



Section 61a(1) Added Cost Guide

2023

Michigan Department of Education
Office of Career and Technical Education

Mission: To prepare students so they have the necessary academic, technical, and work behavior skills to enter, compete, and advance in education and their careers.

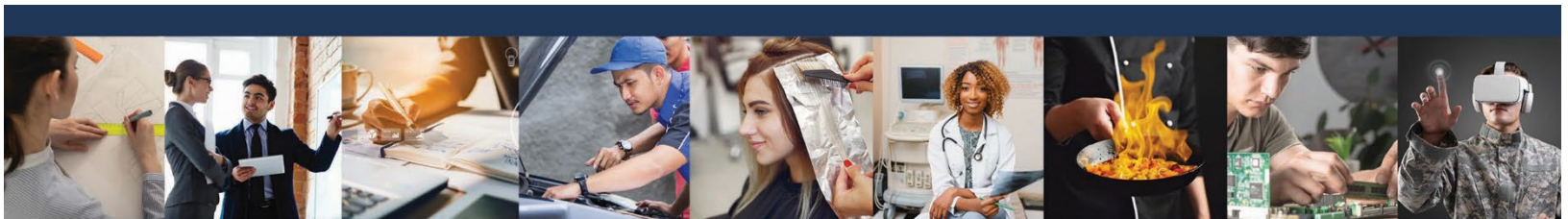


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Section 1: State Aid Legislation

THE STATE SCHOOL AID ACT OF 1979

Act 94 of 1979

388.1661a

Sec. 61a. (1) From the state school aid fund money appropriated in section 11, there is allocated an amount not to exceed \$47,611,300 for 2022-2023 (only) 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 that has a foundation allowance as calculated under section 20 greater than the minimum foundation allowance under that section, and secondary area vocational-technical education centers for secondary-level career and technical education programs, according to rules approved by the superintendent. Applications for participation in the programs must be submitted in the form prescribed by the department. The department shall determine the added cost for each career and technical education program area. The department shall prioritize the allocation of added cost funds based on the capital and program expenditures needed to operate the career and technical education programs provided; the number of pupils enrolled; the advancement of pupils through the instructional program; the existence of an articulation agreement with at least 1 postsecondary institution that provides pupils with opportunities to earn postsecondary credit during the pupil's participation in the career and technical education program and transfers those credits to the postsecondary institution upon completion of the career and technical education program; and the program rank in student placement, job openings, and wages, and shall ensure that the allocation does not exceed 75% of the added cost of any program. Notwithstanding any rule or department determination to the contrary, when determining a district's allocation or the formula for making allocations under this section, the department shall include the participation of pupils in grade 9 in all of those determinations and in all portions of the formula. With the approval of the department, the board of a district maintaining a secondary career and 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 must 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, the department shall reimburse districts and intermediate districts for local career and technical education administration, shared time career and technical education administration, and career education planning district career and technical education administration. The superintendent shall adopt guidelines for the definition of what constitutes administration and shall make reimbursement pursuant to those guidelines. The department shall not distribute more than \$800,000.00 of the allocation in subsection (1) under this subsection.

(3) A career and technical education program funded under this section may provide an opportunity for participants who are eligible to be funded under section 107 to enroll in the career and technical education program funded under this section if the participation does not occur during regular school hours.

Section 2: State Board of Education Policy

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

- Non-CTE costs will be based on the state median foundation allowance, or fiscal agency median foundation allowance – whichever is lower. (1998).

Section 3: Section 61a(1) Funding Formula Explanation

The Section 61a(1) funding formula is based on the following three variables:

- Student's advancement through the CTE program (Enrollee, Participant, Concentrator, Concentrator+)
- Program costs associated with each CTE program (Program Cost Factor)
- Rank assigned to each CTE program on the State Rank List (State Rank Factor)

Student Advancement (Progress) The program standards for each state-approved CTE program are grouped into 12 segments of instruction, or into Perkins Course Competencies (PCCs) defined by groups of competencies. The advancement of each student through the program is determined at the end of the school year, based on the total number of segments or PCCs successfully completed in each program.

