



#637
November 19, 2019

Report to the Mississippi Legislature

FY 2019 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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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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November 19, 2019

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

On November 19, 2019, the PEER Committee authorized release of the report titled ***FY 2019 Annual Report: Analysis of Funding for Mississippi Charter Schools and the Charter School Authorizer Board.***

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

Representative Becky Currie, Chair

This report does not recommend increased funding or additional staff.

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CONCLUSION: The Mississippi Charter School Authorizer Board (MCSAB) currently has three vacant positions on its board, potentially impacting its quorum requirement. Funding from state, local, federal, and other sources was sufficient for charter schools in FY 2019. However, the local ad valorem pro rata calculation required by state law provides for unequal shares between charter schools and the school districts. FY 2019 was the first year the state funding formula, in which each charter school provides 3% of its state and local revenue to the MCSAB, generated sufficient funding to support the board’s activities. The board did, however, have an unallowable travel expenditure. Further, in its management of the Charter Schools Program (CSP) Grant, the MCSAB engaged in poor contracting practices and provided insufficient oversight of its contractors.

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 2019, the board had three staff.

During the FY 2019 application cycle, the MCSAB, with assistance from a team of independent evaluators, approved one application and denied eight. Leflore Legacy Academy was approved to open a 6th-8th grade school for the 2020-2021 school year.

During the 2018-2019 school year, five charter schools (four located within the boundaries of JPS, and one located within the boundaries of the Clarksdale Municipal School District) served 1,505 students.

In September 2017, the U.S. Department of Education awarded a five-year, \$15 million Charter Schools Program (CSP) grant to the MCSAB to help expand the state’s charter school sector. The MCSAB spent \$635,846 from the grant funds in FY 2019.

Charter Schools Operating in Mississippi in FY19

Charter School	Grades Served
Midtown Public	Grades 5-8
Reimagine Prep	Grades 5-7
Smilow Prep	Grades 5-6
Smilow Collegiate	Grades K-1
Clarksdale Collegiate	Grades K-2

Academic Performance Results, FY16-FY19

Charter School	FY16	FY17	FY18	FY19
Midtown Public	F	F	F	D
Reimagine Prep	D	D	C	B
Smilow Prep	n/a	D	D	C

NOTE: Smilow Prep and Smilow Collegiate did not receive academic letter grades in FY19 because neither school has yet to serve students at grade levels for which MDE applies annual accountability grades. These grades are not applied until 4th grade.

Report Conclusions

1

The current composition of board members' staggered terms results in three board members terms expiring at one time, potentially impacting the board's quorum requirement.

2

MDE distributed MAEP funding to charter schools at the same amounts it provided MAEP funding to the school districts in which those charter schools were located (before add-on program costs), in accordance with state law.

3

The local ad valorem pro rata calculation required by state law provides unequal shares between charter schools and the school districts.

4

FY 2019 was the first year the state funding formula for the Mississippi Charter School Authorizer Board provided enough funds to cover the operations of the board.

5

The MCSAB inappropriately expended \$1,069 for the travel expenses of a job candidate.

6

The MCSAB is significantly behind in its projected CSP grant expenditures and its efforts to expand charter schools.

7

In its oversight of the CSP grant, the MCSAB engaged in poor contracting practices.

8

The MCSAB paid a contractor \$137,500 without requiring submission of documentation of the work performed.

Recommendations

1. The MCSAB should formally require all charter schools to adopt MDE's accounting manual for public schools.
2. The Legislature should consider amending MISS CODE ANN. §37-28-11(1) to replace the 3% authorizer fee with funding from available funds.
3. The Legislature should, because the MCSAB is a state agency, 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.
4. 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) (1972) to include the charter schools' average daily membership for month one of the current year in the denominator of the calculation.
5. a) The Legislature should consider reconstituting the board to establish terms of office that, when concluded, minimize the impact on the board's operations. b) The State Superintendent of Education should submit a nomination letter for the State Superintendent's appointee immediately to the Secretary of the Senate for the remainder of the appointee's three year term, finishing in 2021.
6. The MCSAB should, in order to improve its oversight of the CSP grant: follow through with its amendment to the CSP grant; follow sound contracting practices; ensure timely execution of contracts; only enter into contracts for work under the grant that have been approved by the USDOE; clearly understand grant requirements and allowable expenditures; and hold contractors accountable for performing work under the grant.
7. The MCSAB should comply with DFA's State Travel Policy Rules and Regulations. In no case should the board pay for travel expenses of any job candidate. Further, the Office of the State Auditor should review the \$1,069 expenditure made for job applicant travel to determine an appropriate resolution to this issue.
8. The MCSAB should determine whether the V-Chief contract is still needed since the board now has full-time staff.

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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 School Act of 2010”¹ (MISS. CODE ANN. Sections 37-165-1 et seq. (1972)) 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. Section 5-3-51 et seq. (1972).

This annual report on charter schools, the fourth 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 necessary 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.

¹ 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 into a conversion charter school. This conversion status would have required a contract issued by the State Board of Education.

² Most 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.

The scope of this review includes the five charter schools that served students during the 2018–2019 school year: Midtown Public Charter School, Reimagine Prep, Joel E. Smilow Prep, and Joel E. Smilow Collegiate, all of which are located in Jackson, and Clarksdale Collegiate, which is located in Clarksdale.

Additionally, the scope includes how the Mississippi Charter School Authorizer Board has managed a \$15 million federal Charter Schools Program (CSP) grant from the United States Department of Education.

Method

In conducting this review, PEER:

- reviewed relevant sections of state law;
- interviewed board members and staff members of the Mississippi Charter School Authorizer Board (MCSAB), Midtown Public Charter School, Reimagine Prep, Joel E. Smilow Prep, Joel E. Smilow Collegiate, Clarksdale Collegiate, and the Mississippi Department of Education (MDE); and,
- reviewed federal, state, and local funding information provided by charter schools, MCSAB, and MDE.

Background

A comprehensive description and history of charter schools in Mississippi may be found in PEER's three previous annual reports on the analysis of funding for Mississippi charter schools and the Charter School Authorizer Board (Reports #629,³ #615,⁴ and #606⁵). 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 2019 application cycle;
- charter schools serving students in the 2018-2019 school year;
- update on MCSAB's evaluation of charter school performance; and,
- update on Mississippi charter schools' litigation.

Membership and Staff of the Mississippi Charter School Authorizer Board

The Mississippi Charter School Authorizer Board is a state agency comprised of seven appointed members. However, the current composition of the board members' staggered terms results in three board members' terms expiring at one time, potentially impacting the board's quorum requirement. The MCSAB is the sole authorizing body for charter schools in the state and is responsible for oversight of the schools' operations. As of October 2019, the board had three staff members, including an Executive Director and a Director of Schools and Accountability.

Membership of the Board

The current composition of board members' staggered terms results in three board members' terms expiring at one time, potentially impacting the board's quorum requirement.

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.

³ <https://www.peer.ms.gov/Reports/reports/rpt629.pdf>

⁴ <https://www.peer.ms.gov/Reports/reports/rpt615.pdf>

⁵ <https://www.peer.ms.gov/Reports/reports/rpt606.pdf>

All appointments must be made with the advice and consent of the Senate. See Exhibit 1, below, for a list of current board members and their terms. See Appendix A, page 49, for a list of board members in FY 2018 and FY 2019.

Exhibit 1: Mississippi Charter School Authorizer Board, Current Members and Terms of Service, October 2019

Board Member	Appointed By	Term Begin Date	Term End Date
Leland Speed	Governor	July 1, 2017	June 30, 2021
Chris Wilson	Governor	September 1, 2017	August 31, 2020
Carolyn Willis	Governor	February 20, 2019	August 31, 2021
Vacant	Lt. Governor	September 1, 2019	August 31, 2022
Vacant	Lt. Governor	September 1, 2019	August 31, 2022
Vacant	Lt. Governor	September 1, 2019	August 31, 2022
Quentin Ransburg	State Superintendent	Fall 2018*	Fall 2021*

*NOTE: MDE was unable to provide appointment dates for the board member appointed by the State Superintendent of Education. MISS. CODE ANN. Section 37-28-7 (3) (1972) requires that all appointments, even the board member appointment by the State Superintendent of Education, be made with the advice and consent of the Senate. PEER reviewed all measures in the 2019 Regular Session and determined that the Superintendent did not submit to the Secretary of the Senate the nomination of Quentin Ransburg for the statutorily required advice and consent.

SOURCE: PEER analysis of data from the Mississippi Secretary of State, the Mississippi Legislature’s website, and the MCSAB website.

Although MISS. CODE ANN. Section 37-28-7 (5) (1972) established staggered terms of office for MCSAB, this has resulted in three of the board members rotating off at one time and could impact the board’s quorum requirement.

As shown in Exhibit 1, as of October 2019, the board has three vacant positions, leaving it with only four members. According to MCSAB staff, new appointees have not been named for the vacant positions. The Mississippi Charter Schools Act was written such that the Governor’s three appointments roll off at

the same time and the Lieutenant Governor's three appointments roll off at the same time.

Additionally, two of the Governor's appointments are serving terms that are one year longer than the statute permits. Both Leland Speed's and Carolyn Willis's appointment dates should end in 2020 rather than 2021 because their terms are not initial terms, therefore allowing only three years for each term (initial terms for gubernatorial appointees to MCSAB are four years). Carolyn Willis replaced Krystal Cormack; whose term began on September 1, 2017.

MCSAB Staff

MCSAB's staff currently includes an Executive Director, a Director of Schools and Accountability, and an Administrative Assistant.

As of October 2019, the board's staff included an Executive Director, a Director of Schools and Accountability, and an Administrative Assistant. The Executive Director position was vacant from July 2018 through January 2019. The Director of Schools and Accountability was hired in July 2019 to be responsible for the planning, monitoring, improvement, and supervision of MCSAB's operations.

