

Section 61a(1) of the State Aid Act ***Added Cost Guide***

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State Aid Legislation

Public Act 297 of 2000

Sec. 61a. (1) From the appropriation in section 11, there is allocated an amount not to exceed \$30,000,000.00 for 2003-2004 to reimburse on an added cost basis districts, except for a district that served as the fiscal agent for a vocational education consortium in the 1993-94 school year, and secondary area vocational-technical education centers for secondary-level vocational-technical education programs, including parenthood education programs, according to rules approved by the superintendent. Applications for participation in the programs shall be submitted in the form prescribed by the department. The department shall determine the added cost for each vocational-technical program area. The allocation of added cost funds shall be based on the type of vocational-technical programs provided, the number of pupils enrolled, and the length of the training period provided, and shall not exceed 75% of the added cost of any program. With the approval of the department, the board of a district maintaining a secondary vocational-technical education program may offer the program for the period from the close of the school year until September 1. The program shall use existing facilities and shall be operated as prescribed by rules promulgated by the superintendent.

(2) Except for a district that served as the fiscal agent for a vocational education consortium in the 1993-94 school year, districts and intermediate districts shall be reimbursed for local vocational administration, shared time vocational administration, and career education planning district vocational-technical administration. The definition of what constitutes administration and reimbursement shall be pursuant to guidelines adopted by the superintendent. Not more than \$800,000.00 of the allocation in subsection (1) shall be distributed under this subsection.

(3) From the allocation in subsection (1), there is allocated an amount not to exceed \$388,700.00 for 2003-2004 to intermediate districts with constituent districts that had combined state and local revenue per membership pupil in the 1994-95 state fiscal year of \$6,500.00 or more, served as a fiscal agent for a state board designated area vocational education center in the 1993-94 school year, and had an adjustment made to their 1994-95 combined state and local revenue per membership pupil pursuant to section 20d. The payment under this subsection to the intermediate district shall equal the amount of the allocation to the intermediate district for 1996-97 under this subsection.

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- ◆ Added Cost Reimbursement Rates will be based on statewide vocational and non-vocational median costs. Non-vocational costs will be based on the median foundation allowance (1998).
- ◆ The State Rank List will be revised to be consistent with the Career Preparation legislation, with program ranking based on employment openings, related placement, and earnings (wages)(1998).
- ◆ A minimum of 90% of added cost funds allocated to local educational agencies will be spent in program improvement expenditure categories for approved programs.

Beginning 1999-2000 and thereafter, 10% of added cost funds received can be used for instructional and support staff salaries. The remaining 90% of added cost funds received must be used for program improvement (1998).

- ◆ Added Cost Reimbursement Rates will be prorated at no less than 40% of the medians (1998).
- ◆ Any approved Career and Technical Education (CTE) program will be reimbursed at a minimum added cost reimbursement rate of \$50 (1998).
- ◆ Less Than Class Size (LTCS) coordination activity will be reimbursed at a maximum of \$125 per student hour (1998).
- ◆ Approved CTE courses must be taught by teachers who have vocational certification in that program area (1992).
- ◆ Up to five percent of the added cost funds can be set aside for career related instruction in applied academics, technology education, tech prep, career development, employability skills and portfolios (1992).

State Rank List

The state ranking of career education programs is based on employment opportunity data, median wage, and program completer placements in related careers or postsecondary education.

- ◆ Wage data identifies high wage/high skill occupations and offers some measure of job quality.
- ◆ Placement data gauges the success of program completers in the job market and continuing education.
- ◆ Employment Opportunity data identifies those occupations where the demand for workers is greatest.

The current State Rank List was developed in 1998. The rankings required the use of consistent matching of labor market statistics and education data.

Approved vocational wage-earning programs were ranked in each of the three separate tables. The results were then compiled into the State Rank list. Determining the Program CIP Code with the highest ranking in 2 of the 3 criteria broke ties in the ranking list.

Distribution of Added Cost Funds

Priority for program funding is based on employment demand, wages, and related placement. Each of these criteria is weighted equally in determining the overall rank for each program.

