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

State Aid Legislation

State Board of Education Policy

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*Revised December, 2012
State Aid Legislation
Act No. 201 – Public Acts of 2012

Sec. 61a. (1) From the appropriation in section 11, there is allocated an amount not to exceed $26,611,300 for 2012-2013 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.
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- Added Cost Reimbursement Rates will be based on statewide CTE and non-CTE median costs. Non-CTE costs will be based on the median foundation allowance (1998).

- The State Rank List will be revised to be consistent with program ranking based on employment openings, related placement, and earnings (wages) (1998).

- A minimum of 90% of Added Cost funds allocated to fiscal agencies will be spent in program improvement expenditure categories for state-approved CTE 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 are limited to 40% of the median reported expenditures (1998).

- State-approved Career and Technical Education (CTE) programs 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).

- State-approved CTE programs must be taught by teachers who have occupational certification in that program area (1992).
State Rank List

The state ranking of Career and Technical Education (CTE) programs is based on employment opportunity data, median wage data, 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 2010-11. The rankings required the use of consistent matching of labor market statistics and education data.

State-approved wage-earning CTE programs were ranked according to three factors: projected job openings, median wages, and related placement. These three factors are weighted equally to determine program rank.

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 (Career Education Planning Districts). 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 ranks their CTE programs in the desired order of priority for funding, using the CEPD Options Form (X0112) in CTEIS, and submits it for implementation.
Calculating Added Cost Reimbursement Rates for Individual CIP Codes

Data Used:

✦ Average of two most recent years’ CTE expenditure data taken from the 4033, Career and Technical Education Expenditures Report. Added Cost Reimbursement Rates are capped at a maximum rate of $400. (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-CTE costs are based on the Foundation Allowance Membership data provided by the MDE State Aid Office.

CIP Code Added Cost Reimbursement Rate Formula:

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\text{Median expenditure for each CIP Code} - (\text{Median statewide foundation allowance ÷ 6}) = \text{CIP Code Added Cost Reimbursement Rate}
\]

Individual CIP Code Added Cost Reimbursement Rates are weighted (based on student enrollment), to determine a Cluster Added Cost Reimbursement Rate. This reimbursement rate is then used for each CIP Code within a Cluster. (Recommended by the Added Cost Referent Group, effective 1999-2000.)

(The Added Cost Reimbursement Rates are currently prorated to the 40% level.)
Use of Added Cost Funds

❖ Ninety percent (90%) of the State Aid Added Cost funds received by fiscal agencies offering state-approved CTE wage-earning programs, 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

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

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

Reimbursement for each program is based on each program’s Added Cost Reimbursement Rate. Current Added Cost Reimbursement Rates are located under State School Aid Section 61a(1) on the OCTE website.

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

- Coop-Capstone Coordination: $50
- Less Than Class Size: $125
- New and Emerging: $125

Data Elements Used to Determine Reimbursement at Course-Section Level

Reimbursement is generated on a Student Hour basis at the course-section level. Following are the data elements used to calculate Student Hours for reimbursement purposes.

- Enrollment: Student enrollment submitted on the 4483 D Enrollment Report.

- Course-Section Enrollment Reimbursement Limit:
  - Wage-earning programs: 22 to 1 student/teacher ratio per course-section
    (up to 30 if there is a para-professional)
  - Parenthood Education: 30 to 1 student/teacher ratio per course-section

- Reimbursable Enrollment: The lesser of Enrollment or Course-Section Enrollment Reimbursement Limit.

- Number of minutes per week (mpw) divided by 300.

- Number of weeks divided by 36.
Student Hour Formula:

Reimbursable Enrollment x (mpw ÷ 300) x (weeks ÷ 36) = Student Hours

Reimbursement Amount Per Course-Section Formula:

Added Cost Reimbursement Rate x Student Hours = Course-Section Reimbursement

Coop-Capstone (CC) Reimbursement Formula

Coop-Capstone (CC) instructors are required to spend a minimum of 15 minutes of coordination time per week—with each student. So the number of CC students eligible for funding is the lesser of either: the actual number of students enrolled, or Minutes per Week divided by 15. Coop-capstone is the only program funded on a per-student (rather than a student hour) basis. The Added Cost Reimbursement Rate for all CC programs is $50. Following is the formula for calculating CC Reimbursement:

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

*Reimbursable CC Enrollment x (Weeks ÷ 36) x $50 = Coop-Capstone 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.

State Aid legislation requires that Section 61a1 funds not exceed 75% of the cost of the program. Therefore, for a fiscal agent to retain all Added Cost reimbursement funding received during any given year, the 4033 Expenditure Report must fulfill the following requirements:

1. **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.

2. **Local Contribution (Added Cost Match):** State Aid legislation requires that Section 61a(1) funds not exceed 75% of the “added” cost of the program. Therefore, each Fiscal Agency must expend local funds equal to or greater than the difference between the amount of Added Cost funds received (75% of the Added Cost), and the Added Cost funding at the 100% level. The Local Contribution formula determines the amount of local funds that must be expended to ensure that the 61a1 funds received do not exceed 75% of the total program cost. For example, if a district received $7,500 in Added Cost funds, that amount ($7,500) is assumed to be 75% of the total. In order to determine a district’s total obligation, multiply the Added Cost received by 4/3 ($7,500 x 4/3 = $10,000).

3. **Non-Vocational Cost:** Each fiscal agent must also 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, wage-earning student hours to determine the total Non-Vocational cost for the fiscal agency.

In other words, in order to keep all Added Cost funds received, the 4033 Expenditure Report should show:

- Expenditures that reflect Added Cost reimbursement at the 100% funding level (the sum of 1. Added Cost Funding Received + 2. Local Contribution).

- Expenditures common to any “regular” education program (3. Non-Vocational Cost).

For estimation purposes:

\[
\text{State Added Cost Funds Received} \times 1.33 \\
+ \text{Reimbursed Student Hours} \times \left(\text{Foundation Allowance} \div 6\right) = \\
\text{Total Amount to be Shown in the Expenditure Report}
\]
Frequently Asked Questions

Q Must State Aid Added Cost funds be expended specifically in the program that generated the funds?
A Added cost funds may be expended in any state-approved CTE program within a fiscal agency – regardless of which program generated the funds.

Q How often is the State Rank List updated?
A The State Rank List is updated approximately every 4 years. 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 OCTE?
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 OCTE.