Enrollees (x.5)—students who completed less than 4 segments, or less than 1 PCC. Enrollees (**E**) are weighted .5 in the Section 61a(1) funding formula.

Participants (x1)—students who successfully completed 4-7 segments or 1 PCC. Participants (**P**) are weighted 1 in the Section 61a(1) funding formula.

Concentrators (x5)—students who successfully completed 8 to 11 segments or 2 PCCs. Concentrators (**N**) are weighted 5 in the Section 61a(1) funding formula.

Concentrators+ (x10)—students who...Successfully completed 12 segments; **OR** 8 segments plus earned an OCTE-approved credential reported by the **June** enrollment report submission deadline.

Successfully completed 3 or more PCCs; **OR** 2 PCCs plus earned an OCTE-approved credential reported by the **June** enrollment report submission deadline.

Concentrators+ (**C**) are weighted 10 in the Section 61a(1) funding formula.

Program Cost Factor (1, 5, 10) – takes into account the cost of operating different CTE programs. The program cost factors (**M**) are based on a 3-year average of the total expenditures per student, reported for each CIP Code – ranked from most expensive to least expensive. The top third of the programs (most expensive) have a cost factor of **10**; the next third of the programs have a cost factor of **5**; and the bottom third of the programs have a cost factor of **1**.

State Rank List Factor (1, 2.5, 5, 10) – The State Rank List of CTE programs is based on three factors weighted as follows: job openings (2), placements (1), and wages (1). Each program has a Rank Factor (**R**) associated with it, which is used in the formula. Only the **top 20 programs** on the State Rank List will receive a rank factor value greater than 1. Of the top 20 ranked programs, the top 7 programs have a rank factor of **10**; the next 7 programs have a rank factor of **5**; and the next 6 programs have a rank factor of **2.5**. (All programs that fall below the top 20, have a rank factor of 1.)

Distribution of Added Cost Funds (60% and 40% Explanation)

Distribution of Section 61a(1) funds takes into account State priorities, as well as Local priorities.

Sixty percent (60%) of the total Section 61a(1) allocation is distributed based on the State Rank list. The State Rank list is compiled using employment demand (job openings), wages, and related placement data.

Forty percent (40%) of the total Section 61a(1) allocation is distributed based on local priorities. Local priority for program funding is determined at the CEPD level via the CEPD Options report. Each CEPD receives a portion (CEPD Share) of the 40% funds and selects individual programs to support with their CEPD Share dollars.

60% Funds (based on State Rank List)

Sixty percent (60%) of the Section 61a(1) funds are generated, based on the **top 20 programs** (CIP Codes) on the State Rank List. The following formula is used to calculate the 60% funds for each individual program that is ranked among the top 20 CIP Codes:

60% Funding Formula:

$$[(E*.5) + (P*1) + (N*5) + (C*10)] * M * R = \textbf{PFV} \text{ (Program Formula Value)}$$

Explanation:

$$[(\text{Enrollees} \times .5) + (\text{Participants} \times 1) + (\text{Concentrators} \times 5) + (\text{Concentrators+} \times 10)] \times \text{Cost Factor} \times \text{Rank Factor} = \textbf{PFV} \text{ (Program Formula Value)}$$

In order to calculate the amount of 60% funds each individual program will generate, the **PFV** for each **program**, is divided by the **State Total 60% PFV** to produce a fraction. This fraction is then multiplied by the total amount of 60% funds (approximately \$22M), to calculate the dollar amount for each individual program.

