



Report Highlights

Student Counts and Budget Shortfalls in the Minimum Foundation Program

House Concurrent Resolution 112 of the 2014 Regular Legislative Session

DARYL G. PURPERA,
CPA, CFE

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Why We Conducted This Audit

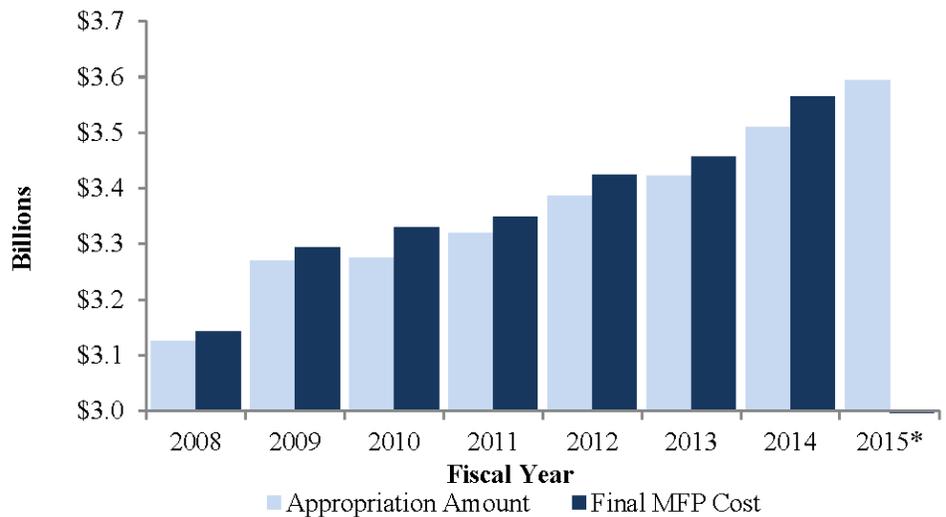
We conducted this audit in response to House Concurrent Resolution No. 112 of the 2014 Regular Legislative Session which authorized and requested the legislative auditor to review the accuracy of the student membership count and determine the cause of the recurring Minimum Foundation Program (MFP) budget shortfall.

What We Found

The purpose of the MFP is to equitably allocate annual funding to school systems and schools. In 2014, the average state share of MFP cost per student was \$5,060. As shown in the exhibit on the right, the MFP appropriation has increased by \$422 million since fiscal year 2008, from approximately \$3.14 billion in fiscal year 2008 to approximately \$3.57 billion in fiscal year 2014.

Overall, we found that while Louisiana’s methodology for counting students for MFP purposes is consistent with other states, no methodology will provide complete assurance that student counts are accurate. The responsibility for ensuring accurate student counts lies with individual schools, districts, and ultimately LDOE. As a result, the Louisiana Department of Education (LDOE) needs to strengthen its processes for ensuring that the count used in the MFP allocation is accurate. Specifically, we found the following:

**Growth of the MFP Appropriation and Final Cost
Fiscal Years 2008 through 2015**



*The final MFP cost for FY 2015 was unavailable before the completion of this audit. The MFP cost is usually finalized in March.

Source: Prepared by legislative auditor’s staff using appropriations acts and MFP final budget letters from LDOE.

- **LDOE should ensure that school systems and schools correct all errors identified during the data submission process. Because not all errors are corrected, some potentially ineligible students are included in the initial MFP amount.** Since LDOE is aware of these errors, it should consider removing these questionable student records from the initial MFP budget unless school systems and schools correct them timely. This may provide an incentive for school systems and schools to correct these errors before the budget numbers are finalized.

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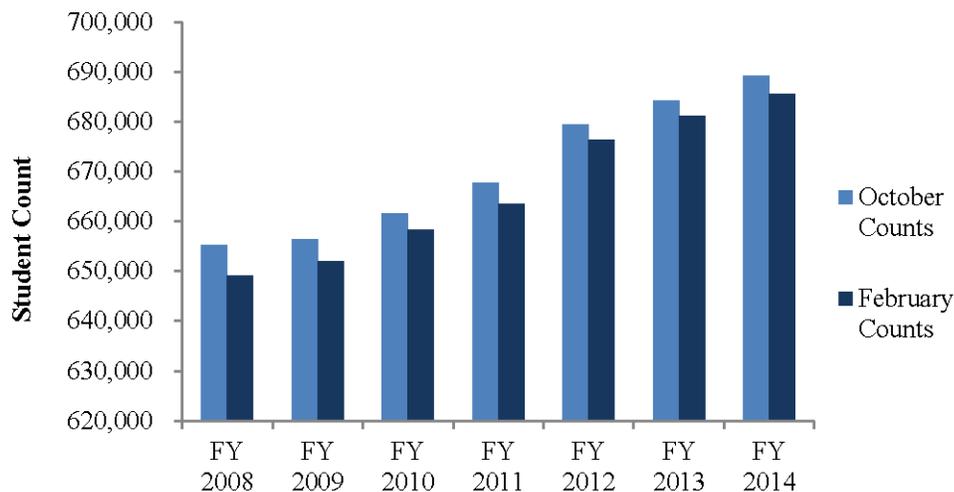
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What We Found (Cont.)

- **LDOE should enhance its use of error reports and use data analytics to select its audit sample. Using data analytics, we identified approximately 1,000 potentially ineligible students in the October 2012 and February 2013 student counts that were not included in LDOE’s audit samples.** These potentially ineligible students represent approximately \$3.9 million in the MFP. Using these tools would help LDOE detect more ineligible students and improper payments than its current process.
- **Currently, as shown in the exhibit below, the initial MFP budget in the Executive Budget is based on the February 1 student count of the prior year, which has historically shown to be the lowest measure of student enrollment. As a result, a shortfall between the initial appropriation amount and the amount required to fund the final cost of the MFP occurs.** The shortfall has ranged from a low of approximately \$17.9 million in fiscal year 2008 to a high of \$55.8 million in fiscal year 2014.
- **According to LDOE, it has developed a methodology for projecting student enrollment based on historical trends that anticipates both the October jump in enrollment from the lower February count, as well as the growth or decline in the MFP population overall.** Including LDOE’s projection as part of the initial Executive Budget process would help to reduce the mid-year MFP budget shortfall. Because the projection is not part of the initial Executive Budget, it creates a situation where less money is allocated to the MFP on the front end, which allows funds to be allocated elsewhere in the Executive Budget. However, this shortfall has in recent years contributed to the need for budget cuts mid-year in order to fund the final cost of the MFP.

**October and February Counts
Fiscal Year 2008 through 2014**



Source: Prepared by legislative auditor's staff using information from LDOE.