In February 2019, the board hired a Grants Coordinator to manage MCSAB's five-year, \$15 million U.S. Department of Education Charter Schools Program (CSP) grant. In August 2019, the Grants Coordinator was no longer employed by MCSAB. According to MCSAB staff, in September 2019, the Director of Schools and Accountability took over the work of the CSP grant.

The authorizer board employs contractors to satisfy its mandate to authorize and oversee charter schools. For example, in FY 2019 MCSAB contracted with an independent evaluator to evaluate charter school applications and with a private business to perform accounting services. For more information on contract expenditures, see pages 29-31.

Charter School Applicants in the Board's 2019 Application Cycle

The Mississippi Charter School Authorizer Board received nine applications for charter schools in its 2019 application cycle. Of those, the board, with assistance from a team of independent evaluators, approved one application (for a school to be located in Greenwood) and denied eight applications.

Any party seeking to open a charter school in Mississippi must submit an application to the authorizer board. The MCSAB contracted with the National Association of Charter School Authorizers (NACSA) from 2014 to 2018 to manage the application process and to provide independent recommendations of approval or denial for each charter school application. However, beginning in 2019, MCSAB ceased contracting with NACSA because, according to MCSAB staff, NACSA no longer engages in this type of evaluation work. Therefore, MCSAB began contracting with an independent

evaluator to manage the application process and provide recommendations.

As in previous years, the application process includes three stages of review: the completeness check, the threshold quality review, and the capacity review. In the completeness check (Stage 1), the independent lead evaluator reviews applications for completeness⁶ and applicants' eligibility⁷ before distributing applications to the MCSAB applications committee. The MCSAB applications committee reviews the findings of the independent lead evaluator. When the independent lead evaluator identifies a problem (e.g., an element of the application is missing), applicants have forty-eight hours to rectify and resubmit the application. If 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, the independent 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, the independent 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. The independent evaluators then make a recommendation to the MCSAB applications committee and the board makes final charter school authorization decisions during the September regularly scheduled board meeting.

In the 2019 application cycle, the Mississippi Charter School Authorizer Board received nine applications for eleven schools. Of those, MCSAB, with assistance from a team of independent evaluators, approved one application and denied eight. Of those that were denied, four were denied at Stage 1 of the process (i.e., the completeness check); one was denied at the Stage 2 threshold quality review; and three were denied at the Stage 3 capacity review.

The application that was approved was Mississippi Delta Academies, which was approved to open Leflore Legacy Academy, a 6th–8th grade school in Greenwood.

⁶*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).

⁷*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).

List of Mississippi's Approved Charter Schools

Exhibit 2, below, lists the charter school applications MCSAB has approved to date (from its 2014 application cycle through its 2019 application cycle), the operational school years, and contract terms.

Exhibit 2: Approved Mississippi Charter Schools through the 2019 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 Municipal	Clarksdale Collegiate, Inc.	2018-2019	FY 2019-FY 2023
Ambition Preparatory	JPS	Ambition Preparatory Charter School	2019-2020	FY 2020-FY 2024
Leflore Legacy Academy	Greenwood Public	Mississippi Delta Academies	2020-2021	TBD ^c
Revive Prep	JPS	RePublic Schools, Inc.	2021-2022	TBD ^c
RePublic High School	JPS	RePublic Schools, Inc.	2021-2022	TBD ^c

*NOTE: Charter schools that were in operation during the 2018-2019 school year are indicated with an asterisk.

- The year in which the school began serving students or is expected to serve students.
- Per MISS. CODE ANN. Section 37-28-21(1) (1972), the authorizer board must grant an initial charter to each qualified applicant for a term of five operating years.
- As of September 20, 2019, MCSAB had not generated contracts with Leflore Legacy Academy, Revive Prep, or RePublic High School.

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

Charter Schools Serving Students During the 2018-2019 School Year

During the 2018-2019 school year, five charter schools (four located in Jackson and one located in Clarksdale) served 1,505 students.⁸

The following two charter schools began serving students in the 2015-2016 school year, thus have completed four 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 245 students.
- Reimagine Prep, operated by RePublic Schools, Inc., with headquarters in Nashville, served grades 5 through 8 with an average daily attendance of 527 students.

Joel E. Smilow Prep (Smilow Prep), also operated by RePublic Schools, Inc., began serving students in the 2016-2017 school year. Smilow Prep completed its third year in the 2018-2019 school year, serving grades 5 through 7, with an average daily attendance of 390 students.

The following two charter schools began serving students in the 2018-2019 school year, thus having completed their first year:

- Joel E. Smilow Collegiate (Smilow Collegiate), operated by RePublic Schools, Inc., served grades K through 1 with an average daily attendance of 205 students.
- Clarksdale Collegiate, operated by Clarksdale Collegiate, Inc., served grades K through 2 with an average daily attendance of 138 students.

Four schools are located in Jackson within the geographical boundaries of Jackson Public Schools (JPS), while Clarksdale Collegiate is located in Clarksdale within the geographical boundaries of Clarksdale Municipal School District. Average daily attendance of months two and three of the school year for all five schools totaled 1,505 students.

Update on MCSAB's Evaluation of Charter School Performance

During the 2017-2018 school year, 15% of charter school students scored proficient or advanced in English language arts compared with 22% of JPS comparison students. In that same year, 19% of charter school students scored proficient or advanced in math compared with 18% of JPS comparison students. Additionally, each charter school has increased its accountability grade by one or two letter grades since its first year of operation.

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 MCSAB's evaluations of the charter school (e.g., student academic proficiency, financial

⁸This was the total average daily attendance for months two and three of the 2018-2019 school year.

performance, and sustainability). According to MISS. CODE ANN. Section 37-28-31 (1972), 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, 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, 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 2018, MCSAB contracted with Bellwether Education Partners, a national nonprofit organization, to conduct a more in-depth analysis of charter school performance than had been conducted in the past. Bellwether developed a method for comparing student performance on state assessments (in math and English language arts) in each charter school with selected comparison students such that the results would indicate the effects on student achievement, if any, that attending a charter school produces.

In September 2019, MCSAB released its 2018 annual report with an addendum that includes 2017 information. According to MCSAB reports:

- As shown in Exhibit 3, page 10, 16% of Mississippi charter school students scored proficient or advanced on the Mississippi Academic Assessment Program (MAAP) assessment in English language arts (ELA) during the 2016-2017 school year compared with 30% of comparison students from JPS. In the same year, 18% of both Mississippi charter school students and JPS students scored proficient or advanced in math.
- As shown in Exhibit 3, page 10, during the 2017-2018 school year, 15% of Mississippi charter school students scored proficient or advanced in ELA compared with 22% of JPS comparison students. In the same year, 19% of Mississippi charter school students scored proficient or advanced in math compared with 18% of JPS comparison students. MCSAB's annual reports, however, do not show the assessment results by charter school.

Exhibit 3: Comparison of Mississippi Charter School Students and Jackson Public Schools Comparison Students Scoring Proficient or Advanced on Assessments, School Years 2016-2017 and 2017-2018

MS Charter School Students vs. JPS Comparison Students	2016-2017 School Year		2017-2018 School Year	
	ELA	Math	ELA	Math
Charter School Students	16%	18%	15%	19%
JPS Comparison Students	30%	18%	22%	18%

SOURCE: MCSAB 2018 Annual Report.

As mentioned previously, MISS CODE. ANN. Section 37-28-31 (1972) requires that MCSAB provide a performance report for each charter school it oversees. However, MCSAB's annual reports do not delineate the assessment results per charter school. Therefore, Exhibit 4, below, illustrates the accountability grades for each charter school from its time of inception through the 2018-2019 school year. As shown, each charter school has increased one or two letter grades since its first year of operation.

Exhibit 4: Mississippi Charter Schools' Accountability Grades, School Years 2015-2016 through 2018-2019

Charter Schools	2015-2016 School Year	2016-2017 School Year	2017-2018 School Year	2018-2019 School Year
Midtown	F	F	F	D
Reimagine Prep	D	D	C	B
Smilow Prep	Not operating	D	D	C
Smilow Collegiate	Not operating	Not operating	Not operating	No grade*
Clarksdale Collegiate	Not operating	Not operating	Not operating	No grade*

*Smilow Collegiate and Clarksdale Collegiate do not yet serve students at grade levels for which MDE applies annual accountability grades. Such grades are not applied until fourth grade.

SOURCE: MDE.

Update on Mississippi Charter Schools' Litigation

The Mississippi Supreme Court has ruled in favor of the state's method of using ad valorem taxes to support charter schools.

On September 5, 2019, the Mississippi Supreme Court ruled in favor of the state's method of using ad valorem taxes to support charter schools.

As PEER noted in the 2017 report on charter schools, 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. On February 13, 2018, a judge upheld the constitutionality of the state law that established charter schools. The case was appealed by the Southern Poverty Law Center and was then ruled on by the Mississippi Supreme Court. The Mississippi Supreme Court ruled in favor of the state.

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

For FY 2019, the Mississippi Department of Education distributed Mississippi Adequate Education Program funding to charter schools located in the Jackson Public School District at an amount of \$4,084 per pupil (before add-on program costs), which was the same per-pupil amount provided by MAEP to Jackson Public Schools. MDE also distributed MAEP funding to Clarksdale Collegiate, located within the geographical boundaries of Clarksdale Municipal School District, at an amount of \$4,525 per pupil (before add-on program costs), which was the same per-pupil amount provided by MAEP to Clarksdale Municipal Schools. These funding amounts were calculated 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, but 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's or charter school's characteristics relative to the criteria. For example, special education costs are based on the salary and fringe benefits for the number of special education units (classes) necessary. For the charter schools, this equates to one special education teacher. The cost (salary and fringe benefits) of the special education teacher is spread over each charter school's enrollment. As a result, the special education add-on amount per student varies between the charter schools.

