MCSAB deny RePublic Schools' application for Revive Prep and RePublic High School, the MCSAB approved the application.

Equal MAEP Funding Provided to Charter Schools and School Districts

Source of Funds	Midtown	Reimagine Prep	Smilow Prep
MAEP funding without add-ons (per pupil)	\$4,038	\$4,038	\$4,038
MAEP funding with add-ons (per pupil)	\$4,904	\$4,517	\$4,671
Local funding from JPS (per pupil)	\$2,782	\$2,782	\$2,782

In FY 2018 the Mississippi Department of Education distributed MAEP funding to charter schools at an amount of \$4,038 per pupil (before add-on program costs), which was the same amount provided to Jackson Public Schools (JPS), in accordance with statute. In addition, all three schools (at left) received a per-pupil amount of \$2,782 in local ad valorem funding from JPS in FY 2018.

Local Ad Valorem Support to Charter Schools Not Reconciled

Statute does not require that local ad valorem support to charter schools be reconciled annually, as it does for MAEP. 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.

Recommendation: The Legislature should consider amending MISS. CODE ANN. Sections 37-28-55(2) and (3) to require that local ad valorem contributions to charter schools be reconciled each year as MAEP payments are.



Charter school students received \$98 more per pupil in local ad valorem funding than Jackson Public School students received in FY 2018.

Unequal Shares of Local Ad Valorem Support to Charter Schools Compared to School Districts

The local ad valorem pro rata calculation required by statute provides unequal shares between charter schools and the school districts. The per-pupil amount for charter school students was \$2,782 compared to \$2,684 for students in JPS, a difference of \$98.

Recommendation: The Legislature should, in order to make the pro rata distribution of local ad valorem funds equitable between the school districts and the charter schools, consider amending MISS. CODE ANN. §§ 37-28-55(2) and (3) to include the charter schools' average daily membership for month one of the current year in the denominator of the calculation.

State Funding Formula Insufficient to Cover MCSAB Operations

The state funding formula for the Mississippi Charter School Authorizer Board did not provide enough funds on its own to cover the operations of the board. The MCSAB collected \$212,918 in authorizer fees from the charter schools in FY 2018, but expended \$335,886 that year.



Recommendations:

- The Legislature should consider amending § 37-28-11(1) to replace the 3% authorizer fee with funding from available funds.
- The Legislature should, in order to ensure funding and accountability of appropriations for MCSAB operations, consider the following options:
 - a) enact a separate appropriations bill, with total funds appropriated and PINs allocated, or
 - b) provide a specific line item in the IHL appropriation for total board support and authorized PINs.

Other Recommendation: The MCSAB should formally require all charter schools to adopt MDE's accounting manual for public schools.



FY 2018 Annual Report: Analysis of Funding for Mississippi Charter Schools and the Charter School Authorizer Board | December 2018
 For more information, contact (601) 359-1226 | P.O. Box 1204, Jackson, MS 39215-1204.
 Senator Videt Carmichael, Chair | James A. Barber, Executive Director

A copy of the full report is available at www.peer.ms.gov.

FY 2018 Annual Report: Analysis of Funding for Mississippi Charter Schools and the Charter School Authorizer Board

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 School Act of 2010”¹ (MISS. CODE ANN. Sections 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) (1972):

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. Sections 5-3-51 et seq.

This annual report on charter schools, the third 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 2016² in an effort to strengthen the act, PEER believes such changes need to be monitored before assessing any effects that result or suggesting additional revisions.

The scope of this review includes the three charter schools that served students during the 2017–2018 school year: Midtown Public Charter School, Reimagine Prep, and Joel E. Smilow Prep, all of which are located in Jackson.

¹The “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.

²Most notably, the legislation expanded access to charter schools by allowing students in school districts rated “C,” “D,” or “F” to cross district lines to attend those schools.

Method

In conducting this review, PEER

- reviewed relevant sections of state law;
- interviewed board members and a former staff member of the Mississippi Charter School Authorizer Board (MCSAB), Midtown Public Charter School, Reimagine Prep, Joel E. Smilow Prep, the Mississippi Department of Education (MDE), and the Board of Trustees of Institutions of Higher Learning (IHL); and
- reviewed federal, state, and local funding information provided to charter schools and the Mississippi Charter School Authorizer Board.

Background

A comprehensive description and history of the charter school program in Mississippi may be found in PEER's two previous annual reports on charter schools: the *FY 2017 Annual Report: Analysis of Funding for Mississippi Charter Schools and the Charter School Authorizer Board* (Report #615³), and the *FY 2016 Annual Report: Analysis of Funding for Mississippi Charter Schools and the Charter School Authorizer Board* (Report #606⁴). This chapter serves as an update on the following information:

- the membership and staff of the Mississippi Charter School Authorizer Board;
- charter school applicants in the board's 2018 application cycle;
- charter schools serving students in the 2017–2018 school year; and
- board operations.

