



**STATE OF MISSISSIPPI  
DEPARTMENT OF EDUCATION**

Hank M. Bounds  
State Superintendent of Education

October 24, 2008

Mr. J.K. Stringer, Jr.  
Executive Director  
Department of Finance and Administration  
501 North West Street, Suite 1301  
Jackson, MS 39201

Dear Mr. Stringer:

As requested in Governor Barbour's letter to State Agency Officials dated October 10, 2008, I am submitting the attached summary which details the impact of a 2% budget reduction for the Mississippi Department of Education (MDE) for fiscal year 2009 and a 4% budget reduction for fiscal year 2010. However, I must point out the following mitigating issues that need to be considered when making decisions about across-the-board cuts in K-12 education funding:

- **Mississippi Adequate Education Program (MAEP)** – The 2% reduction to the MDE budget for fiscal year 2009 equates to approximately \$50,000,000 in cuts. Of this amount, approximately \$44,000,000 would be cut from MAEP. The 4% reduction for fiscal year 2010 from current levels equals approximately \$100,000,000, of which approximately \$88,000,000 would be attributable to MAEP.

In addition, the preliminary estimate for fiscal year 2010 MAEP funding was recently submitted in our fiscal year 2010 budget request. That estimate, which was calculated in accordance with the formula provided in state law, indicated a need of an additional \$45,000,000 for fiscal year 2010 over the 2009 appropriated level. This increase was primarily attributable to inflation and increasing student populations in fast growing districts. With a 4% budget reduction for fiscal year 2010 from current levels, this growth amount for MAEP would be cut as well.

Our review of recent fund balance data for school districts indicates that approximately 20 to 25 school districts could not absorb a 2% reduction in MAEP for fiscal year 2009 through current available resources. For fiscal year 2010 an additional 10 to 15 districts would fall into a deficit with a 4% reduction.

To summarize, school districts would be facing approximately \$44,000,000 in MAEP reductions in fiscal year 2009 and \$133,000,000 in MAEP reductions in fiscal year 2010 or \$177,000,000 in reductions over two years. A total of 30 to 40 districts are likely to fall into a deficit situation. It should be noted that under state law school districts with negative fund balances are declared to be in serious financial condition. A financial advisor is then assigned to the school district by the MDE.

Due to the fact that a large portion of school district expenditures are obligated at the beginning of the school year through employee contracts, there will be limited options at the local level to cut spending during fiscal year 2009. Some cuts in non-contractual personnel could occur. However, because the services performed by non-contractual employees such as bus drivers, food service employees, and custodians must be provided by school districts, substantial reductions in these areas are not an option. In addition, non-salary costs such as those for maintenance, utilities, and fuel are based on fairly static need. As a result, for districts that do not have adequate reserves, initial cuts will most likely be seen through discontinuation of extracurricular activities. Once contract periods have ended for the 2009 school year, any large scale cuts in funding for fiscal year 2010 would likely result in more widespread staff reductions at school districts throughout the state. In addition, local school boards will also be faced with decisions on increasing local taxes to compensate for cuts in state funding.

I would like to point out that the statutory timeline for school districts to begin the process of recommending contractual employees begins in February of each year for the following school year. Therefore, if the \$133,000,000 reduction in funding for fiscal year 2010 appears likely, districts will need to know by February 2009 in order to appropriately manage reductions in their workforce.

- **Cost of Extension of Salary Schedule from 25 to 35 Years** – State law was amended in 2008 to extend the teacher salary scale from 25 years to 35 years. The cost of this state-mandated increase in compensation totals \$9,194,863 for fiscal year 2009 and an additional \$9,168,122 for fiscal year 2010, for a total cumulative cost for fiscal year 2010 of \$18,362,985. In light of the fact that MAEP faces a reduction totaling approximately \$44,000,000 million for fiscal year 2009 and \$133,000,000 for fiscal year 2010, school districts would, in effect, be forced to cover the entire cost of this state-mandated pay raise.
- **Insurance Increase for School District Employees** – State law instituted in 2008 increased employer costs for insurance by \$2,729,640 for fiscal year 2009. This increase would also carry forward to fiscal year 2010. In light of the fact

that MAEP faces a reduction totaling approximately \$44,000,000 million for fiscal year 2009 and \$133,000,000 for fiscal year 2010, school districts would, in effect, be forced to cover the entire cost of this state-mandated increase in insurance costs.