For FY 2019, MAEP formula calculations resulted in per-pupil amounts⁹ for the charter schools, Jackson Public Schools, and the Clarksdale Municipal School District as presented in Exhibit 5, page 14. The difference in funding per pupil among the schools and the districts in which they are located is attributable to the amount each charter school and their respective districts received from the add-on program component of the MAEP formula.

Exhibit 5 also presents a comparison of the amounts of funding provided to the charter schools and their respective districts for FY 2016, FY 2017, FY 2018, and FY 2019.

For FY 2019, the Legislature provided MAEP funding to Midtown Public, Reimagine Prep, Smilow Prep, and Smilow Collegiate in a manner consistent with its provision of MAEP funds to JPS. It also provided MAEP funding to Clarksdale Collegiate in a manner consistent with its provision of MAEP funds to the Clarksdale Municipal School District.

⁹For charter schools, the 2018-2019 school year per-pupil amounts are based on 2018-2019 school year enrollment projections for each charter school. MISS. CODE ANN. Section 37-28-55(1)(b) (1972) 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.

Exhibit 5: FY 2019 MAEP Appropriation Amounts¹⁰ Per Pupil by Charter School and Their Respective School Districts

Charter School or School District	FY 2019			FY 2018	FY 2017	FY 2016
	Per-Pupil MAEP before Add-Ons	Per-Pupil Add- Ons	Total Per-Pupil MAEP	Total Per-Pupil MAEP	Total Per-Pupil MAEP	Total Per-Pupil MAEP
Midtown Public	\$4,084	\$776	\$4,860	\$4,904	\$5,117	\$5,998
Reimagine Prep	\$4,084	\$386	\$4,470	\$4,517	\$4,870	\$5,898
Smilow Prep	\$4,084	\$464	\$4,548	\$4,671	\$5,791	N/A
Smilow Collegiate	\$4,084	\$1,019	\$5,103	N/A	N/A	N/A
Jackson Public Schools	\$4,084	\$820	\$4,904	\$4,883	\$4,904	\$4,883
Clarksdale Collegiate	\$4,525	\$1,497	\$6,022	N/A	N/A	N/A
Clarksdale Municipal	\$4,525	\$892	\$5,417	N/A	N/A	N/A

NOTE: This exhibit does not reflect FY 2018 average daily attendance adjustments to FY 2019 MAEP, as explained in Exhibit 8, footnote b.

SOURCE: PEER analysis of Mississippi Department of Education documents.

¹⁰ This reflects a reduction by the Legislature of 9.74%. There were no Governor's cuts in FY 2019.

Sufficiency of Funding from Local Ad Valorem Taxes

For FY 2019, Midtown Public, Reimagine Prep, Smilow Prep, Smilow Collegiate, and Clarksdale Collegiate 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.

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 fifty-five 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, Smilow Prep, Smilow Collegiate, and Clarksdale Collegiate to the funding levels provided to other school districts in which charter school students reside.

The 2018-2019 school year was the third year that charter schools enrolled students from districts other than JPS. Therefore, for the five charter schools in operation in Mississippi 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 6, page 16.

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 6: FY 2019 Local Contributions to and Number* of Students in Each Charter School, by Students' Districts of Residence

School District	Midtown Public	Reimagine Prep ⁺	Smilow Prep ⁺	Smilow Collegiate	Clarksdale Collegiate	Total
Hinds Co. SD \$3,852.47 per pupil**	\$23,114.82 (6 students)	\$77,049.40 (20 students)	\$23,114.82 (6 students)	\$15,409.88 (4 students)	----	\$138,688.92 (36 students)
JPS \$2,922.39 per pupil**	\$753,976.62 (258 students)	\$1,575,168.21 (539 students)	\$1,195,257.51 (409 students)	\$634,158.63 (217 students)	----	\$4,158,560.97 (1,423 students)
Clarksdale SD \$1,368.68 per pupil**	----	----	----	----	\$149,186.12 (109 students)	\$149,186.12 (109 students)
Cleveland SD \$2,957.65 per pupil**	----	----	----	----	\$2,957.65 (1 student)	\$2,957.65 (1 student)
Coahoma County SD \$3,997.37 per pupil**	----	----	----	----	\$115,923.73 (29 students)	\$115,923.73 (29 students)
N. Bolivar SD \$1,444.58 per pupil**	----	----	----	----	\$2,889.16 (2 students)	\$2,889.16 (2 students)
West Tallahatchie SD \$3,349.38 per pupil**	----	----	----	----	\$16,746.90 (5 students)	\$16,746.90 (5 students)
Total	\$777,091.44 (264 students)	\$1,652,217.61 (559 students)	\$1,218,372.33 (415 students)	\$649,568.51 (221 students)	\$287,703.56 (146 students)	\$4,584,953.45 (1,605 students)

*For 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 2018-2019 school year. Because of this, the total number of students (1,605) differs from the actual number of students (1,505), which was derived using average daily attendance for months two and three of the 2018-2019 school year.

**For purposes of calculating local ad valorem contributions per pupil made to charter schools for FY 2019, MISS. CODE ANN. Sections 37-28-55(2) and (3) (1972) require that total ad valorem receipts received by the student's resident district in FY 2018 be divided by its average daily membership for months one through nine of the 2017-2018 school year.

⁺In in the 2018-2019 school year, one student from the Rankin County School District (RCSD) attended Reimagine Prep and one student from the Madison County School District (MCSD) attended Smilow Prep. According to the Mississippi Charter Schools Act, only students from "C," "D," or "F" districts may attend

a charter school. Both RCSD and MCSD were “A” districts in FY 2019. Initially, both RCSD and MCSD paid Reimagine Prep and Smilow Prep, respectively, the pro rata shares of local ad valorem funds. However, an AG’s opinion dated February 2019 noted that a student residing in a school district with an “A” rating is not authorized to enroll in a charter school located outside of the school district in which the student lives, and consequently neither MDE nor the school district in which the student resides owes any funds to the charter school. Therefore, according to MDE, the MAEP of Reimagine Prep and Smilow Prep were reduced by the applicable amounts in June 2019 and sent back to RCSD and MCSD, respectively. Exhibit 6 does not include those two students because although they attended charter schools in FY 2019, local ad valorem funds were ultimately not received by Reimagine Prep and Smilow Prep for those students.

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 provided 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 2019, JPS distributed \$2,922.39 per pupil to the charter schools, which left \$2,754.45 per pupil for JPS students, a difference of \$167.94 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. 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 2017-2018 school year was \$72,364,150.98. Months one through nine of ADM that year for JPS was 24,762 (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 four charter schools located within the boundaries of JPS during the 2018-2019 school year was as follows:

$$\$72,364,150.98 \div 24,762 = \$2,922.39$$

Therefore, the pro rata share JPS distributed to the charter schools was \$2,922.39 per pupil. However, because the denominator (24,762) 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

\$2,754.45 remained per pupil for JPS students, a difference of \$167.94 per pupil.

Exhibit 7, below, illustrates how the difference in per pupil ad valorem funding between JPS and the charter schools within the boundaries of JPS has grown each year since FY 2017 in favor of the charter schools.

Exhibit 7: Comparison of Charter School* Per Pupil Ad Valorem Funding to JPS Per Pupil Ad Valorem Funding, FY 2017 through FY 2019

Fiscal Year	Charter School Per Pupil Ad Valorem Funding	JPS Per Pupil Ad Valorem Funding	Difference
FY 2017	\$2,700.93	\$2,649.85	\$51.08
FY 2018	\$2,782.15	\$2,684.18	\$97.97
FY 2019	\$2,922.39	\$2,754.45	\$167.94

*For this exhibit, the charter schools are those that are within the geographical boundaries of the JPS school district.

SOURCE: PEER Report #615 and #629; PEER analysis of MDE documents.

As the number of charter schools grows, this statutory calculation will continue to affect the school districts more adversely, particularly districts in which multiple charter schools are operating.

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 FY 2019, charter schools received federal grant funds totaling \$2,790,175, including \$343,349 from the Charter Schools Program grant.

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 on its characteristics related to meeting the requirements set forth by the federal program or grant.

In FY 2019, charter schools received federal grant funds totaling \$2,790,175, including \$343,349 from the Charter Schools Program (CSP) grant (see pages 32 through 46). For a description of grant programs that provide funding to Mississippi's charter schools, see Appendix D, page 42, in the *FY 2017 Annual Report: Analysis of Funding for Mississippi Charter Schools and the Charter School Authorizer Board* (PEER Report #615).

Sufficiency of Funding from Other Sources

A charter school's ability to obtain funding from grants, gifts, and donations depends upon its success in applying for grants and attracting gifts and donations from other sources. In FY 2019, Mississippi's charter schools received \$1,574,893 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 apply successfully for grants and to 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.

In FY 2019, charter schools received \$1,574,893 from other sources that included contributions, grants, donations, and other miscellaneous revenue.

Charter School Funding Received

In FY 2019, Midtown Public received approximately \$2.5 million, Reimagine Prep approximately \$5 million, Smilow Prep approximately \$3.8 million, Smilow Collegiate approximately \$2.7 million, and Clarksdale Collegiate approximately \$2.6 million from Mississippi Adequate Education Program funding, local ad valorem taxes, federal funds, and other sources.

Exhibit 8, page 20, details the amounts received by each charter school in FY 2019 and the funding sources.