Membership and Staff of the Board

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. As of September 2018, the board has no staff, as the former Executive Director resigned in June 2018 and the Deputy Director resigned in August 2018.

MISS. CODE ANN. Section 37-28-7(3) (1972) 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. See Appendix A, page 25, for a list of current board members.

As of September 2018, the board has no staff. The former Executive Director, hired in September 2014, resigned in June 2018. The board's Deputy Director, hired in August 2017, resigned in August 2018. The board is in the process of hiring for an Executive Director and a Grants Coordinator. Board members are currently serving as the staff.

³<https://www.peer.ms.gov/Reports/reports/rpt615.pdf>.

⁴<https://www.peer.ms.gov/Reports/reports/rpt606.pdf>.

The authorizer board employs contractors in satisfying its mandate to authorize and oversee charter schools. For example, in FY 2018 the MCSAB contracted with a national organization to evaluate charter school applications and with a private business to perform accounting services. For more information on contract expenditures, see pages 22–23.

2018 Charter School Applicants

The Mississippi Charter School Authorizer Board received nine applications for charter schools in its 2018 application cycle. Of those, the board (with assistance from the National Association of Charter School Authorizers) approved two applications (for three schools to be located in Jackson) and denied seven applications.

Any party seeking to open a charter school in Mississippi must submit an application to the authorizer board. The MCSAB began contracting with the National Association of Charter School Authorizers (NACSA) in 2014 to manage the application process and to provide independent recommendations of approval or denial for each charter school application.

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 completeness⁵ and applicants' eligibility⁶ before distributing applications to NACSA evaluators. When MCSAB staff identify 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 request for proposals (RFP). If an application fails to meet the minimum quality threshold, it will be deemed substantially inadequate and ineligible 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.

In the 2018 application cycle, the Mississippi Charter School Authorizer Board received nine applications. Of those, the MCSAB (with assistance from NASCA) approved two applications (for three schools) and denied seven. Of those that were denied, two were denied at Stage 1 of the process (i.e., the completeness check); three were denied at the Stage 2 threshold quality review; and two were denied at the Stage 3 capacity review.

⁵Completeness 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).

⁶Eligibility 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).

The following applications were approved:

- Ambition Preparatory Charter School was approved to open a kindergarten–8th grade school in Jackson for the 2019–2020 school year.
- RePublic Schools, Inc., which already operates three charter schools in Mississippi, was approved to open two additional schools: Revive Prep, a K–8th grade school, and RePublic High School, the state’s first charter high school. RePublic Schools, Inc., plans to open the new schools in the 2021–2022 school year.

Although NACSA recommended in its Stage 3 report that the MCSAB deny RePublic Schools’ applications for Revive Prep and RePublic High School, the MCSAB approved the application. To receive a recommendation for approval, the application must meet the standard set by NACSA in three areas: education program design and capacity, operations plan and capacity, and financial plan and capacity. NACSA made its recommendation for denial because RePublic only partially met the standard in the area of operations plan and capacity. NACSA wrote the following in its Stage 3 recommendation report:

“...while it is evident that RePublic has a track record of success with its educational model in Tennessee, RePublic’s model has not yet demonstrated a strong academic performance track record in Mississippi. Additionally the start-up timeline provided in RePublic’s start-up plan has changed significantly and is no longer reflective of current plans to open in the 2019–20 school year. RePublic now expects to open in the 2021-22 school year (or later) which presented a challenge for the evaluation team to adequately assess critical sections of the application such as the start-up plan and pre-opening budget.”

The board’s rationale for approving RePublic’s application was that 1) ReImagine Prep received an accountability grade⁷ of “C” (one point away from a “B”), outperformed Jackson Public Schools (JPS) in several areas (e.g., seventh grade math and reading), and demonstrated its ability to bring students lagging two to four grade levels up to grade level in a three-year period; and 2) Smilow Prep showed academic growth over the past academic year, had been open only two years, and included many students who were academically behind when they enrolled. However, according to MDE’s accountability grades for FY 2017 and FY 2018, Smilow Prep has not shown academic growth because it has received a grade of “D” for both years. Further, Smilow Prep’s total points (related to its accountability grade) in 2018 decreased from 320 to 277 from FY 2017 to FY 2018.

⁷The Mississippi Department of Education assigns an accountability rating of “A,” “B,” “C,” “D,” and “F” for each school and district annually, based on established criteria regarding student achievement, individual student growth, graduation rate, and participation rate.