1. Sixty percent (60%) of state added cost funding is allocated to local districts using the *State Rank List*.
2. Forty percent (40%) of added cost funds is divided among the 53 CEPDs. These funds are proportionately distributed. The formula used to determine each CEPD's portion of the forty-percent includes the following calculations:
 - The individual CEPD percent of the State's total student hours reimbursed at the full-funded level
 - The percent of the State's 9-12 enrollment for each CEPD

Each CEPD determines their local program ranking for funding, using the CEPD Options Form (X0112). These CEPD Options are then submitted to us for implementation.

Calculating Added Cost Reimbursement Rates for Individual CIP Codes

Data Used:

- ◆ Average of two most recent years vocational expenditure data taken from VE-4033, Career and Technical Education Final Expenditures Report. A \$400 cap is applied to all Added Cost Reimbursement Rates. (Recommended by the Added Cost Referent Group, effective 1999-2000.)

E.g. 2000-2001 added cost reimbursement rates were based on average of 1997-1998 & 1998-99 expenditure data.

- ◆ Non-vocational costs are based on the Foundation Allowance Membership data provided by the MDE State Aid Office.

CIP Code Added Cost Reimbursement Rate Formula:

$$\text{Median expenditure for each CIP Code} \\ \text{Minus } (\underline{\text{Median statewide foundation allowance}}) \cdot 6 = \\ \text{CIP Code Added Cost Reimbursement Rate}$$

Using the clusters established within the Career Preparation Act, individual CIP Code Added Cost Reimbursement Rates are given a weight (based on student enrollment) and a Cluster Added Cost Reimbursement Rate is determined. This reimbursement rate is then used for each CIP Code within that Cluster. (Recommended by the Added Cost Referent Group, effective 1999-2000.)

(The Added Cost Reimbursement Rates are currently prorated to the 50% level.)

Use of Added Cost Funds

- ◆ Up to five percent of the added cost funds can be set aside for career-related instruction in applied academics, technology education, tech prep, career development, employability skills and portfolios (1992).
- ◆ Ninety percent (90%) of the State Aid funds received for all other approved vocational education wage-earning programs must be used for program improvement (1998).
- ◆ State Aid funding for Parenthood Education must be used for Parenthood Education. Of those funds, 90% must be used for program improvement (1998).

Expenses That Meet Program Improvement Expenditure Guidelines

Instruction

Local Travel
Equipment Rental & Maintenance
Supplies, Materials & Other Expenses

Support Services

Career Guidance--Pupil
Student Organizations--Pupil
Career Placement & Follow-up Survey--Pupil
Professional & Curriculum Development--Improvement of Instruction
Planning, Research, Evaluation & Marketing--Central Services
Advisory Committees--Community Services, Other

Equipment

Equipment Instruction--Capital Outlay
Equipment Support--Capital Outlay

Instructional Salary Breakout

Summer Agriculture Production Salaries
Summer Coop Coordination Salaries

Added Cost Reimbursement

Reimbursement Guidelines

Reimbursement is generated on a *Student Hour* basis for approved instructional classes.

The number of COOP students eligible for funding is the lesser of either: the number of students enrolled, or Minutes per Week divided by 15 minutes.

Maximum number of students in one section for which reimbursement will be provided:

- ◆ Parenthood Education: 30 to 1 student/teacher ratio per section.
- ◆ COOP Coordination: 75 students per section.
- ◆ All other CTE Programs: 22 to 1 student/teacher ratio per section
(30 to 1 with a para-professional)

Reimbursement for each program is based on each program's Added Cost Reimbursement Rate.

Based on unique cost considerations of selected programs, the following Added Cost Reimbursement Rates have been assigned:

- ◆ COOP Coordination \$50
- ◆ Less Than Class Size \$125

Data Elements Used to Determine Reimbursement at Section Level

- ◆ Enrollment: The average of beginning and ending number of students enrolled, as provided in the VE-4483A & D, Fourth Wednesday Enrollment Reports.
- ◆ Section Enrollment Reimbursement Limit:
 - Wage-earning programs: 22 to 1 student/teacher ratio per section
(up to 30 if there is a para-professional)
 - Parenthood Education: 30 to 1 student/teacher ratio per section
- ◆ Reimbursable Enrollment: The lesser of AEnrollment@ or ASection Enrollment Reimbursement Limit@.
- ◆ Number of minutes per week divided by 300.
- ◆ Number of weeks divided by 36.