40% Funds (based on CEPD Option Selections)

Forty percent (40%) of the Section 61a(1) funds (approximately \$14M) are distributed, based on individual programs selected by each CEPD. Each CEPD receives a percentage of the 40% funds (CEPD Share) – based on each CEPD's percentage of concentrators and concentrators+, as compared to the State total concentrators and concentrators+. Following is the formula used to calculate CEPD Shares:

$$(N_{\text{CEPD}} + C_{\text{CEPD}}) \div (N_{\text{State}} + C_{\text{State}}) = \textbf{CEPD Share}$$

Each CEPD then selects individual programs (via CEPD Options) to receive a portion of their CEPD share dollars. The following formula is used to distribute the 40% funds to each individual program selected by a CEPD. (Note: The only difference between the 60% and 40% formula, is that the Rank Factor is not included in the 40% formula):

40% Funding Formula:

$$[(E*.5) + (P*1) + (N*5) + (C*10)] * M = \text{PFV}$$

Explanation:

$$[(\text{Enrollees} \times .5) + (\text{Participants} \times 1) + (\text{Concentrators} \times 5) + (\text{Concentrators+} \times 10)] \times \text{Cost Factor} = \textbf{PFV} \text{ (Program Formula Value)}$$

The 40% program formula values (PFVs) are calculated by individual CEPD. In order to calculate the amount of 40% funds each program (in a specific CEPD) will generate, each **Program Formula Value** (for a specific CEPD) is divided by the **CEPD Total 40% PFV** (for that specific

CEPD), to produce a fraction. This fraction is then multiplied by the **CEPD Share** amount (for that specific CEPD) to calculate the dollar amount generated by each program selected by that CEPD. Note: It is possible that a program will generate both 60% and 40% funds, as CEPDs may choose to support specific PSNs (that generate 60% funds) with their CEPD share (40%) funds.

State Rank List

The State Rank List of Career and Technical Education (CTE) programs is based on the following three weighted factors:

- **Employment Opportunity Data (x2)** (projected job openings) – identifies those occupations where the demand for workers is greatest.
- **Median Wage Data (x1)** – identifies high wage/high skill occupations and offers some measure of job quality.
- **Placement Data (x1)**– gauges the success of CTE program completers in the job market and continuing education.

The State Rank List is used to determine the priority (Rank Factor) of each CIP Code, for Section 61a(1) funding purposes. Only the **top 20** programs on the State Rank List will be included in the 60% formula and generate 60% Section 61a(1) funds. CTE programs with a rank below 20 will **not** generate any 60% Section 61a(1) funds.

Program Cost Factors

Program Cost Factors are associated with each CIP Code and provide a way to factor in the costliness of the program. Program Cost Factors are based on the most current three years of expenditure data. Using the average per-student cost, the programs are ranked from most expensive to least expensive, then the list is divided into thirds.

Top third of programs receive a weight of **10**

Middle third of programs receive a weight of **5**

Bottom third of programs receive a weight of **1**

Student Advancement (Progress) Factors

Student Advancement Factors provide a way to factor in the student's progress through the program. The further the student progresses through the program, the more weight is given to that student.

Enrollees receive a weight of **.5**

Participants receive a weight of **1**

Concentrators receive a weight of **5**

Concentrators+ receive a weight of **10**

Specific Data Elements that Impact Funding

The following three data elements have a high degree of impact on funding calculations, so it is extremely important that these data are verified for accuracy by someone closest to the data (often the instructor):

- Student Enrollment – every student enrolled in a CTE state-approved program is reported

- Segments or Competencies/PCCs – are accurately attributed to each CTE student
- Credentials – are recorded for each CTE student who earned a state-approved credential.

Expenditure Requirements for Section 61a(1) Funds

The purpose of Section 61a(1) funds is to reimburse expenses specific to CTE programs that are over and above the cost of “regular” (non-CTE) courses. Districts are encouraged to report **all** State and local funds spent on CTE programs in order to more accurately reflect the true cost of operating CTE programs, and to avoid recapture of Section 61a(1) funds.