List of Mississippi's Approved Charter Schools

Exhibit 1 lists the charter school applications the MCSAB has approved to date (from its 2014 application cycle through its 2018 application cycle), the operational school years, and contract terms.

Exhibit 1: Approved Charter Schools through the 2018 Application Cycle

Charter School	School District	Charter Operator	School Year ^a	Contract Term ^b
Midtown Public	JPS	Midtown Partners, Inc.	2015-2016	FY 2016-FY 2020
Reimagine Prep	JPS	RePublic Schools, Inc.	2015-2016	FY 2016-FY 2020
Joel E. Smilow Prep	JPS	RePublic Schools, Inc.	2016-2017	FY 2017-FY 2021
Joel E. Smilow Collegiate	JPS	RePublic Schools, Inc.	2018-2019	FY 2019-FY 2023
Clarksdale Collegiate	Clarksdale	Clarksdale Collegiate, Inc.	2018-2019	FY 2019-FY 2023
Ambition Preparatory	JPS	Ambition Preparatory Charter School	2019-2020	TBD ^c
Revive Prep	JPS	RePublic Schools, Inc.	2021-2022	TBD ^c
RePublic High School	JPS	RePublic Schools, Inc.	2021-2022	TBD ^c

- The year in which schools began serving students or are expected to serve students.
- Per MISS. CODE ANN. Section 37-28-21(1), the authorizer board must grant an initial charter to each qualified applicant for a term of five operating years.
- As of October 15, 2018, the MCSAB had not generated contracts with Ambition Preparatory, Revive Prep, or RePublic High School.

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

Charter Schools Serving Students during the 2017-2018 School Year

During the 2017-2018 school year, three charter schools located in Jackson served 885 students.⁸ As of September 1, 2018, no students were on waiting lists for these charter schools.

The following two charter operators began serving students in the 2015-2016 school year, thus have completed three full school years:

- Midtown Public Charter School, operated by Midtown Partners, Inc., with headquarters in Jackson, served grades 5 through 8 with an average daily attendance (ADA) of 227 students.
- Reimagine Prep, operated by RePublic Schools, Inc., with headquarters in Nashville, served grades 5 through 7 with an average daily attendance of 398 students.

Joel E. Smilow Prep (Smilow Prep), also operated by RePublic Schools, Inc., completed its second year, serving grades 5 and 6 in

⁸Average daily attendance for months two and three of the 2017-2018 school year.

the 2017-2018 school year with an average daily attendance of 260 students.

All three schools are located in Jackson within the geographical boundaries of JPS. Average daily attendance of months two and three of the school year was 885 students.

As of September 1, 2018, no students were on waiting lists for these schools.

Update on 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 did not expend any grant funds in FY 2018; however, the board approved two contracts to assist with various services and activities associated with the grant (e.g., charter school operator recruitment).

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 expand the state's charter school sector. The board did not expend any grant funds in FY 2018.

However, the board has implemented a subgrant application process for use of the grant funds. The subgrant application requires eligible applicants to include information regarding their proposed grant activities, charter school application components, and their budget and budget narrative for the funds. According to board meeting minutes dated April 9, 2018, Clarksdale Collegiate Charter School is the only eligible applicant for this year's subgrant process.

Also, in December 2017 the MCSAB initiated two RFPs for services and activities associated with the U.S. Department of Education grant. According to its April 9, 2018, board minutes, the board received one response to its RFP for Surveys and Procedure Development Technical Assistance from Mississippi First, which proposed a two-year contract for \$120,000. The board received one response to its RFP for Charter School Technical Assistance and Charter School Operator Recruitment from the Mississippi Education Accelerator, which proposed a two-year contract for \$330,000. The board approved both contracts.

According to its grant application to the U.S. Department of Education, the MCSAB estimated the approval of at least 15 additional charter schools and 15,000 new charter school seats in five years. Although the MCSAB approved three new schools in the 2018 application cycle, it will require more effort in recruiting and providing assistance to applicants to reach its goal by September 2022 (the end of the grant period).

Update on MCSAB's Evaluation of Charter School Performance

The board is currently revising its method for evaluating charter school performance and has indicated that it will not release its 2017 annual report on charter school performance until 2019.

According to MISS. CODE ANN. Section 37-28-29 (1972), charter contracts must include a performance framework that outlines academic and operational performance indicators as well as measures and metrics that will guide the MCSAB's evaluations of the charter school (e.g., student academic proficiency, financial performance, and sustainability). According to MISS. CODE ANN. Section 37-28-31 (1972), the MCSAB must submit an annual report to the Legislature regarding its evaluation of charter schools according to the performance framework included in the charter school 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 of the charter.