Exhibit 8: Charter School Revenues in FY 2019, by Funding Source

Source of Funds	Midtown Public	Reimagine Prep ^f	Smilow Prep ^f	Smilow Collegiate ^f	Clarksdale Collegiate ^g	TOTAL
MAEP ^a	\$1,185,822	\$2,682,269	\$2,046,770	\$1,173,765	\$903,386	\$7,992,012
FY 2018 ADA Adjustment ^b	\$78,114	\$(217,138)	\$(166,877)	\$0	\$0	\$(305,901)
Local Ad Valorem Taxes ^c	\$777,091	\$1,652,218	\$1,218,372	\$649,568	\$287,704	\$4,584,953
Federal Funds	\$355,252	\$756,295	\$594,538	\$555,966	\$528,124	\$2,790,175
Other ^d	\$136,481	\$155,750	\$99,005	\$352,322	\$831,335	\$1,574,893
Total ^e	\$2,532,760	\$5,029,394	\$3,791,808	\$2,731,621	\$2,550,549	\$16,636,132

- a. 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 2019 MAEP. This amount does not include FY 2018 ADA adjustments to FY 2019 MAEP.
- b. Senate Bill 2161, 2016 Regular 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 traditional school districts, FY 2019 per-pupil amounts are based on FY 2018 average daily attendance for months two and three). For this report, PEER has included the charter school FY 2018 ADA adjustment to FY 2019 MAEP as FY 2019 revenue for each charter school. PEER will include the FY 2019 ADA adjustment to FY 2020 MAEP in next year's report as FY 2020 revenue to the charter schools.
- c. See Exhibit 6, page 16, for more detailed information on local ad valorem taxes.
- d. Other sources of funds include contributions, grants, donations, and miscellaneous revenue.
- e. The totals do not include a FY 2019 ADA adjustment to FY 2020 MAEP for each charter school. These ADA adjustments will be reflected in the FY 2020 MAEP.
- f. The FY 2019 MAEP, FY 2018 MAEP ADA adjustment, and local ad valorem revenue for Reimagine Prep, Smilow Prep, and Smilow Collegiate are based on figures that MDE reported to PEER and that were confirmed by the three schools. While these revenues add to \$4,117,349; \$3,098,265; and \$1,823,333, respectively, for Reimagine Prep, Smilow Prep, and Smilow Collegiate, state and local revenue reported by those three charter schools on their audited financial statements were \$4,111,078; \$3,057,047; and \$1,741,579, respectively. After consulting with charter school staff, PEER maintains that these differences are due to the varying requirements of cash vs. accrual accounting methods.
- g. Clarksdale Collegiate's federal revenue includes \$343,349 in CSP revenue and \$184,775 in other federal revenue. The \$343,349 CSP revenue includes "expected revenue." Therefore, this figure is greater than the \$190,949 indicated on page 36.

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

Charter School Revenue Versus Expenditures

While Midtown Public, Reimagine Prep, Smilow Collegiate, and Clarksdale Collegiate's revenues were sufficient to cover their expenditures for FY 2019, Smilow Prep's expenditures exceeded its revenues by \$155,794.

PEER reviewed each charter school's audited financial statements for FY 2019 to determine whether revenues were sufficient to provide for the schools' expenditures. As presented in Exhibit 9, below, the difference in revenues and expenditures for Midtown Public was \$117,531; Reimagine Prep was \$132,047; Smilow Collegiate was \$95,858; and the difference for Clarksdale Collegiate was \$578,347—with those four schools' revenues exceeding expenses. However, Smilow Prep's revenues failed to cover its expenses by \$155,794.

Exhibit 9: FY 2019 Charter School Revenues versus Expenditures

	Midtown	Reimagine Prep*	Smilow Prep*	Smilow Collegiate*	Clarksdale Collegiate
Revenues	\$2,532,760	\$5,023,123	\$3,750,590	\$2,649,867	\$2,550,549
Expenditures	\$2,415,229	\$4,891,076	\$3,906,384	\$2,554,009	\$1,972,202
Difference	\$117,531	\$132,047	\$(155,794)	\$95,858	\$578,347

*NOTE: For this exhibit, PEER used total revenues reported by Reimagine Prep, Smilow Prep, and Smilow Collegiate on their audited financial statements. These revenues do not match the revenues for those schools shown in Exhibit 8, page 20, because after consulting with charter school staff, PEER maintains that these differences are due to the varying requirements of cash vs. accrual accounting methods.

SOURCE: PEER analysis of charter schools' FY 2019 audited financial statements.

As shown in Exhibit 10, page 22, Midtown Public, Reimagine Prep, Smilow Prep, and Smilow Collegiate were less financially healthy in FY 2019 than they were in FY 2018. FY 2019 was the first year for which PEER had financial data for Clarksdale Collegiate.

Exhibit 10: Financial Health of Mississippi Charter Schools, FY 2017 through FY 2019

Charter School	Difference Between Revenues and Expenditures		
	FY 2017	FY 2018	FY 2019
Midtown Public	\$(133,206)	\$159,248	\$117,531
Reimagine Prep	\$140,046	\$420,945	\$132,047
Smilow Prep	\$498,712	\$423,721	\$(155,794)
Smilow Collegiate*	Not operating	\$225,144	\$95,858
Clarksdale Collegiate	Not operating	Not operating	\$578,347

*NOTE: Although Smilow Collegiate was not operating in FY 2018, RePublic Schools, Inc. reported its revenues and expenditures to PEER for FY 2018.

SOURCE: PEER Report #615 and #629; PEER analysis of charter schools' FY 2019 audited financial statements.

As presented in Exhibit 11, page 23, according to the National Education Association, the projected cost per student for public schools in the state of Mississippi in FY 2019 was \$10,032. In comparison, the cost per student was \$9,409 for Midtown Public, \$8,801 for Reimagine Prep, \$9,343 for Smilow Prep, \$11,597 for Smilow Collegiate, and \$13,705 for Clarksdale Collegiate. The three charter schools that were in operation in FY 2018 and before (Midtown, Reimagine Prep, and Smilow Prep) showed a cost per student that was lower than that of the state collectively, while the two schools whose first year of operation was FY 2019 (Smilow Collegiate and Clarksdale Collegiate) showed a cost per student that was higher than that of the state collectively. While Midtown, Reimagine Prep, and Smilow Prep were in their 3rd and 4th years of operation in FY 2019, Smilow Collegiate and Clarksdale Collegiate 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 newer charter schools could be expected to be higher

than that for schools or districts with larger student populations.

Midtown, Smilow Prep, and the state collectively incurred a higher cost per student in FY 2019 than they did in FY 2018, while Reimagine Prep incurred a lower cost per student in FY 2019 than it did in FY 2018.

Exhibit 11: FY 2019 Mississippi 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 2019 Cost Per Student	FY 2018 Cost Per Student
Midtown Public	\$2,305,324	245	\$9,409	\$8,535
Reimagine Prep	\$4,638,221	527	\$8,801	\$9,036
Smilow Prep	\$3,643,906	390	\$9,343	\$9,239
Smilow Collegiate	\$2,377,477	205	\$11,597	N/A
Clarksdale Collegiate	\$1,891,309	138	\$13,705	N/A
State of Mississippi ^c	\$4,357,493,000	434,355	\$10,032	\$9,808

- a. Net expenditures do not include capitalized property of \$40,613, depreciation of \$59,352, and interest expense of \$9,940 for Midtown; depreciation and amortization expense of \$245,788 for Reimagine Prep, \$260,046 for Smilow Prep, and \$174,942 for Smilow Collegiate; depreciation expense of \$80,893 for Clarksdale Collegiate; and capital expenditures of \$56.3 million and interest expense of \$64.1 million for the State of Mississippi. Collective interest for Reimagine Prep, Smilow Prep, and Smilow Collegiate is \$7,067. PEER applied to Reimagine Prep, Smilow Prep, and Smilow Collegiate 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 43% (\$3,045), Smilow Prep at 34% (\$2,432), and Smilow Collegiate at 23% (\$1,590).
- b. School year 2018-2019 ADA, months two and three.
- c. 2018–2019 school year data from the National Education Association’s *Ranking of the States 2018 and Estimates of School Statistics 2019*,¹³ pp. 45, 57, 60. Notably, page 45 shows a correction to FY 2018 ADA for the State of Mississippi. Although the NEA reported FY 2018 ADA to be 486,617, its adjustment shows that FY 2018 ADA was 439,599. Therefore, PEER has recalculated Mississippi’s cost per student for FY 2018 to be \$9,808. PEER Report # 629 shows this figure to be \$8,515.

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

¹³<http://www.nea.org/assets/docs/2019%20Rankings%20and%20Estimates%20Report.pdf>

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 schools' expenditures and public schools' 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 three 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, MCSAB indicated that it was recommending that new charter schools align their coding with the MDE-mandated chart of accounts; however, as of October 2019, MCSAB had not made an effort to do this because the charter schools report as non-profits.

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. FY 2019 was the first year this statutory formula generated sufficient funding to support the board's activities.

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.¹⁴

The National Association of Charter School Authorizers (NACSA) 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 underfunded or overfunded.¹⁵

¹⁴Information from the National Alliance for Public Charter Schools' 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>.

¹⁵Information from the National Association of Charter School Authorizers' 2009 policy guide, “Charter School Authorizer Funding,” <https://files.eric.ed.gov/fulltext/ED544285.pdf>.

As authorized under MISS. CODE ANN. Section 37-28-11(1) (1972), MCSAB receives 3% of annual per-pupil allocations received by charter schools from state and local sources. For purposes of this report, PEER equates efficacy¹⁶ 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 Session, MISS. CODE ANN. Section 37-28-7(10) (1972) directed the Board of Trustees of Institutions of Higher Learning (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 shown in Exhibit 12, page 27. In FY 2016, FY 2017, and FY 2018, the statutory formula failed to provide efficacy because the fees received from charter schools did not sufficiently fund MCSAB operations.

As it did in FY 2018, the Legislature appropriated \$237,000 in general funds to the authorizer board in FY 2019, which also received \$361,178 from the 3% fee from the charter schools, bringing total revenue received for FY 2019 to \$598,178.