90% Program Improvement Requirement

State Board of Education policy requires that 90% of Section 61a(1) funds allocated to a fiscal agency, must be spent on program improvement. Please see 4033 Expenditures Guidance 2021 – Appendix (updated 9-17-2020) on the [Expenditures page](#) for example expenditures.

Total Required Expenditures (100% Added Cost Funds + Non-CTE Costs)

The Section 61a(1) legislation states that Added Cost funds (Section 61a(1)) shall not exceed 75% of the “added cost” of any program. In order for a fiscal agency to retain the Section 61a(1) funds generated and received, the fiscal agency must demonstrate that they have expended enough state and local funds to meet the total required expenditures which includes:

- 100% of the Section 61a(1) funds
- Non-CTE costs of operating their CTE programs

100% Added Cost (Section 61a(1)) Calculation

In addition to spending the Section 61a(1) funds received, each fiscal agency must expend local funds equal to or greater than the difference between the amount of Section 61a(1) funds received (75% of the added costs), and the added cost funding at the 100% level. The following formula is used to determine the 100% level of added cost required:

$$\text{Added Cost (Section 61a(1)) funds received} \times 4/3 = \textbf{100\% added cost required expenditures}$$

Example: If a district received \$7,500 in Added Cost (Section 61a(1)) funds, that amount (\$7,500) is assumed to be 75% of the total. In order to determine the district’s total (100%) obligation, multiply the Added Cost received by 4/3 (\$7,500 x 4/3 = \$10,000).

Non-CTE Cost Calculation

Each fiscal agency must also expend funds for their CTE programs that reflect a cost comparable to the costs of operating “regular” (non-CTE) courses – referred to as the “Non-CTE costs”.

Since foundation allowance funds are received by all districts (not specific to CTE), OCTE uses the foundation allowance as the basis for non-CTE costs. For each student enrolled in CTE, districts are expected to contribute a portion of their foundation allowance funds to support their CTE programs.

To calculate the non-CTE costs of a program, 1/8* of the State median foundation allowance (or fiscal agency median, if lower) is multiplied by the unduplicated CTE enrollment of the fiscal agency (FA). Following is the formula used to determine the non-CTE required expenditures:

$$(\text{foundation allowance} \times 1/8) \times (\text{FA total unduplicated CTE enrollment}) = \textbf{non-CTE required expenditures}$$

* 1/8 of the Foundation Allowance is the equivalent of funds received for about 45 minutes of instruction, or the cost of an hour of instruction, excluding the portion of foundation allowance expended on overhead (40%).

Total Required Expenditures

100% Added Cost expenditures + Non-CTE expenditures = **Total Required Expenditures**

To retain all Section 61a(1) funds received, fiscal agencies must:

- Spend 90% of Section 61a(1) funds received in **Program Improvement**
- Spend enough State and local funds to meet the **Total Required Expenditures**

If a fiscal agency fails to meet one or both of the expenditure requirements, a negative adjustment will be made to their Section 61a(1) funds.

Frequently Asked Questions

Q When will I receive the Section 61a(1) Added Cost funds?

- A** Added Cost funds are “forward funded”. In other words, funds generated by the current year’s enrollment data, will be distributed the following year.
Example: Funds generated by the 2020-21 enrollment data (that appear on the 2020-21 X0107) will be distributed in **2021-22**.

Q How will I receive my Section 61a(1) Added Cost funds?

- A** Added Cost funds are disbursed as monthly payments through State Aid, via the State Aid Status Reports. Each month (October through August), a percentage of the total reimbursement amount is paid out. Below is a link to the State Aid Status Reports. (If approval of the state budget is delayed, payments may begin in November or December rather than October.)
<https://mdoe.state.mi.us/samspublic/home>

Q Must State Aid Section 61a(1) funds (Added Cost) be expended in the specific 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:
- Data availability and synchronization with employment demand forecasts, which are updated every 2 years.
 - Stability of direction and resources for district planning purposes.