In its most recently released annual report (December 2016), 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 board has not released an annual report since December 2016 because it is revising its method for evaluating charter school performance. The board believes that, as more charter schools are added, there will be a greater need to conduct a more in-depth analysis of performance. Therefore, the board accepted offers to develop a statistical method for analyzing and reporting performance data and contracted with Bellwether Education Partners, a national nonprofit organization. However, delays have occurred in development of a Memorandum of Understanding between the board, MDE, and Bellwether. The board plans to release the 2018 annual report with an addendum that includes 2017 information. A draft report for 2017 shows that Bellwether has developed a method for comparing student performance on state assessments (in math and reading language arts) in each charter school with selected comparison students. A summary of the results will indicate the effects on student achievement, if any, that attending a charter school produces.

Update on Mississippi Charter Schools Litigation

Although a judge upheld the constitutionality of the state law establishing charter schools, the case is currently on appeal in the Mississippi Supreme Court by the Southern Poverty Law Center.

Charter school funding continues to be a subject of ongoing state court litigation. On February 13, 2018, a judge upheld the constitutionality of the state law that established charter schools. The case is currently on appeal in the Mississippi Supreme Court by the Southern Poverty Law Center. As PEER noted in the 2017 report, seven plaintiffs who are residents of Jackson brought suit on July 11, 2016, in the Hinds County Chancery Court for declaratory and injunctive relief against the Governor, MDE, and JPS, 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 and local school district authorities.

Sufficiency of Funding for Charter Schools

MISS. CODE ANN. Section 37-28-37(2) (1972) 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 2017–2018 school year, the Mississippi Department of Education distributed Mississippi Adequate Education Program funding to charter schools at an amount of \$4,038 per pupil (before add-on program costs), which was the same amount provided to Jackson Public Schools in accordance with MISS. CODE ANN. Section 37-28-55(1)(a) (1972).

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) (1972) 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” in varying terms. 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 expenditures (e.g., librarians and counselors). 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 2017–2018 school year, MAEP formula calculations resulted in per-pupil amounts⁹ for the charter schools and for JPS, as presented in Exhibit 2. The difference in funding per pupil among the schools and JPS is attributable to the amount each charter school and JPS received from the add-on program component of the MAEP formula.

Exhibit 2 also presents a comparison between the amount of funding provided to the charter schools and JPS in the 2015–2016 school year, the 2016–2017 school year, and the 2017–2018 school year.

Exhibit 2: FY 2018 MAEP Appropriation Amounts¹⁰ Per Pupil by Charter School

Charter School or School District	2017–2018 School Year			2016–2017 School Year	2015–2016 School Year
	Per-Pupil MAEP before Add-Ons	Per-Pupil Add-Ons	Total Per-Pupil MAEP	Total Per-Pupil MAEP	Total Per-Pupil MAEP
Midtown Public	\$4,038	\$866	\$4,904	\$5,117	\$5,998
Reimagine Prep	\$4,038	\$479	\$4,517	\$4,870	\$5,898
Smilow Prep	\$4,038	\$633	\$4,671	\$5,791	N/A
JPS	\$4,038	\$845	\$4,883	\$4,904	\$4,883

Note: This exhibit does not reflect FY 2017 average daily attendance adjustments to FY 2018 MAEP.

SOURCE: PEER analysis of Mississippi Department of Education documents.

During the 2017–2018 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 JPS.

⁹For charter schools, the 2017–2018 school year per-pupil amounts are based on 2017–2018 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 2018 per-pupil amounts are based on FY 2017 ADA for months two and three.

¹⁰ This reflects a reduction by the legislature of 8.78%. There were no Governor’s cuts in FY 2018.

Sufficiency of Funding from Local Ad Valorem Taxes

For the 2017–2018 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. Sections 37-28-55(2) and (3) (1972). However, the local ad valorem pro rata calculation required by the 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 (1972), 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.¹¹ Further, MISS. CODE ANN. Section 37-28-55(2) (1972) 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.¹² Under MISS. CODE ANN. Section 37-28-55(3) (1972), effective July 1, 2016, if a student who resides in one school district attends a charter school located in another school district, the district in which the student resides distributes its 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 2017–2018 school year was the second year that charter schools enrolled students from districts other than JPS. 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 presented in Exhibit 3, page 13.

¹¹For the purpose of property tax assessment, one mill represents \$1 in property taxes for every \$1,000 in assessed property value.