- **Education Enhancement Funds (EEF)** – Over 99% of EEF funding is passed through to school districts for various programs including classroom supplies for teachers, building repair and renovation, bus purchases, and vocational education teacher units. In addition, a portion of MAEP is funded directly from the EEF funds.

EEF funds are derived from a sales tax diversion. Only those tax revenues that are actually collected are available for expenditure. In effect, EEF funds are self-cutting and, therefore, should not be placed on the table for budget reductions.

The most recent report of EEF tax collections received from the Department of Finance and Administration indicates a shortfall for fiscal year 2009 to-date of 9.65%. Therefore, the 2% reduction for fiscal year 2009 appropriated amount has already been surpassed. The approximately \$247,000,000 in EEF funds budgeted for fiscal year 2009 makes up roughly 10% of the entire K-12 education budget. Therefore, if EEF tax collections slow by more than 2% while the budget for other MDE funding sources are cut 2%, then the net effect will be a greater than 2% reduction for K-12 education funding. If EEF collections remain more than 2% under the fiscal year 2009 appropriated amount, I respectfully request that required reductions for other MDE funding sources be modified so that funding reductions for the K-12 education as a whole do not exceed 2%. I also request this consideration for fiscal year 2010, as well.

It should also be noted that funding to school districts for EEF-Buildings and Buses is set by statute at an annual rate of \$16,000,000. Therefore, the budget for this program can not be reduced. In past years when there have been shortfalls in EEF funding, the Department of Finance and Administration has not reduced EEF-Buildings and Buses due to the dollar amount written in statute. Furthermore, school districts are allowed by statute to pledge these funds to cover debts issued.

- **Ad Valorem Tax Reduction Grant** – Funding to school districts is set by statute at an annual rate \$46,000,000. Therefore, the budget for this program can not be reduced. In past years when there have been budget shortfalls funding for this program has not been reduced by the Department of Finance and Administration due to the dollar amount written in statute.

*170,000,000 of this money is used to fund MAEP*

Mr. J.K. Stringer, Jr.

October 24, 2008

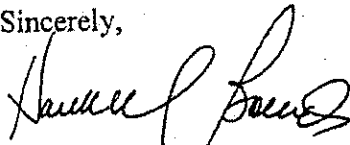
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- **Chickasaw Cession** – The amount of funding to school districts is court ordered and, therefore, can not be reduced. For fiscal year 2009 Chickasaw Cession funding amounts to \$12,088,983.
- **National Board Certification** – The costs for salary supplements and reimbursement for certification examinations are mandated by state law. Therefore, school districts would be required to fund reductions in this program out of local resources, resulting in more than a 2% and 4% budget reduction for school districts for fiscal year 2009 and 2010, respectively.
- **Special Education Maintenance of Effort** – Federal regulations governing the IDEA program prohibits the state from reducing the amount of financial support for special education services below the amount of the preceding fiscal year. Failure to meet the maintenance of effort requirements could result in reductions in federal assistance for special education services. Total state funding for special education for fiscal year 2009 equals approximately \$266,000,000.

Having provided you with the above areas of concern related to K-12 education funding at the local level, I would also like to mention a concern related to the overall processing of budget cuts at the agency level. From the Mississippi Department of Education's perspective, the line item appropriation in House Bill 513 hinders our ability to ensure budget cuts are completed in the most fair, efficient, and appropriate way. I hope that additional flexibilities can be afforded to assist us in carrying out our mission during this time of limited resources.

I hope this information assists you in understanding some of the important issues that need to be considered relative to possible cuts in K-12 education funding. I will be forwarding you additional detail on these budget reduction scenarios by October 31, 2008, as requested in the Governor's letter. If you have any questions, please do not hesitate to contact me or members of my staff.