Total expenditures for FY 2019 were \$339,557. FY 2019 was the first year that the statutory formula provided efficacy because the \$361,178 fees received by MCSAB from the charter schools sufficiently funded MCSAB operations. In previous years, fewer charter schools were operating in the state and consequently enrolled fewer students. Because MAEP and local ad valorem funding to the charter schools are based on enrollment, the state paid a larger amount to the charter schools in FY 2019 than it had in previous years. Because the 3% fees are applied to the MAEP and local ad valorem funding received by each charter school, each school paid a greater amount in those fees to MCSAB.

¹⁶Merriam-Webster defines *efficacy* as “the power to produce the desired result or effect.”

Exhibit 12: Sources of Revenues for the Mississippi Charter School Authorizer Board, FY 2014 through FY 2019

Source of Funds	FY 2014 & FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
IHL Appropriation	\$250,000 ^a	\$250,000	\$236,547	\$237,000	\$237,000
3% Fee	\$0	\$56,078	\$119,314	\$212,918	\$361,178
Total Revenues	\$250,000	\$306,078	\$355,861	\$449,918	\$598,178
Total Expenditures	\$249,797 ^b	\$243,929	\$244,376	\$335,886	\$339,557
Balance	\$203	\$62,149	\$111,485	\$114,032	\$258,621

- 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 MCSAB. The board was allowed to carry forward to FY 2015 any funds not expended during FY 2014.
- b. MCSAB spent \$10,300 in FY 2014 and \$239,497 in FY 2015.

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

As PEER noted in its three previous reports on charter schools, 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 state and local sources available to charter schools on a per-pupil basis is less than the funds provided to public schools on a per-pupil basis.

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.

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.

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 warrants, 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 2019, the Mississippi Charter School Authorizer Board expended approximately \$1.4 million, with \$642,313 (45%) of this amount spent for personal services and \$527,460 (37%) spent for contractual 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; in FY 2018 the board hired a Deputy Director; and in FY 2019 the board experienced a complete staff turnover, during which time expenditures for personal services decreased but contractual services increased. From FY 2014 through FY 2019, the board expended \$1,413,545 for total operations, with \$642,313 of this amount spent for personal services and \$527,460 spent for contractual services (see Exhibit 13, page 29).

PEER notes the following regarding MCSAB’s FY 2019 expenditures.

Description of FY 2019 Expenditures

Personal Services Expenditures

MCSAB expended \$80,352 in personal services in FY 2019. These expenditures included salaries and benefits for the following individuals:

- Former MCSAB Deputy Director who resigned in August 2018—two months of salary and benefits, with a salary of \$60,000.
- Current Executive Director who was hired in February 2019 at a salary of \$113,000 and whose salary was increased to

\$118,000 by a vote of the board in March 2019—4 ½ months of salary and benefits.

Exhibit 13: Mississippi Charter School Authorizer Board Expenditures,* by Major Category, FY 2014 through FY 2019

Major Categories	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	TOTAL
Personal Services	\$0	\$84,477	\$125,037	\$131,269	\$221,178	\$80,352	\$642,313
Travel	\$7,645	\$11,612	\$13,560	\$10,447	\$13,196	\$7,432	\$63,892
Contractual Services	\$2,655	\$84,079	\$42,603	\$69,468	\$89,238	\$239,417	\$527,460
Commodities	\$0	\$9,239	\$27,938	\$9,102	\$6,351	\$8,869	\$61,499
Equipment	\$0	\$4,290	\$10,049	\$24,090	\$5,923	\$3,487	\$47,839
Subsidies, Loans, and Grants	\$0	\$45,800	\$24,742	\$0	\$0	\$0	\$70,542
Total Expenditures	\$10,300	\$239,497	\$243,929	\$244,376	\$335,886	\$339,557	\$1,413,545

*These expenditures do not include expenditures made with funds from the federal Charter Schools Program Grant. Exhibit 13 shows expenditures made only with state dollars. For expenditures made with CSP funds, see Exhibit 14, page 34.

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

The Executive Director of MCSAB hired a Director of Schools and Accountability in July, 2019 and an Administrative Assistant in October 2019. Therefore, as of October 2019, the board had three staff members.

Travel Expenditures

MCSAB expended \$7,432 in travel in FY 2019. These expenditures included \$3,451 for board member travel, \$1,227 for contractor travel, \$1,685 for staff travel, and \$1,069 for travel related to an applicant for an employment interview (see more in-depth discussion of the employment interview expenditure in the Notable Expenditure section, below).

Contractual Services Expenditures

In FY 2019, MCSAB expended \$239,417 in contractual services, including \$228,729 to vendors with whom MCSAB had contracts. These expenditures and services are described below.

- \$42,619 to a contractor for evaluating charter school applications for the 2018 application cycle
- \$24,416 for accounting services, human resources, and personnel assistance
- \$5,000 annually to a contractor for a web-based software system to assist with document management, compliance, performance, and board governance; this includes consulting and technical support related to the software system
- \$39,875 to a contractor for analysis of student achievement data and production of an annual report:
 - \$9,225 was for the provision of an analysis of student achievement data for FY 2017 and to elevate the rigor and utility of the MCSAB annual report through a more sophisticated set of statistical analyses. This work was paid for in FY 2019.
 - \$30,650 was to continue elevating the rigor and utility of the student achievement comparison and to also design MCSAB's FY 2018 annual report using infographics and graphic design. This work was paid for FY 2019.
- \$48,600 to a contractor to conduct site visits of charter schools
- \$3,227 to a contractor for temporary office assistance, including general office support, administrative office support, and accounting office support
- \$31,905 to a contractor to provide part-time virtual chief of staff services including hiring, grants management, planning leadership development, planning leadership development scope and sequence, retreat planning, strategic planning, and project management
- Payments to three independent contractors:
 - \$13,000 to a contractor for work accomplished through June 30, 2019, evaluating charter school applications for the 2019 application cycle (the work accomplished after June 30, 2019, will be paid in FY 2020)
 - \$11,958 to the previous Deputy Director to contract with MCSAB for board meeting support, executive director hiring support, staff onboarding support, newsletter support, charter school pre-opening support, and 2019 RFP support
 - \$8,129 to an intern for administrative support, hiring process support, board meeting planning and support, newsletter creation and support, finance support, and office projects

The remaining \$10,688 included costs for the following services:

- Advertising and public information: \$995
- Membership dues: \$1,250
- Cell phone usage: \$1,419
- Court reporters: \$1,758
- Training: \$128
- Insurance fees and services: \$528
- Information technology-related services: \$3,275
- Subscriptions: \$1,167
- Postage: \$168

PEER notes that, according to the Department of Finance and Administration, except for leasing, MCSAB is not under the purview of the Public Procurement Review Board (PPRB) because it employs only non-state-service employees.

Commodities Expenditures

During FY 2019, the board expended \$8,869 on commodities. These expenditures included \$2,941 in office supplies, \$2,654 on office furniture and equipment, \$2,115 on printing supplies, \$625 on information technology supplies, and \$534 on food for meetings.

Equipment Expenditures

During FY 2019, the board expended \$3,487 on computer equipment and furniture.

Subsidies, Loans, and Grants Expenditures

During FY 2019, the board had no expenditures in this category.

Notable FY 2019 Expenditure

PEER determined one noteworthy expenditure made by MCSAB in FY 2019:

- As mentioned previously, MCSAB expended \$1,069 for the travel expenses of a job candidate. The staff at the Department of Finance and Administration is not aware of any legal authority for MCSAB to pay any such expenses for a job candidate. Further, a Mississippi Attorney General Opinion, dated October 18, 1979, opined that state agencies do not have the authority to pay travel expenses associated with the recruitment of job candidates.

The MCSAB's Management of the Federal Charter Schools Program Grant

This chapter addresses:

- the purpose of the federal Charter Schools Program (CSP) grant;
- CSP grant expenditures in FY 2019;
- progress in meeting the goals of the grant;
- issues regarding management of the CSP grant; and,
- anticipated revisions to the CSP grant.

As noted in Exhibit 8, page 20, the CSP grant is a component of the federal funding received by one charter school (Clarksdale Collegiate) that was operating in FY 2019. CSP grant funding is in addition to the funding received by MCSAB as discussed on pages 25 through 31 (Efficacy of the State Formula for Authorizer Funding).

Purpose of the Federal Charter Schools Program Grant

The purpose of the Charter Schools Program (CSP) grant is to increase the number of charter schools, support charter schools in earning an “A” or “B” accountability grade, and advance MCSAB’s standing as a national leader in authorizing quality. The five-year grant period is from October 1, 2017, to September 30, 2022.

In September 2017, the U.S. Department of Education’s (USDOE’s) Expanding Opportunity through Quality Charter Schools Program awarded new grants totaling \$253 million to nine states and seventeen 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 five-year grant period is from October 1, 2017, to September 30, 2022.

According to MCSAB’s application for the grant, it set out three main objectives:

- Increase the number of new, high-quality charter schools launching in Mississippi by at least 375% (from four to nineteen) 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 significantly improving 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 NACSA’s State Policy ranking.

To accomplish these objectives, MCSAB's application to the USDOE stated that it would use CSP grant funds to administer a subgrant program for charter schools to defray the costs of: (1) significant start-up expenses of hiring administrative staff and teachers during their planning years; (2) securing facilities; (3) conducting recruitment and enrollment activities; and (4) purchasing technology infrastructure, equipment, and curriculum.

Additionally, MCSAB would also hire a Grants Coordinator to manage the program.

The application noted that MCSAB would also use CSP grant funds to contract with the following three organizations:

- Mississippi First (MSF), to provide technical assistance to MCSAB to enhance authorizer quality;
- Mississippi Education Accelerator (MSEA), to recruit charter school operators and provide technical assistance to charter school applicants and approved charter schools; and,
- National Association of Charter School Authorizers (NACSA), to develop and refine an evaluation tool and methodology such that a third party could conduct an evaluation of MCSAB.