¹²If the school district does not pay the required local amount to the charter school before January 16, the Mississippi Department of Education 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 3: FY 2018 Local Contributions to and Number¹³ of Students in Each Charter School, by Student’s District of Residence

Charter School	Hinds County School District \$3,638.62/pupil*	JPS \$2,782.14/pupil	Total
Midtown Public	\$10,915.86 (3 students)	\$673,277.88 (242 students)	\$684,193.74 (245 students)
Reimagine Prep	\$50,940.68 (14 students)	\$1,110,073.86 (399 students)	\$1,161,014.54 (413 students)
Smilow Prep	\$10,915.86 (3 students)	\$787,345.62 (283 students)	\$798,261.48 (286 students)
Total	\$72,772.40 (20 students)	\$2,570,697.36 (924 students)	\$2,643,469.76 (944 students)

*For purposes of calculating local ad valorem contributions per pupil made to charter schools for the 2017–2018 school year, MISS. CODE ANN. Sections 37-28-55(2) and (3) require that total ad valorem receipts received by the student’s resident district in the 2016–2017 school year be divided by its average daily membership for months one through nine.

SOURCE: PEER analysis of Mississippi Department of Education 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. Sections 37-28-55(2) and (3) (1972) results in the charter schools receiving more funds per pupil than the school district in which the student resides. For example, for FY 2018 JPS distributed \$2,782.14 per pupil to the charter schools, which left \$2,684.18 per pupil for JPS students, a difference of \$97.97 per pupil.

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, MISS. CODE ANN. Sections 37-28-55(2) and (3) (1972) require 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.

¹³For purposes of calculating the number of students for which local ad valorem contributions are made to charter schools, MISS. CODE ANN. Sections 37-28-55(2) and (3) (1972) require the use of the average daily membership for month one of the 2017–2018 school year. Because of this, the total number of students (944) differs from the actual number of students (885), which was derived using average daily attendance for months two and three of the 2017–2018 school year.

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 JPS during the 2016-2017 school year was \$73,003,476.46. Months one through nine of ADM that year for JPS was 26,240 (this does not include students at the charter schools). The local ad valorem pro rata calculation for students who resided within the boundaries of JPS and who also attended the three charter schools located within the boundaries of JPS during the 2017-2018 school year, was as follows:

$$\$73,003,476.46 \div 26,240 = \$2,782.15$$

Therefore, the pro rata share JPS distributed to the charter schools was \$2,782.15 per pupil. However, because the denominator (26,240) only included the ADM for JPS and not the charter schools, and therefore the full population of students to receive the pro rata share was not included, only \$2,684.18 remained per pupil for JPS students, a difference of \$97.97 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

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 the year.

PEER determined that while MISS. CODE ANN. Section 37-28-55(1)(b) (1972) requires the reconciliation of MAEP payments to charter schools each year to reflect enrollment based on average daily attendance 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. Sections 37-28-55(2) and (3) (1972) do not require that local ad valorem contributions to charter schools be reconciled. 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

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. In the 2017-2018 school year, charter schools received federal grant funds totaling \$1,994,029.

MISS. CODE ANN. Section 37-28-55(4)(a) (1972) 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 the 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 2017-2018 school year, charter schools¹⁴ received grant funds totaling \$1,994,029. For a description of grant programs that provide funding to Mississippi's charter schools, see the *FY 2017 Annual Report: Analysis of Funding for the Mississippi Charter Schools and Charter Authorizer Board* (PEER Report #615), Appendix D, page 42.

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 2017-2018 school year, charter schools received \$1,074,396 from other sources.

MISS. CODE ANN. Section 37-28-59(2) (1972) 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 upon a 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 2017-2018 school year, charter schools received \$1,074,396¹⁵ from other sources that included contributions, grants, rebates,¹⁶ and state food service payments.¹⁷

¹⁴This figure does not include \$121,236 in federal revenue, which was awarded to the charter operator (RePublic Schools, Inc.) rather than directly to the charter schools in Mississippi.

¹⁵This figure does not include \$1,798,297 in other revenue, which was awarded to the charter operator (RePublic Schools, Inc.) rather than directly to the charter schools in Mississippi.

¹⁶Rebates to Reimagine Prep in the form of e-rate reimbursements, which is a telecommunications reimbursement program for schools and libraries.

¹⁷State of Mississippi State Supplement.

Charter School Funding Received

During the 2017–2018 school year, Midtown Public received approximately \$2.16 million, Reimagine Prep approximately \$4.34 million, Smilow Prep approximately \$3.1 million, and Smilow Collegiate¹⁸ \$565,284 from Mississippi Adequate Education Program funding, local ad valorem taxes, federal funds, and other sources.

Exhibit 4 details the amounts received by each charter school and the funding sources.

