

MIC3 DUES UPDATE:

Finance Committee Recommendations and Recalculation of Annual Dues

WHAT DO THE ANNUAL STATE DUES COVER

Each Compact member state is assessed an annual fee to cover the costs of the Commission's operations, such as training and technical assistance (on demand, instructor-led, and mentoring); Commission meetings (committees, tier groups, and Annual Business meetings); promulgation and interpretation of MIC3 Rules; administrative support and development and maintenance of other resources (website, rule book and more); legal review and assistance for member states.



OVERVIEW OF POLICIES AND PROCEDURES

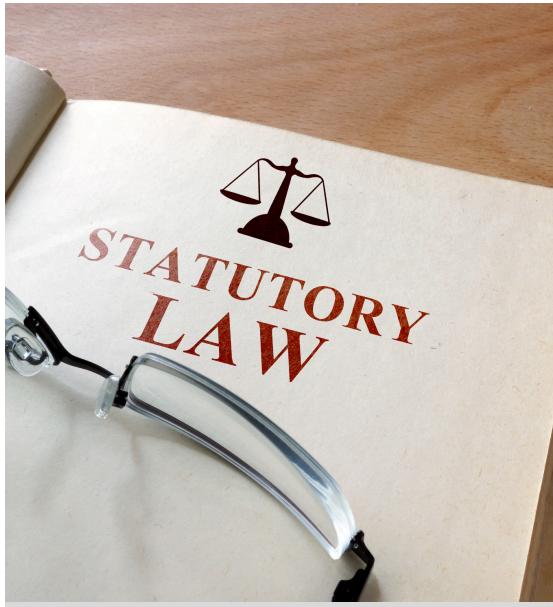
Dues are calculated using a formula set forth in [MIC3 Compact Rule Sec. 2.103 Dues Formula](#):

- (a) The Commission shall determine the formula to be used in calculating the annual assessments to be paid by States. Public notice of any proposed revision to the approved dues formula shall be given at least 30 days prior to the Commission meeting at which the proposed revision will be considered. (b) The Commission may consider the population of the States, the number of students subject to the compact within each State, and the volume of student transfers between States in determining and adjusting the assessment formula.
- (c) The approved formula and resulting assessments for all member States shall be distributed by the Commission to each member State annually.
- (d) Beginning with FY 2020, the dues formula shall be based on the figure of one dollar and fifteen cents per child (\$1.15) of military families eligible for transfer under this compact, and this calculation shall be based upon the State in which each military family resides, except that no State dues assessment shall exceed the sum of sixty-nine thousand dollars (\$69,000.00) per year or shall be less than two thousand three hundred dollars (\$2,300.00).

Note: The Commission has had a single dues increase in nearly two decades, in 2018, the Commission increased dues 15% - from \$1.00 to \$1.15 per military dependent. Accordingly, the minimum and maximum thresholds were also increased 15% - from \$2,000.00 and \$69,000.00.

The [MIC3 Compact Rule Sec.7.103 Enforcement Actions Against a Defaulting State](#) provides additional guidance.





ANNUAL BUDGETARY AND STATUTORY REQUIREMENTS

Separately, at the fall Annual Business Meeting, the Commission approves an annual budget. According to the model compact language, Article XIV: Financing of the Interstate Commission, adopted by the 50 states and District of Columbia

The Interstate Commission may levy on and collect an annual assessment from each member state to cover the cost of the operations and activities of the Interstate Commission and its staff which must be in a total amount sufficient to cover the Interstate Commission’s annual budget as approved each year. The aggregate annual assessment amount shall be allocated based upon a formula to be determined by the Interstate Commission, which shall promulgate a rule binding upon all member states.

FINANCE COMMITTEE RECOMMENDATIONS

This year, the Finance Committee worked diligently to prepare recommendations for discussion at the 2024 Annual Business Meeting in Albuquerque, New Mexico on October 16-17. With fluctuating inflation rates and rising costs for goods and services, the Commission felt the need to assess a long-term solution and process to support our work, with the intent to introduce a five-year budget process to provide stable, predictable dues projections taking into account different state budgeting processes and differing amounts of time required for Commissioners to coordinate budget adjustments.

The three-step process began with an organization and staff assessment conducted by an external entity to assess the organizational services vs. current staffing, and adequacy of staffing. Next, the Committee conducted a cost analysis of past and future appropriations, as well as the projected budget through Fiscal Year (FY) 2034. Both considered projected budget inflation impact and a planning assumption that included a reduction in the DoD projected student count over the next five years, and an adjustment of the minimum and maximum thresholds - the final numbers for which are unknown at this time. Third, the Committee examined the Reserve and clarified the utilization by the organization. By design, the reserve is intended to assist with balancing the budget and reduce/eliminate frequent and unpredictable dues increases.

MIC3 DUES HISTORY AND IMPACT OF INFLATION

Current MIC3 dues assessment rates were established in 2010, two years after the Commission was formed. Dues assessment rates have not changed in nearly two decades, except for a single 15% increase in 2018.

The Commission began with eleven states, and grew to 50 states and the District of Columbia in 2014, and has operated for more than a decade without increasing dues assessment rates through careful fiscal management and conservative budgeting. The staffing has remained the same since its inception despite growth in programming, resources, and technical assistance. Nonetheless, it is necessary to increase dues assessment rates to keep up with inflation, fulfill statutory requirements, and ensure the Commission’s financial future. The cumulative rate of inflation since 2008 has been 35.3%. Furthermore, the current inflation rate for 2023 compared to last year is now 4.1%. Consequently, the Commission’s annual budget has realized substantial increases in most areas, ranging from information technology to annual business meetings.