FY 2019 Federal Charter Schools Program Grant Expenditures

MCSAB is significantly behind in its projected grant expenditures, having spent only 4% of its grant funds at the end of the second year of the five-year grant. MCSAB expected to have expended 28% of its grant funds by this time.

As shown in Exhibit 14, page 34, although MCSAB projected that it would spend \$15 million over the lifetime of the grant, with \$4,240,819 being spent by the end of the second year, it had only spent \$635,846 in FY 2019, which is 15% of its two-year projected budget and 4.2% of the grant's five-year budget. The board did not expend any grant funds in FY 2018.

According to the MCSAB Executive Director, there is no carryover limit on the CSP grant funds from year to year. Because MCSAB is behind on its projected expenditures to date, it is considering an extension to the CSP grant.

Exhibit 14: MCSAB’s FY 2019 Expenditures from the Federal Charter Schools Program Grant

Budget Category	2-Year Budget (FY18-FY19)	FY 2019 Expenditures (2 nd Year of CSP)*	Balance Remaining of 2-Year Budget	5-Year Budget (FY18-FY22)	Balance Remaining of 5-Year Budget
Administration	\$155,246	\$24,083	\$131,163	\$388,000	\$363,917
Contractual	\$485,573	\$240,406	\$245,167	\$1,112,000	\$871,594
Subgrants	\$3,600,000	\$371,357	\$3,228,643	\$13,500,000	\$13,128,643
TOTAL	\$4,240,819	\$635,846	\$3,604,973	\$15,000,000	\$14,364,154

*No CSP funds were spent in FY 2018, the first year of the grant.

SOURCE: Mississippi Charter School Authorizer Board.

Administrative Expenditures

MCSAB spent \$24,083 (15.5%) of its administrative budget for FY 2018 and FY 2019 for the Grants Administrator.

As mentioned on page 5, in February 2019, the board hired a Grants Coordinator to manage MCSAB’s five-year, \$15 million U.S. Department of Education Charter Schools Program (CSP) grant. In August 2019 the Grants Coordinator was no longer employed by MCSAB. The total amount spent in FY 2019 from CSP grant funds for the Grant Coordinator’s salary and fringe benefits was \$24,083, which represents 15.5% of its administrative budget for FY 2018 and FY 2019. According to MCSAB staff, in September 2019, the Director of Schools and Accountability took over the work of the CSP grant.

Contractual Expenditures

MCSAB spent \$240,406 (49.5%) of its contractual budget for FY 2018 and FY 2019.

MCSAB spent \$240,406 in CSP grant funds for contractual services in FY 2019. It contracted with Mississippi First and

Mississippi Education Accelerator to provide CSP grant-related services.

Mississippi First

Mississippi First is a non-profit organization that advocates for high-quality, state-funded pre-K and charter schools in Mississippi. The MCSAB contracted with Mississippi First from April 2018 until September 2019 to perform the following services:

- design, conduct, analyze, and report on an annual parent and general public survey;
- design survey tools and instruments, conduct annual scientific survey on a statewide basis and conduct in-depth analysis of survey results and public opinion on charter schools in Mississippi;
- present the results to various audiences;
- support MCSAB with the development of strong procedures and policies;
- inventory all of the formal and informal policies and procedures utilized by MCSAB, conduct needs assessment, and develop a prioritized list of policies and procedures; and,
- develop model policy and procedure language for each item and support MCSAB in the formal adoption of policies and procedures presented in the recommendations.

MCSAB paid Mississippi First \$102,906 in CSP grant funds in FY 2019.

Mississippi Education Accelerator

Mississippi Education Accelerator is a non-profit organization that was born out of Mississippi First for the specific purpose of accelerating the growth of charter schools in Mississippi. MCSAB contracted with the Mississippi Education Accelerator from April 2018 until September 2019. The statement of work noted that MSEA would perform the following three services:

- provide charter school technical assistance as outlined in the CSP grant in order to grow the number of high-quality charter seats in the state;
- design and provide technical assistance tools to interested, aspiring, applying, approved, opening, and operating charter schools; and,
- recruit charter schools to the state and establish talent pipeline partnerships for the leadership and staffing of schools.

MCSAB paid Mississippi Education Accelerator \$137,500 in CSP grant funds in FY 2019.

Subgrant Expenditures

MCSAB spent \$371,357 (10.3%) of its subgrant budget for FY 2018 and FY 2019.

MCSAB spent \$371,357 in CSP grant funds to two subgrantees in FY 2019: Clarksdale Collegiate and Ambition Prep.

Clarksdale Collegiate

At MCSAB's April 9, 2018, board meeting, it approved the release of the CSP Subgrant Request for Applications. At MCSAB's June 4, 2018, board meeting, it approved a three-year \$900,000 subgrant (at \$300,000 per year) to Clarksdale Collegiate to be used for Clarksdale Collegiate's planning year (FY 2018), year one (FY 2019), and year two (FY 2020). MCSAB reimbursed Clarksdale Collegiate \$190,949 in CSP expenses in FY 2019.¹⁷

Ambition Prep

At MCSAB's September 10, 2018, board meeting, it approved the re-release of the CSP Subgrant Request for Applications. At the MCSAB's October 15, 2018, board meeting, it approved Ambition Prep's application for a CSP subgrant totaling \$900,000 (at \$300,000 per year for three years) to be used for Ambition Prep's planning year (FY 2019), year one (FY 2020), and year two (FY 2021). MCSAB reimbursed Ambition Prep \$180,408 in CSP expenses in FY 2019.

¹⁷ Clarksdale Collegiate's revenue from CSP funds in FY 2019 totaled \$190,949 in the form of a subgrant. This figure is less than the \$343,349 indicated in Exhibit 8 (footnote g) on page 20 because the \$343,349 CSP revenue includes "expected revenue."

Progress in Meeting the Goals of the Grant

Mississippi First has produced the results of its first parent survey and assisted MCSAB in developing policies. However, MCSAB had not significantly increased the number of charter schools and charter school seats, had not executed an acceptable contract for a third-party evaluation, and had awarded subgrants to only two of its projected four charter schools by the end of FY 2019. It is unclear how MCSAB is measuring its progress toward becoming a national leader in charter authorizing quality and it is too early to measure its progress toward its goal of helping charter schools achieve an “A” or “B” letter grade in the state accountability system.

As noted previously, the three goals of the CSP grant are:

- increase the number of charter schools and charter school seats;
- increase charter school letter grades on statewide tests; and,
- advance MCSAB’s standing as a national leader in authorizing quality.

To accomplish these goals, MCSAB proposed contracting with Mississippi First for the production of a parent survey and to assist with policy work and with NACSA for a third-party evaluation of MCSAB. Further, MCSAB proposed using CSP funds to administer a subgrant program for start-up charter schools.

This section addresses how MCSAB has progressed in its accomplishment of these goals and the actions that MCSAB took to accomplish the goals of the CSP grant.

Progress toward Goal 1: Increase the number of charter schools and charter school seats

As of the end of Year 2 of the CSP grant, MCSAB had not significantly increased the number of charter schools and charter school seats.

As noted previously, one of the goals of the CSP grant was to increase the number of new, high-quality charter schools launching in Mississippi by at least 375% (from four to nineteen) over the next five years to create 15,000 new high-quality charter school seats.

According to its grant application to the U.S. Department of Education, MCSAB estimated the approval of at least fifteen additional charter schools and 15,000 new charter school seats in five years. According to the Mississippi Education Accelerator’s (MSEA’s) website, its mission is “to improve public school options and course options for students in Mississippi by accelerating the growth and expansion of high-performing charter schools to generate at least 15,000 high-quality seats for children.”

Progress on Increasing the Number of Charter Schools

Despite MSEA’s stated mission to accelerate the growth of charter schools, the number of charter school applications in 2019 in Mississippi was the same as in 2018. Since 2014, the number of applications each year has been as follows:

2014 application cycle = 18 applications
2015 application cycle = 2 applications
2016 application cycle = 4 applications
2017 application cycle = 6 applications
2018 application cycle = 9 applications
2019 application cycle = 9 applications

Since September 2017, when the CSP grant was awarded to MCSAB, it has approved five additional charter schools, bringing the total number of approved charter schools to nine. To increase the total number of charter schools to nineteen by September 2022 (the end of the grant period), MCSAB would need to approve ten more schools over the next three years, averaging over three schools per year.

Of the nine applications submitted in FY 2019, MCSAB approved one new school in the 2019 application cycle; therefore, it would continually require more effort in recruiting and providing assistance to applicants to reach its goal by September 2022.

Progress on Increasing the Number of Charter School Seats

Since the award of the CSP grant to MCSAB, MCSAB has approved 3,100 charter school seats.¹⁸ Therefore, in order to meet its goal of 15,000 additional charter school seats, MCSAB would need to approve 11,900 more seats by the end of the grant term.

Progress toward Goal 2: Increase charter school letter grades on the statewide accountability system

Because Clarksdale Collegiate does not yet serve students at grade levels for which MDE applies annual accountability grades and Ambition Prep was not in operation in FY 2019, it is too early to measure progress toward this goal.

As noted previously, one of the goals of the grant is to support charter schools in earning an “A” or “B” letter grade on Mississippi’s statewide accountability system or significantly improving by advancing two letter grades from their rating by their fourth year of operation.

¹⁸ This number includes 1,600 projected seats for Clarksdale Collegiate through the 2022-2023 school year and 1,500 projected seats for Ambition Prep through the 2023-2024 school year. Although MCSAB has approved three additional schools (Revive Prep, RePublic High School, and Leflore Legacy Academy), because these three schools had not executed contracts with MCSAB as of October 2019, projected enrollment for these schools is not yet available.