Student Hour Formula:

$$\frac{\text{Reimbursable Enrollment} \times (\text{Minutes per Wk} \div 300) \times (\text{No. Of Weeks} \div 36)}{\text{Student Hours}} =$$

Reimbursement Amount Per Section Formula:

$$\text{Added Cost Reimbursement Rate} \times \text{Student Hours} = \text{Reimbursement Amount per Section}$$

Coop Reimbursement Formula:

***Minutes Per Week ÷ 15** Determines the number of coop students eligible for funding; enrollment exceeding this quotient will not be funded.

$$\frac{\text{*Reimbursable Enrollment} \times \text{No. of Weeks} \div 36 \times \text{Added Cost Reimbursement Rate (\$50)}}{\text{Coop Reimbursement}} =$$

Local Contribution to Added Cost Expenditure

The purpose of Added Cost funding for approved Career and Technical Education programs is to reimburse some of the expenses incurred that are over and above the cost of a “regular” education program. Plus, State Aid legislation requires that funding not exceed 75% of the added cost of any program.

In order for a fiscal agent to retain all Added Cost reimbursement funding received during any given year, the end of year expenditure report, VE-4033, must fulfill the following criteria:

1. Non-Vocational Cost: Each fiscal agent must expend funds for their CTE Programs that reflect a cost comparable to “regular” education programming. This is referred to as the Non-Vocational Cost of running a program. The Department uses 1/6 the Foundation Allowance, i.e. one hour, as the Non-Vocational Cost per student hour. Then, this cost is multiplied by the number of reimbursed student hours to determine the total non-voc cost for the fiscal agency.
2. Added Cost Funding: Each fiscal agent must expend funds equal to the amount of Added Cost funding received. *Ninety percent (90%) of the Added Cost funds received by each fiscal agent must be used to support program improvement*
3. Local Contribution (Added Cost Match): Each fiscal agent must expend local funds greater than or equal to the difference between the amount of Added Cost funding received (75% of the Added Cost) and Added Cost funding at the 100% level.

The combined amount for criteria #2 and #3 is approximately the product of the Added Cost funds received multiplied by 1.33.

In other words, in order to keep all Added Cost funds received, the Expenditure Report should show:

- 1) Expenditures common to any “regular” education program (Non-Vocational costs).
- 2) Expenditures that reflect the Added Cost reimbursement at the 100% funding level (a combination of Added Cost funds received and local contribution). *Ninety percent (90%) of the Added Cost funds received by each fiscal agent must be used to support program improvement.*

For estimation purposes:

$$\begin{array}{r} \text{(State Added Cost Received x 1.33)} \\ + \text{(Applicable Student Hours x (Foundation Allowance/6))} \\ \hline \text{Total Amount to be Shown in the Expenditure Report} \end{array}$$

NOTE: The reimbursement rates for programs are determined by the previous year’s expenditures reported on the VE-4033, Expenditure Report. An increase or decrease in expenditures for a program will directly affect the reimbursement rate for that program.

Frequently Asked Questions

Q Must State Aid funds be used specifically for the program for which they were received?

A Use of funds in the program for which they were received is encouraged. However, only Parenthood Education added cost funds must be used for Parenthood Education. All other added cost funds may be used in for any the CTE approved programs.

Are there any discretionary dollars that can be targeted for high demand programs in local or regional areas that need priority consideration?

A The current funding policy allows a CEPD to individually prioritize it's portion of 40% of added cost funding in the manner determined best by the CEPD Planning Committee.

Current State Aid Added Cost legislation does not provide for discretionary allocation. However, other avenues are being explored, including the possible use of Carl D. Perkins Title I funds.

Q How often should the State Rank List be updated?

A The State Rank List is updated every 4 years. The new State Rank List will become effective in fiscal year 2002-2003. The four-year cycle was selected for the following reasons:

- 1) Data availability and synchronization with employment demand forecasts, which are updated every 2 years.
- 2) Stability of direction and resources for district planning purposes.

Q Why don't my added cost calculations match those of MDCCD-OCTP?

A Computer rounding at various levels and intervals throughout funds distribution calculations may render a difference between a district's calculations and the added cost funding calculated by MDCCD-OCTP.

Q Why can't I use local data to determine my ranks?

A It is necessary to have a standardized and consistent measurement in carrying out legislative intent.