Exhibit 4: Charter School¹⁹ Revenues for the 2017–2018 School Year, by Funding Source

Source of Funds	Midtown Public	Reimagine Prep	Smilow Prep	Smilow Collegiate ^e	TOTAL
MAEP ^a	\$1,019,922	\$2,032,641	\$1,401,242	\$0	\$4,453,805
FY 2017 ADA adjustment to FY 2018 MAEP ^b	\$22,205	\$6,610	\$(27,179)	\$0	\$1,636
Local Ad Valorem Taxes ^c	\$684,194	\$1,161,015	\$798,261	\$0	\$2,643,470
Federal Funds	\$197,413	\$887,375	\$702,997	\$206,244	\$1,994,029
Other ^d	\$239,828	\$251,167	\$224,361	\$359,040	\$1,074,396
Total	\$2,163,562	\$ 4,338,808	\$3,099,682	\$565,284	\$10,167,336

- MAEP reflects amounts received by the charter schools after reductions for less than full MAEP funding. There were no budget cuts ordered by the Governor for FY 2018 MAEP.
- Senate Bill 2161, passed during the 2016 Regular Legislative Session, amended MISS. CODE ANN. Section 37-28-55(1)(b) (1972) to provide for a reconciliation of MAEP funds distributed to the charter schools using months two and three ADA for the current year, to be applied to the next school year's MAEP payments. For this report, PEER has included the FY 2017 ADA adjustment to FY 2018 MAEP as FY 2018 revenue for each charter school. PEER will include the FY 2018 ADA adjustment to FY 2019 MAEP in next year's report as FY 2019 revenue to the charter schools.
- Local ad valorem taxes include revenue from JPS as well as from the home school district (Hinds County) of children attending the charter schools.
- Other sources of funds include contributions, grants, donations, rebates, state food service, and miscellaneous revenue.
- Smilow Collegiate was not operational during the 2017–2018 school year. The school opened for the 2018–2019 school year.

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

¹⁸Because Smilow Collegiate was not operational in FY 2018, it did not receive any MAEP or local ad valorem funding but did receive federal funds and revenues from other sources.

¹⁹RePublic Schools, Inc., (charter operator for Reimagine Prep, Smilow Prep, and Smilow Collegiate) received additional state, local, federal, and other revenues that are not reflected in this exhibit because they were allocated to the charter management organization rather than to any individual charter school.

Charter School Revenue Versus Expenditures

Midtown Public, Reimagine Prep, and Smilow Prep's revenues were sufficient to cover their expenditures for FY 2018.

PEER reviewed each charter school's audited financial statements for FY 2018 to determine whether revenues were sufficient to provide for the schools' expenditures. As presented in Exhibit 5, the difference in revenues and expenditures for Midtown Public was \$159,248; Reimagine Prep was \$420,945; Smilow Prep was \$423,721; and the difference for Smilow Collegiate was \$225,144—with all schools' revenues exceeding expenses. Both Midtown Public and Reimagine Prep were financially healthier in FY 2018 than they were in FY 2017.

Exhibit 5: FY 2018 Charter School Revenues versus Expenditures

	Midtown	Reimagine Prep	Smilow Prep	Smilow Collegiate
Revenues	\$2,163,562	\$4,338,808	\$3,099,682	\$565,284
Expenditures	\$2,004,314	\$3,917,863	\$2,675,961	\$340,140
Difference	\$159,248	\$420,945	\$423,721	\$225,144

SOURCE: PEER analysis of charter schools' FY 2018 audited financial statements.

As presented in Exhibit 6, page 18, according to the National Education Association, the projected cost per student for public schools in the state of Mississippi for the 2017-2018 school year was \$8,515. In comparison, the cost per student was \$8,535 for Midtown Public, \$9,036 for Reimagine Prep, and \$9,239 for Smilow Prep. Although the cost per student for charter schools was higher than that of the state collectively, it was lower than the FY 2017 cost per student. However, as noted in PEER's 2017 report on charter schools, 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 charter schools is expected to be higher than that for schools or districts with higher student populations.

Exhibit 6: FY 2018 Charter School Cost Per Student Compared to Cost Per Student for Mississippi Public Schools, Excluding Capital and Interest Expenses

	Net Expenditures ^a	Enrollment ^b	FY 2018 Cost Per Student	FY 2017 Cost Per Student
Midtown Public	\$1,937,368	227	\$8,535	\$10,245
Reimagine Prep	\$3,596,162	398	\$9,036	\$10,212
Smilow Prep	\$2,402,119	260	\$9,239	\$11,825
State of Mississippi ^c	\$4,143,583,000	486,617	\$8,515	\$8,551

- a. Net expenditures do not include capital expenditures of \$63,324 and interest expense of \$3,622 for Midtown; depreciation and amortization expense of \$176,370 for Reimagine Prep; depreciation and amortization expense of \$174,579 for Smilow Prep; and capital expenditures of \$55.7 million and interest expense of \$64.8 million for the State of Mississippi. PEER estimated that collective interest for Reimagine Prep and Smilow Prep is \$244,594 (\$145,331 for Reimagine and \$99,263 for Smilow Prep). PEER 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) among the three RePublic Schools, Inc., with Reimagine Prep at 56%, Smilow Prep at 39%, and Smilow Collegiate at 5%.
- b. FY 2018 ADA, months two and three.
- c. 2017–2018 school year data from the National Education Association’s *Rankings of the States 2017 and Estimates of School Statistics 2018*,²⁰ pp. 45, 58, 61.