Only Clarksdale Collegiate and Ambition Prep were recipients of subgrants in FY 2019; therefore, this goal applies only to these two schools. Clarksdale Collegiate's first year of operation was in FY 2019 while Ambition Prep's first year of operation is FY 2020. Because Clarksdale Collegiate served grades K-2 in FY 2019, it did not receive an accountability grade because such grades are not applied until fourth grade. Ambition Prep does not yet have an accountability grade, as this grade will not be calculated until the end of the 2019-2020 school year, its first year of operation. Therefore, it is too early to measure progress toward this goal.

Progress toward Goal 3: Advance MCSAB's standing as a national leader in authorizing quality

It is unclear how MCSAB is measuring its progress toward the goal of advancing its standing as a national leader in authorizer quality.

As noted previously, one of the goals of the grant is to advance MCSAB's standing as a national leader in authorizer quality, as demonstrated by NACSA's State Policy ranking. While MCSAB maintains that this remains a goal of the CSP grant, the most recent state policy ranking publication by NACSA is from 2016. Therefore, it is unclear how MCSAB is measuring its progress toward this goal.

Actions Taken by MCSAB to Accomplish Its Goals for the CSP Grant

As noted on page 33, to accomplish its goals for the \$15 million CSP grant, MCSAB proposed contracting with Mississippi First for the production of a parent survey and to assist with policy work and with NACSA for a third-party evaluation of MCSAB. Further, the MCSAB proposed using CSP funds to administer a subgrant program for start-up charter schools. The following paragraphs report on the success of these actions.

Produce Parent Survey and Conduct Policy Work

Mississippi First produced the parent survey in August 2019 and assisted MCSAB in developing new policies and properly adopting existing ones.

As noted previously, MCSAB contracted with Mississippi First (MSF) from April 2018 until September 2019 to perform certain services to help achieve the three major goals of the CSP grant. One of those services was to design and conduct a parent survey regarding charter schools.

Mississippi First produced its first parent survey in August 2019. According to MCSAB staff, MSF subcontracted with Mississippi State University to make phone calls to parents on behalf of MSF. Upon completion, MSF staff presented the results to MCSAB at the board's October 2019 meeting. Although the CSP grant application notes that MSEA will use the results of

the parent survey to focus on “parent and community engagement along with general messaging to parents and the public,” given MSEA’s performance, it is unclear how MCSAB plans to use the parent survey.

The other service for which MCSAB contracted with MSF was for assistance in drafting policies and procedures. Prior to this contract, MCSAB already had some policies in place, but some of those policies had been improperly adopted. Therefore, according to MCSAB staff, MSF assisted in the proper adoption of those policies. Additionally, MSF recommended and helped draft several other new policies and procedures, including a charter school closure protocol and charter school renewal protocol.

Obtain a Third-Party Evaluation of MCSAB

MCSAB did not execute its proposed contract with NACSA for conducting a third-party evaluation.

The MCSAB’s grant application to the USDOE proposed a total budget of \$40,000 to contract with the National Association of Charter School Authorizers (NACSA) for the first three years of the five-year grant to develop and refine an evaluation tool and methodology such that a third party could conduct an evaluation of MCSAB. However, according to MCSAB staff, a contract was never executed with NACSA because NACSA does not engage in this work anymore and MCSAB financial information shows that no grant funds were paid to NACSA. MCSAB entered into a contract with an independent contractor in July 2019 to provide the third-party evaluation, but this contract is currently on hold (see page 43).

Administer a Subgrant Program for Start-Up Charter Schools

By the end of FY 2019, MCSAB had awarded subgrants to only two of the projected four charter schools.

MCSAB’s application to the USDOE projected that it would award subgrants to two charter schools in FY 2018, two in FY 2019, three in FY 2020, four in FY 2021, and four in FY 2022, for a total of fifteen subgrants to charter schools during the five-year term of the grant. However, the MCSAB awarded one subgrant in FY 2018 and one subgrant in FY 2019 to the only charter schools that were eligible for the subgrants at those times:¹⁹ Clarksdale Collegiate and Ambition Prep. The subgrants are awarded such that each subgrantee will receive \$900,000 for a three-year period, with \$300,000 being awarded for the planning year (Year 0), \$300,000 for the first year of operation (Year 1), and \$300,000 for the second year of operation (Year 2).

¹⁹ Only start-up charter schools are eligible for CSP subgrants.

Clarksdale Collegiate

As noted previously, Clarksdale Collegiate was awarded its subgrant on June 4, 2018. Its first year of operation was in FY 2019, which was its Year 1. Although Clarksdale Collegiate was awarded \$900,000 for three years, because no CSP funds were drawn down in FY 2018, Clarksdale Collegiate forfeited the \$300,000 it was awarded for its planning year in FY 2018, which was its Year 0. This resulted in Clarksdale Collegiate receiving a total of \$600,000 to cover its Year 1 and Year 2.

Further, because Clarksdale Collegiate spent only \$190,949 from CSP funds in FY 2019, it will also forfeit the \$109,051 balance of its \$300,000 allocation for FY 2019 unless it can show reasonable justification as to why the balance was not spent. Should this justification be approved initially by the MCSAB, followed by the USDOE, Clarksdale Collegiate will be able to spend the remaining amount.

Ambition Prep

Ambition Prep's first year of operation is in FY 2020, which is its Year 1. Because its planning year (Year 0) was in FY 2019, it did not forfeit an entire year's allocation in the way that Clarksdale Collegiate did. However, similar to Clarksdale Collegiate, because Ambition Prep spent only \$180,408 of its \$300,000 subgrant in FY 2019, it forfeits the \$119,592 balance for FY 2019 unless, like Clarksdale Collegiate, it can show reasonable justification as to why the balance was not spent.

Issues Regarding Management of the CSP Grant

MCSAB engaged in poor contracting practices, lacked documentation of RFP advertisements, and exercised insufficient oversight of the \$15 million CSP grant. However, the newly hired MCSAB Executive Director has taken steps to correct some of these issues.

Poor Contracting Practices

In its oversight of the CSP grant, MCSAB engaged in poor contracting practices.

Regarding its oversight of the CSP grant, MCSAB engaged in poor contracting practices:

- MCSAB's application for the CSP grant named contractors prior to the release of the RFPs for which those contractors were awarded the bids.
- Parties to the contracts signed them five months after each contract's official start date, which delayed work.
- MCSAB entered into a contract that was potentially unallowable under terms of the board's grant agreement with USDOE, but then put a hold on that contract.

- MCSAB's poor procurement practices and misunderstanding of allowable expenses under the terms of the grant led to an additional, unnecessary expenditure by a charter school.

MCSAB's application for the CSP grant named contractors prior to the release of the RFPs.

The MCSAB's May 2017 grant application to the United States Department of Education (USDOE) noted that it would contract with Mississippi First for \$300,000 and with the Mississippi Education Accelerator for \$772,000 over a period of five years to accomplish the goals of the grant. After the USDOE awarded the MCSAB the \$15 million grant in September 2017, in December 2017 the MCSAB released two RFPs, one to "Conduct Surveys and Provide Technical Assistance for Developing and Implementing Procedures," and the other for "Charter School Technical Assistance and Charter School Operator Recruitment." Naming the contractors prior to the RFP process demonstrates a lack of transparency in contracting.

According to the board's minutes, Mississippi First and Mississippi Education Accelerator were the only two respondents to the RFPs and the board approved contracts with them on April 9, 2018.

Parties to the contracts signed them five months after their official start dates, which delayed work.

Both Mississippi First's and Mississippi Education Accelerator's contracts began April 9, 2018, and ended September 30, 2019. Parties to the contracts did not sign them until September 2018, but back-dated them to April. According to the MCSAB's September 10, 2018, board meeting minutes, the board approved a *nunc pro tunc*²⁰ action retroactively dispensing the execution of previously approved technical assistance contracts for Mississippi First and the Mississippi Education Accelerator. The result of this confusion was that Mississippi First did not begin work until August 2018 and did not submit its first invoice until November 2018, thus delaying progress on its work.

MCSAB entered into a contract that was potentially unallowable under terms of the board's grant agreement with USDOE, but then put the contract on hold.

As noted previously, the CSP grant application proposed contracting with NACSA to conduct a third-party evaluation of the MCSAB. However, this contract was never executed and CSP funds were not paid to NACSA. The board did contract with another independent contractor in July 2019 to perform the third-party evaluation work and paid the contractor \$5,091 for

²⁰ *Nunc pro tunc* is an action that allows the board to retroactively take action "today, as if then" for contracts that were previously approved, but could not take action on because there was no contract yet.

evaluation work over a five-day period. However, the contract is currently on hold pending agreement between the USDOE and MCSAB regarding whether this contract is allowable under the CSP grant.

According to the current executive director of MCSAB, the Grants Coordinator had reported to the board that the contract with the independent contractor was clear to proceed. However, when the executive director discovered that the contract was not clear to proceed, she placed the contract on hold and the contractor stopped performing work.

As of October 2019, MCSAB was waiting for the USDOE's approval of its proposed amendment to the CSP grant; therefore, the status of this contract has not yet been determined.

MCSAB's poor procurement practices and misunderstanding of allowable expenses under the terms of the grant led to an additional, unnecessary expenditure by a charter school.

In October 2018, the former board chair approached Midtown with an offer to provide technical assistance in the form of additional benchmark testing for Midtown's students for the third nine weeks. These services were to be paid from CSP grant funds. Midtown's Executive Director believed that MCSAB had approved a contract with the vendor²¹ to provide this assistance and participated in meetings with the vendor. However, MCSAB had not executed a contract with the vendor, nor had it sought quotes for providing this service prior to contacting Midtown.

At MCSAB's January 22, 2019, board meeting, the board was asked to approve an invoice of \$5,800 to be paid from the CSP grant for the technical assistance. However, the board determined that, before the invoice could be paid, an additional quote would have to be secured and a contract executed. Sound procurement practices should begin with determining a need, seeking quotes to address that need, and then executing a contract so that invoices may be paid. MCSAB did not follow these practices; rather, it began the process with an invoice and then obtained quotes.