Sincerely,



Hank M. Bounds  
State Superintendent of Education

cc: Johnny Franklin, Office of the Governor

Attachment

## **Mississippi Beginning Teacher Support Program (37-9-201-213 and Senate Bill 2176)**

### **Senate Bill 2176**

- (5) (a) Beginning in the 2008 – 2009 school year, if funds are available for that purpose, each school in Mississippi shall have mentor teachers, as defined by Sections 37-9-201 through 37-9-213, who shall receive additional base compensation provided for by the State Legislature in the amount of one thousand dollars (\$1,000.00) per each beginning teacher that is being mentored.
- The additional state compensation shall be limited to those mentor teachers that provide mentoring services to beginning teachers. For the purpose of such funding, a beginning teacher shall be defined as any teacher in any school in Mississippi that has less than one (1) year of classroom experience teaching in a public school.
- For the purpose of such funding, no full-time academic teacher shall mentor more than two (2) beginning teachers. The State Department of Education shall annually provide to the Legislature, no later than January 2, the number of beginning teachers in each school in Mississippi as defined in this subsection.

### **Beginning Teacher Support Program (37-9-201-37-9-213)**

- 37-9-201 (c) "Formal assistance" means a program provided by a mentor teacher to a beginning teacher that includes, but is not limited to, direct classroom observation and consultation; assistance in instructional planning and preparation; support in implementation and delivery of classroom instruction; and other assistance intended to enhance the professional performance and development of the beginning teacher.
- 37-9-207 (c) A description of the content and calendar of the proposed beginning teacher support program. The program must provide a minimum of ninety (90) hours of direct contact between mentor teachers and beginning teachers, including observation of or assistance with classroom teaching, or both, during the school day.
- Mentor teacher must complete a training workshop provided by or approved by the Mississippi Teacher Center prior to participating in the beginning teacher support program.





FY 08 MAEP AT REDUCED AMOUNTS

DIST. NO	DISTRICT NAME	TOTAL MAEP COST (FULL FUNDING)	TOTAL MAEP COST REDUCED BY 2 PERCENT	AMOUNT OF REDUCTION @ 2 PERCENT	FY08 DM ENDING FUND BALANCE (UNAUDITED)	ENDING FUND BALANCE LESS 2% REDUCTION AMOUNT	TOTAL MAEP COST REDUCED BY 4 PERCENT	AMOUNT OF REDUCTION @ 4 PERCENT	TOTAL MAEP COST REDUCED BY 5 PERCENT	AMOUNT OF REDUCTION @ 5 PERCENT
8111	COFFEEVILLE	\$3,060,201	\$2,998,997	\$61,204	\$594,565	\$533,361	\$2,937,793	\$122,408	\$2,907,191	\$153,010
8113	WATER VALLEY	\$6,480,373	\$6,350,765	\$129,608	-\$244,338	-\$373,946	\$6,221,158	\$258,215	\$6,156,354	\$324,019
8200	YAZOO COUNTY	\$7,510,197	\$7,359,993	\$150,204	\$2,293,522	\$2,143,316	\$7,209,789	\$300,408	\$7,134,687	\$375,510
8220	YAZOO CITY	\$13,414,009	\$13,145,729	\$268,280		-\$268,280	\$12,877,449	\$536,560	\$12,743,309	\$670,700
		\$2,196,549,317	\$2,152,618,331	\$43,930,986			\$2,108,687,342	\$87,861,975	\$2,086,721,857	\$109,827,460
	UNIV. BASED TRANSPORTATION	\$65,424	\$64,116	\$1,308			\$62,807	\$2,617	\$62,153	\$3,271
	EXTENDED SCHOOL YEAR	\$8,393,008	\$8,225,148	\$167,860			\$8,057,288	\$335,720	\$7,973,358	\$419,650
	ORTHOPEDIC & APHASIC	\$1,657,116	\$1,623,973	\$33,143			\$1,590,831	\$66,285	\$1,574,260	\$82,856
	NON-PUBLIC TEXTBOOKS	\$867,907	\$860,549	\$7,358			\$353,191	\$14,716	\$349,512	\$18,395
	Employee: s300k To Dubard	\$200,590	\$196,578	\$4,012			\$192,566	\$8,024	\$190,561	\$10,029
		\$10,684,045	\$10,470,364	\$213,681			\$10,256,683	\$427,362	\$10,149,844	\$534,201
	<b>TOTALS</b>	<b>\$2,207,233,362</b>	<b>\$2,163,088,695</b>	<b>\$44,144,667</b>			<b>\$2,118,944,025</b>	<b>\$88,289,337</b>	<b>\$2,096,871,701</b>	<b>\$110,361,661</b>