SOURCE: National Education Association and analysis of charter schools’ financial documents.

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. As PEER noted in its two previous reports on charter schools, 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 any other entity attempting to make accurate comparisons in expenditure data. During the FY 2018 review, the MCSAB indicated that it is recommending that new charter schools align their coding with the MDE-mandated chart of accounts. PEER notes, however, that as of November 29, 2018, the board has not required them to do so.

²⁰http://www.nea.org/assets/docs/180413-Rankings_And_Estimates_Report_2018.pdf.

Efficacy of the State Formula for Authorizer Funding

MISS. CODE ANN. Section 37-28-37(2) (1972) 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) (1972), 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 the two previous years, this statutory formula did not generate sufficient funding to support the board’s activities in FY 2018. 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 upon conditions in each state.²¹

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 be under- or overfunded.²²

As authorized under MISS. CODE ANN. Section 37-28-11(1) (1972), the MCSAB receives 3% of annual per-pupil allocations received by

²¹Information from the National Alliance for Public Charter School’s 2016 publication *A New Model Law for Supporting the Growth of High-Quality Charter Schools (2nd Edition)*, <https://www.publiccharters.org/publications/model-law-supporting-high-quality-charter-public-schools>.

²²Information from the National Association of Charter School Authorizers’ 2009 policy guide, “Charter School Authorizer Funding,” <https://files.eric.ed.gov/fulltext/ED544285.pdf>.

charter schools from state and local sources. For purposes of this report, PEER equates efficacy²³ 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) (1972) directed Institutions of Higher Learning 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 shown in Exhibit 7. In FY 2016 and FY 2017, the statutory formula failed to provide efficacy because the fees received from charter schools did not sufficiently fund MCSAB operations.

Exhibit 7: Sources of Revenues for the Mississippi Charter School Authorizer Board, FY 2014–FY 2018

Source of Funds	FY 2014 & FY 2015	FY 2016	FY 2017	FY 2018
IHL Appropriation	\$250,000 ^a	\$250,000	\$236,547	\$237,000
3% Fee	\$0	\$56,078	\$119,314	\$212,918
Total Revenues	\$250,000	\$306,078	\$355,861	\$449,918
Total Expenditures	\$249,797 ^b	\$243,929	\$244,376	\$335,886
Balance	\$203	\$62,149	\$111,485	\$114,033

a. H.B. 1440, Regular Session 2014, appropriated \$250,000 from the Capital Expense Fund to Institutions of Higher Learning to defray 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.

b. The MCSAB spent \$10,300 in FY 2014 and \$239,497 in FY 2015.

SOURCE: Mississippi Legislature, Mississippi Charter School Authorizer Board, and PEER analysis.

To provide the Mississippi Charter School Authorizer Board with sufficient funding in FY 2018, the Legislature appropriated additional line item funding in IHL’s education and general funding appropriation. For FY 2018 the Legislature appropriated \$237,000 in general funds to the authorizer board, which also received \$212,918 from the 3% fee from the charter schools, bringing total revenue received for FY 2018 to \$449,918.

²³Merriam-Webster defines efficacy as “the power to produce the desired result or effect.”

Total expenditures for FY 2018 were \$335,886. In FY 2018 the statutory formula did not provide efficacy because the fees received from charter schools did not sufficiently fund MCSAB operations.

As PEER noted in its two previous reports, 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.

As in FY 2018, the Legislature appropriated \$237,000 in general funds in FY 2019 to IHL for the MCSAB.

If Mississippi charter schools receive FY 2019 per-student funding equal to amounts received during FY 2018, enrollment of 1,777 charter school students will be necessary to fund the MCSAB's FY 2019 operations²⁴ if those operations were to be based solely on revenue from the 3% fee. The contracts between the charter schools and the board project FY 2019 enrollment to be 1,638 students.

In addition to charter school fees and legislative funding, under MISS. CODE ANN. Sections 37-28-11(2) and (3) (1972):

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

NAPCS 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, after 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 the start-up stage 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.

