1-2026 Financial Review Provided by Rule SEC. 2.103
Issued: TBD

I. Purpose

The purpose of this Financial Review Policy is to establish the process and procedures by which the Military Interstate Children's Compact Commission's (MIC3) Finance Committee fulfills its responsibilities under Rule SEC. 2.103(f) of the Compact Rules concerning the periodic review of the Commission's dues formula and annual adjustment percentage.

Pursuant to Rule SEC. 2.103, the Commission is responsible for determining and administering the formula used to calculate annual assessments paid by member states in accordance with Article XIV.B. of the Interstate Compact on Educational Opportunity for Military Children. This policy provides a structured framework for evaluating the continued appropriateness, sustainability, and financial sufficiency of the dues formula established in Rule SEC. 2.103(d) and the annual adjustment percentage established in Rule SEC. 2.103(e).

The review process shall ensure that recommendations regarding modifications to the dues formula and/or annual adjustment percentage are supported by objective financial analysis and consideration of the Commission's operational needs, strategic priorities, budget requirements, and economic conditions.

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 member states as authorized by Article XIV.B. of the Compact. 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 2027, the dues formula shall be based on the figure of one dollar and seventy-eight cents per child ($1.78) 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 be less than four thousand dollars ($4,000.00). For purposes of this Rule, the dues amount for each State under the foregoing formula calculation set forth in this Sec. 2.103(d) shall be the "Base Dues Amount."*
>
> *(e) Beginning with FY 2028 and continuing for each fiscal year thereafter, the Base Dues Amount for each state shall be increased annually by four percent (4%) (the*

new dues amount in any respective fiscal year shall be the "Adjusted Dues Amount.") For example, for any given state, the Adjusted Dues Amount for FY 2029 shall be calculated by increasing the FY 2028 Adjusted Dues Amount by four percent (4%).

(f) At least every three (3) years, the Finance Committee shall review the base dues calculation formula set forth in Sec. 2.103(d) and the adjustment percentage set forth in Sec. 2.103(e). Following such review, the Finance Committee may make recommendation(s), to the Rules Committee regarding modification of the base dues formula calculation and/or the annual percentage increase set forth therein. Such recommendations shall be based upon an assessment of inflation, overall costs, and the operations, activities, and budget of the commission consistent with Article XIV.B. of the Compact.

II. Monitoring and Financial Reporting

Consistent with Article IV, Section 2 of the Commission By-laws, the Executive Director is responsible for preparing the draft of the annual budget; monitoring all Commission expenditures for compliance with approved budgets; maintaining accurate records of the Commission's financial account(s).

The Executive Director is also responsible for ensuring that the Reserve Fund is maintained and administered in accordance with policy *3-2020 Reserve Fund*. If use of Reserve Funds is approved, the Executive Director will maintain records of the use of funds and plan for replenishment. He/she will provide regular reports to the Finance Committee/Executive Committee of progress towards restoring the Fund to the target minimum amount.

To support the review required by Rule SEC. 2.103(f), the Finance Committee will review Commission financial information including, but not limited to:

A. Annual budgets and actual expenditures
B. Revenue and dues collection trends
C. Reserve fund balance and projections
D. Inflationary indicators and economic conditions
E. Multi-year financial forecasts
F. Programmatic and operational cost analysis
G. Membership and military student population data
H. Other financial information deemed relevant by the Finance Committee

III. Review of Policy

The purpose of the review shall be to determine whether the current dues structure continues to provide sufficient and sustainable funding to support the Commission's statutory duties, programs, operations, strategic initiatives, and reserve requirements.

At a minimum, this policy will be reviewed by the Finance Committee every other year, or sooner if warranted by internal or external events or changes. The Finance Committee will recommend changes to the policy to the Executive Committee.

A. Review Criteria

In conducting its review, the Finance Committee shall consider factors including, but not limited to:

1. Inflation and changes in economic conditions.
2. Historical and projected operating expenses.
3. Revenue adequacy and long-term financial sustainability.
4. Reserve fund sufficiency and funding requirements.
5. Strategic priorities and organizational growth.
6. Changes in the population of military-connected students eligible under the Compact.
7. Trends in student mobility and interstate transfers.
8. Cost pressures associated with Commission operations and services.
9. Financial forecasting projections.
10. Any other factors the Finance Committee determines are relevant to fulfilling the Commission's responsibilities under Article XIV.B. of the Compact.

B. **Recommendations**

Following completion of its review, the Finance Committee may recommend to the Executive Committee:

1. No changes to the existing dues structure;
2. Modifications to the Base Dues amount calculation;
3. Modifications to the annual adjustment percentage; or
4. Other revisions deemed necessary to ensure the Commission's fiscal stability and operational effectiveness.

All recommendations shall be supported by documented financial analysis and findings.

C. **Rulemaking Process**

Any recommended modifications to the dues formula or annual percentage will be processed in accordance with the Commission's rulemaking procedures and public notice requirements.

IV. Relationship to Other Policies

This policy will be administered in conjunction with all applicable Commission financial policies. The National Office will maintain the following Commission-approved policies, which may affect the creation, management, sufficiency, and use of Commission assets and reserve funds.

A. Policy 1-2016 Finance
B. Policy 2-2020 Investment
C. Policy 2-2025 Financial Forecasting
D. Policy 3-2020 Reserve Fund

V. Review Rubric and Timeline

To promote consistency, transparency, and accountability in the review process of the base dues calculation formula set forth in Sec. 2.103(d) and the adjustment percentage set forth in Sec. 2.103(e) of the Compact Rules, the MIC3 Policy Timeline (Exhibit A), which will serve as the Commission's guiding framework for conducting periodic reviews of the base dues amount calculation and the annual adjustment percentage.

MIC3 Policy Timeline

MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION

Fiscal Timeline

CY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
					Majority of State Council Meetings for FY ending Jun 30							
						END Fiscal Year June 30	Beginning Fiscal Year			ABM		
	Standing Committee Budget Review	FINCOM review of investment portfolio & rec. to EXCOM.	FINCOM Review FY Dues/Budget Proposal & Vote	EXCOM Review FY Dues/Budget Proposal & Vote						Vote Fiscal Year Dues/Budget		
	Research and Development Annual Dues Adjustment Rubric (Every 3rd Year)						Current FY invoices distributed reflect dues voted on at previous ABM		Audit previous FY			
	Continue to Explore Cost Saving Initiatives											
	DoD DEERS Data (18 mo. in advance)						Personnel Expense: Salary (Reflect in current FY)		Personnel Expense: Healthcare (Reflect in upcoming calendar year)			
	Inflation											
		CSG Indirect Cost										