By the March 4, 2019, board meeting, the board had received two quotes to provide support to Midtown under the CSP grant. The board voted to approve moving forward with the contract, although one board member voiced concerns about providing support to one charter school for

²¹ In reviewing Midtown's expenditures, PEER determined that the vendor that was paid for these services was Research in Action, Inc. In PEER's report *State Government Purchasing: A Review of Recent Statutory Changes and a Case Study* (Report #611, September 19, 2017), PEER found that the Mississippi Department of Education's multiple contracts with Research in Action, Inc., risked waste of taxpayer dollars because the services were not competitively bid and lowest price may not have been realized.

a testing activity. Another board member noted that because Midtown was in danger of losing its charter, the board had authority to spend grant funds to provide them with technical assistance. However, this activity was not allowable under the terms of the grant because grant funds could only be used for technical assistance for new charter schools and MCSAB was not authorized to pay the invoice for the services provided to Midtown.

As a result of MCSAB's poor procurement practices and misunderstanding of allowable expenses under the CSP grant, Midtown was responsible for paying the vendor \$5,800 for the benchmark testing, noting that it would not have invested in the additional benchmark testing if it had known that it would be required to pay the vendor, given that Midtown already had benchmark testing in place.

Lack of Documentation for RFP Advertisements

MCSAB was unable to provide copies of actual advertisements for RFPs that appeared in the newspaper.

On December 5, 2017, MCSAB released the RFP to “Conduct Surveys and Provide Technical Assistance for Developing and Implementing Procedures” and the RFP for “Charter School Technical Assistance and Charter School Operator Recruitment.” Each RFP indicated that it was to be advertised in the newspaper on December 7, 2017, and December 14, 2017.

While MCSAB was able to provide receipts showing that the previous executive director had placed two classified ads on December 5, 2017, it was unable to provide copies of the actual advertisements that appeared in the newspaper, thus showing a lack of sound procurement practices.

Insufficient Oversight of Contractors

MCSAB paid a contractor \$137,500 without requiring submission of documentation of the work performed.

As noted previously, Mississippi Education Accelerator (MSEA) was one of MCSAB's contractors. In FY 2019 MCSAB approved five invoices submitted by MSEA between November 2018 and March 2019 in the amount of \$27,500 per invoice, for a total of \$137,500. Although the contract states that the contractor will be paid upon the completion of specified services and the submission of an invoice no later than ten working days after the completion of the specified services, each invoice submitted contained the same description of work and no documentation of work completed.

Since that time, MSEA has provided MCSAB with minimal documentation of its activities. For example, in September 2019, MSEA submitted its only quarterly report in which it listed a number of prospective applicants to assist for the submission of letters of intent for the 2020 application cycle,

listed charter management organizations it had recruited to consider expansion into Mississippi, noted summits and conferences its one employee had attended, listed research it had conducted, described activities it was not able to accomplish, and described the goals of the grant.

On March 28, 2019, the newly hired executive director of the MCSAB implemented a new procedure for processing invoices that now requires all contracted vendors to submit a monthly invoice detailing tasks performed, goals accomplished, and activities undertaken during the reporting month, including references to contractual provisions or scope of work requirements. MCSAB has not received any invoices from MSEA since the new procedure has been in effect.

In addition, although MCSAB's May 2017 grant application to the USDOE stated that the proposed budget for the MSEA was to include supporting an MSEA executive director (who was named in the application as well as in MSEA's proposal) and an assistant director, MCSAB staff noted that as of September 20, 2019, MSEA had not hired an executive director and PEER confirmed that the MSEA's website was still soliciting an executive director as of that date. According to MCSAB staff, MSEA consisted of one individual, indicating that MSEA did not have the capacity to fulfill the terms of its contract. This most likely contributed to the insufficient documentation MSEA provided to MCSAB.

This contract ended on September 30, 2019.

Anticipated Revisions to the Federal Charter Schools Program Grant

MCSAB is currently in communication with the USDOE regarding plans to amend the CSP grant.

Because MCSAB has not yet made the progress it intended to make in meeting the goals of the CSP grant, the newly hired MCSAB Executive Director anticipates amending the Charter Schools Program Grant in the following ways:

- allowing for more transparency during the RFP process such that MCSAB is not bound to contracting with specific service providers;
- revising the technical assistance outlined in the grant such that it portrays more accurately what is needed by the charter schools; and,
- revising the travel outlined in the grant such that recruitment activities focus on bringing potential charter school applicants to Mississippi rather than MCSAB staff traveling to recruit applicants.

Making these amendments should allow for more transparency in contracting and provide for more relevant services to the charter schools.

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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) (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. Because the board is a state agency per MISS. CODE ANN. Section 37-28-7 (1972), the Legislature should 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.
4. 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.
5. Regarding the terms of board members:
 - a. Although MISS. CODE ANN. Section 37-28-7 (5) (1972) established staggered terms of office for the board, this has resulted in three of the board members rotating off at one time and could impact the board's quorum requirement. Because this issue will continue in the future, the Legislature should consider reconstituting the board to establish terms of office that, when concluded, minimize the impact on the board's operations. For example, one board member appointed by the Governor

and one member appointed by the Lieutenant Governor could rotate off each year, leaving five board members in place in any given year.

- b. For the State Superintendent appointee to legally carry out his responsibilities, the State Superintendent should submit a nomination letter immediately to the Secretary of the Senate for the remainder of the appointee's three-year term, finishing in 2021.
6. To improve its oversight of the Charter Schools Program (CSP) grant, the MCSAB should:
 - a. follow through with its amendment to the CSP grant, including the removal of specific service providers named in the grant application, thereby allowing for a transparent and accountable RFP process;
 - b. follow sound contracting practices by issuing RFPs, receiving bids, and then selecting a contractor;
 - c. ensure timely execution of contracts so that work is not delayed;
 - d. only enter into contracts for work under the grant that have been approved by the U.S. Department of Education;
 - e. clearly understand the grant requirements and allowable expenditures; and,
 - f. hold contractors accountable for performing work under the grant, including regular reporting on work activities and progress in meeting CSP goals. For contractors that fail to perform their duties, the board should begin the process to terminate the contract for default.
7. MCSAB should comply with the Department of Finance and Administration's State Travel Policy Rules and Regulations. In no case should the board pay for travel expenses of any job candidate. Further, the Office of the State Auditor should review the \$1,069 expenditure made for job applicant travel to determine an appropriate resolution to this issue.
8. Given that the V-Chief contract was intended to be temporary due to staffing needs of the board, MCSAB should determine whether the V-Chief contract is still needed since the board now has full-time staff.

Appendix A: Mississippi Charter School Authorizer Board Members for FY 2018 and FY 2019

FY 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

FY 2019

Name	Appointed By
Tommie Cardin	Lt. Governor
Dr. Karen Elam	Lt. Governor
Quentin Ransburg	State Superintendent
Leland Speed	Governor
Carolyn Willis	Governor
Chris Wilson	Governor
Dr. Jean Young	Lt. Governor

SOURCE: Mississippi Charter School Authorizer Board and Mississippi Legislature.

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Agency Response



November 15, 2019

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

HAND DELIVERED

Dear Mr. Barber,

The Mississippi Charter School Authorizer Board (MCSAB) has reviewed the PEER Committee's FY2019 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 the PEER Committee's recommendations:

Recommendation 1: The Mississippi Charter School Authorizer Board should formally adopt regulations requiring 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. Adoption and enforcement of these regulations would facilitate future comparison of charter school and public school expenditures.

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 few 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. The MCSAB continues to make efforts to align financial reporting to ensure ease, accuracy and transparency with respect to the use of local, state, and federal funds.

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: Although the National Association of Charter School Authorizers (NACSA) and The National Alliance for Public Charter Schools (NAPCS) are referenced in the PEER report, it is important to consider the fact that funding structures vary from state to state, are based on many factors including the number of charter schools and the types of authorizers. Additionally, as it is presented in the PEER report, "there is no single formula for authorizer funding that is 'the best' for every state". Therefore, the MCSAB maintains the three percent authorizer fee is currently an essential factor in ensuring the agency has the funds to operate and execute its charter school authorizing functions successfully as aligned to national best practices. The MCSAB believes that eliminating the three percent authorizer fee would discontinue a significant stream of guaranteed funding.

Recommendation 3: Because the board is a state agency per MISS. CODE ANN. Section 37-28-7 (1972), the Legislature should 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.



Response to Recommendation 3: The MCSAB only **partially** supports this recommendation in that the Legislature should consider enacting a separate appropriation bill for the operations of this stand-alone agency.

Recommendation 5: Although MISS.CODE ANN. Section 37-28-7(5) established staggered terms of office for the board, this has resulted in three of the board members rotating off at one time and could impact the board's quorum requirement. Because this issue will continue in the future, the Legislature should consider reconstituting the board to establish terms of office that when concluded, minimize the impact on the board's operations.

Response to Recommendation 5: The MCSAB fully supports this recommendation.

Recommendation 6: To improve the oversight of the Charter Schools Program (CSP) grant, the MCSAB should take all steps outlined in the report.

Response to Recommendation 6: The MCSAB fully supports this recommendation and acknowledges that during the past several months internal controls and practices have been established to ensure accountability and compliance with federal procurement procedures and regulations.

Recommendation 8: Given that the vChief contract was intended to be temporary due to staffing needs of the board, the MCSAB should determine whether the vChief contract is still needed since the board now has full-time staff.

Response to Recommendation 8: The MCSAB fully supports this recommendation.

Please feel free to contact MCSAB with any questions or concerns regarding the above response at lkarmacharya@ihl.state.ms.us

Best,

Lisa Karmacharya

Lisa Karmacharya, Ed.D.
Executive Director
Mississippi Charter School Authorizer Board

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