²⁴The FY 2018 per-student MCSAB 3% fee of \$240.59 is based on 3% fee collections of \$212,918.24 from a combined enrollment of 885 from the three charter schools in operation that year. In FY 2019, if the MCSAB were to obtain revenue solely from the 3% fee, and if FY 2019 expenditures were to increase by the same percentage as FY 2018 expenditures increased over FY 2017 (27%), the charter schools would need to enroll 1,777 students bringing in \$240.59 each to provide sufficient revenue to cover MCSAB's operating budget of an estimated \$427,396.

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 2018, the Mississippi Charter School Authorizer Board expended \$1.1 million, with \$561,961 (52%) 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; in FY 2016 the first charter schools became operational in the state; and in FY 2018 the board hired a Deputy Director. From FY 2014 through FY 2018, the board expended \$1,073,988 for total operations with \$561,961 of this amount being for personal services (see Exhibit 8, page 23).

From Exhibit 8, PEER noted the following from MCSAB's FY 2018 expenditures:

- **Personal Services** — Personal services expenditures for FY 2018 included salaries and employee benefits for the MCSAB Executive Director and Deputy Director. In January 2018 the board voted to increase the Executive Director's salary from \$105,000 to \$115,000, effective February 1, 2018. The executive director terminated her employment with the MCSAB effective June 15, 2018. The board hired a Deputy Director in August 2017, with a salary of \$60,000 plus benefits. The Deputy Director resigned in August 2018. As of September 2018, the board has no staff.
- **Travel** — MCSAB travel for FY 2018 included \$6,671 for in-state travel and \$4,149 for out-of-state travel. In-state travel was mostly staff travel, including rental car reimbursements for site visits, public hearings, and other meetings.
- **Contractual Services** — During FY 2018 the board paid \$35,823 to a contractor for evaluating charter school applications. During this time, it also expended \$25,000 on another contractor to assess stakeholder and public perceptions, review past communication efforts, and develop a new communication strategy. In addition, it expended \$10,838 on a contractor for accounting, financial, communication, and information technology services. The remaining \$17,577 included costs for registrations, court reporters, IT maintenance, cell phone usage, insurance fees and services, membership dues, software, a summer intern in 2017, and procurement card purchases.

- **Commodities** — During FY 2018 the board expended \$3,266 on office furniture, \$1,183 on office and IT supplies, and spent additional funds on food for meetings, fuel, and procurement card purchases.
- **Equipment** — During FY 2018 the board expended \$5,923 on computer equipment.
- **Subsidies, Loans, and Grants** — During FY 2018 the board had no expenditures in this category.

Exhibit 8: Mississippi Charter School Authorizer Board Expenditures, by Major Category, FY 2014–FY 2018

Major Categories	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	TOTAL
Personal Services	\$0	\$84,477	\$125,037	\$131,269	\$221,178	\$561,961
Travel	\$7,645	\$11,612	\$13,560	\$10,447	\$13,196	\$56,460
Contractual Services	\$2,655	\$84,079	\$42,603	\$69,468	\$89,238	\$288,043
Commodities	\$0	\$9,239	\$27,938	\$9,102	\$6,351	\$52,630
Equipment	\$0	\$4,290	\$10,049	\$24,090	\$5,923	\$44,352
Subsidies, Loans, and Grants	\$0	\$45,800	\$24,742	\$0	\$0	\$70,542
Total Expenditures	\$10,300	\$239,497	\$243,929	\$244,376	\$335,886	\$1,073,988

SOURCE: PEER analysis of Mississippi Charter School Authorizer Board financial records.

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) (1972) 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 (1972), the Legislature could consider enacting a separate appropriations bill for the board. Such a 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 a provision for total authorized positions.
4. The Legislature should consider amending MISS. CODE ANN. Sections 37-28-55(2) and (3) (1972) 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) (1972).
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. Sections 37-28-55(2) and (3) (1972) to include the charter schools' average daily membership for the first month of the current year in the denominator of the calculation. In addition, the Legislature should consider amending MISS. CODE ANN. Section 37-28-55 (1972) to include language ensuring that school districts receive MAEP funds for students who leave a charter school after month three and enroll in the school district.

Appendix A: Mississippi Charter School Authorizer Board Members for FY 2017-2018

Name	Appointed By
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: Mississippi Charter School Authorizer Board and Mississippi Legislature.

PEER Committee Staff

James A. Barber, Executive Director

Legal and Reapportionment

Ted Booth, General Counsel
Ben Collins
Barton Norfleet

Administration

Alicia Russell-Gilbert
Deborah Hardy
Gale Taylor

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Tracy Bobo
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David Pray, Principal Analyst
Jennifer Sebren, Principal Analyst
Kim Cummins
Matthew Dry
Samuel Hearn
Matthew Holmes
Taylor Mullins
Sarah Williamson
Julie Winkeljohn
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Performance Accountability

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Meri Clare Steelman

