

2020 Statutory Review of Mississippi's Education Scholarship Account (ESA) Program

CONCLUSION: In FYs 2019 and 2020, the Mississippi Department of Education (MDE) disbursed only 71% (\$5.5 million) of education scholarship funds available, while 29% (\$2.2 million) lapsed and was returned to the State Treasury. The ESA program's net added expense to the state for FY 2019 and FY 2020 was approximately \$1 million and \$2.1 million respectively. MDE has addressed some of the issues identified in PEER's 2018 ESA report (e.g., implementation of formal policies and procedures for the ESA program); however, some issues have not been rectified (e.g., issues regarding reimbursements). In addition, MDE did not require parents to submit documentation after three years of program enrollment showing that their child continues to have a disability. As a result, MDE allowed 117 students to continue participating in the program in FYs 2019 and 2020 who were not eligible according to state law. PEER's survey indicated high levels of satisfaction with the program by both parents and students.

Background:

In its 2015 Regular Session, the Legislature passed "The Equal Opportunity for Students with Special Needs Act," which directs the Mississippi Department of Education (MDE) to implement an Education Scholarship Account (ESA) program in the state on a phased-in basis. The program's purpose is to offer parents of special needs children financial assistance to place their children in a nonpublic school setting and receive other educational services that parents believe best meet the needs of their child.

MISS. CODE ANN. Sections 37-181-5 et seq. outline the obligations of parents for participating in the program, MDE, and schools that enroll students with an ESA.

For FYs 2019 and 2020, the budget for the ESA program was \$8 million (\$3 million in FY 2019 and \$5 million in FY 2020). Of this amount, MDE disbursed \$5.5 million to parents and educational service providers and expended \$267,658 for program administration.

During FYs 2019 and 2020, 636 ESA participants attended 133 nonpublic schools in Mississippi, Alabama, Tennessee, and online. While some of the schools are designed to serve students with disabilities, the majority are not. However, 257 participants (40%) attended a special purpose school accredited by the Mississippi Board of Education (i.e., a school designed to serve a specific population of students or provide a special program of instruction for students).

The most common primary disability types among ESA participants were Specific Learning Disability (e.g., reading comprehension), Other Health Impaired (e.g., attention deficit disorder), and Language/Speech Impaired.

As of September 2020, MDE reported that 162 students were on the ESA waiting list.

Was funding for the ESA program sufficient?

As the result of unused and partially used education scholarship account (ESA) funds in fiscal years 2019 and 2020, the Mississippi Department of Education (MDE) disbursed only 71% of ESA funds available, while 29% lapsed and was returned to the State Treasury, as were the MDE's unused administrative funds that lapsed, in the amount of \$92,342. The excess of funds indicates sufficient funding for the ESA program for those years.

Fiscal Year	ESA Disbursements	% Disbursed	Amount Returned	% Returned
2019	\$2,183,076	77%	\$636,924	23%
2020	\$3,269,618	68%	\$1,550,382	32%
TOTAL	\$5,452,694	71%	\$2,187,306	29%

The Legislature appropriated an additional \$2 million to the ESA program for FY 2020, increasing the program's budget from \$3 million to \$5 million. With the additional funding, MDE awarded ESAs to eligible students on all of its waitlists since the program's inception. After all awards were made in FY 2020, MDE reported that five ESAs were still available. Thus, the number of available ESAs exceeded the number of eligible students who applied for the program.

How did participants utilize ESA funds?

In FYs 2019 and 2020, participants used an average of 93% of ESA funds on tuition expenses and 7% on other expenses (e.g., tutoring).

What is the fiscal impact on the state and home school districts as a result of the program?

For FYs 2019 and 2020, MDE disbursed approximately \$2.2 million and \$3.3 million, respectively. As a result of ESA participants transferring out of school districts in order to receive ESA funds, the state reduced the amount of MAEP funds distributed to those districts in FYs 2019 and 2020 by approximately \$1.2 million each year. The state's net cost for the ESA program for FYs 2019 and 2020 was **\$1,023,476** and **\$2,110,201** respectively.

Has MDE improved its administration of the ESA program since the 2018 PEER review?

PEER's 2018 report noted several areas needing improvement in MDE's administration of the ESA program. MDE has addressed some of these areas (e.g., implementation of formal policies and procedures for the ESA program); however, some issues have not been rectified (e.g., issues regarding reimbursements). In addition, in FYs 2019 and 2020, MDE did not require parents to submit documentation after three years of program enrollment showing that their child continues to have a disability. As a result, MDE allowed 117 students to continue participating in the program who were not eligible according to state law. In July 2020, MDE implemented a process for ensuring that reevaluations occur every three years after initial enrollment.

Recommendations:

- MDE should improve its administration of the ESA program by:
 - completing the development of its online portal for applications and reimbursements;
 - focusing on ways to improve its program administration, especially in the area of customer service;
 - using its excess administrative funds on program operations or to fund additional ESAs (based on historical data);
 - continuing to refine its formal policies and procedures for the administration of the ESA program. In particular, MDE should develop procedures for appeals and for removing educational service providers and referring fraud cases to law enforcement in accordance with MISS. CODE ANN. Section 37-181-11 (3) (1972);
 - annually conducting or contracting for a post-audit of ESA disbursements to parents and educational service providers, and administrative expenditures to operate the program;
 - promptly resolving overpayment issues from FY 2017 through FY 2020; and,
 - ensuring that it completes ESA student reevaluations in accordance with MISS. CODE ANN. Section 37-181-5 (8) (1972) so that only eligible students are participating in the program.

Measure of Satisfaction	Percent of Respondents
Overall parent satisfaction*	90%
Child satisfaction*	92%
Satisfaction with special needs services in nonpublic schools*	79%
Child showed progress according to special needs goals	92%
Child showed progress in general academic coursework	78%

Have parents and students been satisfied with the program?

Survey respondents indicated that they and their children were satisfied with the program and with the disability services provided by nonpublic schools. They also believed that their children had shown progress in achieving their academic goals through participation in the ESA program.

Parents and nonpublic schools reported areas needing improvement, including the quarterly timeline for reimbursements and MDE's administration of the program.

*Parents rated this measure with 4 or 5 stars on a 5-star scale.

How did Senate Bill 2594 change the ESA program and what are the expected impacts?

Senate Bill 2594, 2020 Regular Session, made changes to ESA student and nonpublic school eligibility and revised several aspects of the program's administration. Also, the bill tasked PEER with assessing ESA students' performance and eligible schools' ability to meet the needs of ESA students. Because the changes have not been fully implemented, the impacts are not yet known. PEER's 2022 review of the ESA program will include the realized impacts of Senate Bill 2594.

Recommendations:

- In light of the considerable legislative changes made to the ESA program during the 2020 Regular Session, the Legislature should consider allowing MDE to develop experience implementing the changes before considering any additional CODE provisions dealing with ESAs.
- In order for PEER to have access to adequate data to conduct its statutory review in future years, MDE should develop a process by which schools or parents annually submit necessary information to MDE (e.g., copy of pre-assessment and post-assessment performance).