



STATE OF SOUTH CAROLINA
DEPARTMENT OF EDUCATION

MOLLY M. SPEARMAN
STATE SUPERINTENDENT OF EDUCATION

MEMORANDUM

TO: District Superintendents

FROM: John R. Payne
Director, Office of Special Education Services

DATE: November 21, 2016

RE: IDEA Maintenance of State Fiscal Support Settlement

This memorandum is to provide you with updated information regarding South Carolina's recent settlement with the United States Department of Education (USED) on the state's maintenance of fiscal support (MFS) requirement under the Individuals with Disabilities Education Act (IDEA). Contained in this memorandum are background information, critical next steps, and requirements to satisfy the terms of the settlement.

Background

The OSERS and the South Carolina Department of Education (SCDE) reached a settlement agreement (MFS Settlement Agreement) to resolve the MFS shortfalls claimed by the OSERS for SFY 2010–13. The MFS Settlement Agreement was fully executed on August 22, 2016. To meet the requirements of the MFS Settlement Agreement, the SCDE was required to submit a Spending Plan to OSERS for review and approval. On October 31, 2016, the SCDE received approval of its Spending Plan. Both the MFS Settlement Agreement and Spending Plan clearly indicate that all funds must be spent to augment, not maintain, programs and initiatives for students with disabilities. Both the full MFS Settlement Agreement and the Spending Plan are available on the SCDE website at <http://ed.sc.gov/districts-schools/special-education-services/fiscal-and-data-management-fdm/maintenance-of-state-financial-support-settlement>.

Requirements/Next Steps

As outlined in the MFS Spending Plan, funds will be released according to a tiered system for local educational agencies (LEAs). Tier One funds will be released to LEAs based on each LEA's 2015 IDEA Child Count beginning in January 2017. Tier Two funds are currently scheduled for release beginning in the summer of 2017. For Tier One funding, the following steps will occur.

Tier One

1. In November 2016, the SCDE, Office of Special Education Services (OSES), will provide additional information and online resources for all LEAs.
2. In early December 2016, the OSES will facilitate four regional training sessions geared for LEA Special Education Directors and LEA Chief Financial Officers. Attendance at one of these sessions will be required to access MFS settlement funds. The specific dates and locations of these sessions will be forthcoming as soon as the logistics are finalized. Staff from LEAs only need to attend one session and may bring additional participants if space permits.
3. As outlined in the MFS Spending Plan, each LEA will be required to sign a Memorandum of Agreement (MOA) that outlines the requirements for use of these funds. A draft MOA is available online at <http://ed.sc.gov/districts-schools/special-education-services/fiscal-and-data-management-fdm/maintenance-of-state-financial-support-settlement>.
4. In addition to the signed MOA, each LEA must submit both a spending plan and an impact plan for approval by the SCDE. Plan templates are available online at <http://ed.sc.gov/districts-schools/special-education-services/fiscal-and-data-management-fdm/maintenance-of-state-financial-support-settlement>. Each LEA will be required to specify in these plans how the LEA will expend funds and the intended impact these funds will have related to specific program areas for students with disabilities (e.g., improving graduation rates, improving reading proficiency, improving behavioral outcomes, etc.). To aid LEAs, the OSES will provide each LEA with a data profile to assist in identifying one or more focus areas in its spending and impact plans.
5. Upon receipt of a signed MOA, and approving spending and impact plans, the SCDE will release settlement funds to each LEA in monthly installments.
6. During the release and expenditure of funds, each LEA must submit routine expenditure reports and is subject to additional fiscal monitoring. In addition, the OSES, using an external evaluator, will determine the impact of the spending plan and draft a report with the results of the impact evaluation in an external report.
7. All Tier One funds must be expended by June 30, 2018. Districts are required to submit a final report to the OSES, summarizing the impact this funding had on their special education student populations. Additional information regarding the report will be developed and shared online.

All requirements and terms are outlined in the MFS Settlement Agreement and MFS Spending Plan, as well as in each signed MOA. While there are a number of conditions, the SCDE is excited about the impact these additional funds will have on services for students with disabilities.

Tier Two

Tier Two funds will be offered to 30 identified LEAs to support infrastructure and systemic improvements. In Tier Two, the participating LEAs will receive more intensive support to

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develop spending and impact plans. Once Tier One funds are released and expenditures are underway, the OSES will begin additional work with Tier Two LEAs. Additional next steps with Tier Two will be forthcoming in early 2017.

Through resolving this longstanding MFS issue, the SCDE has ensured that the state will not lose \$51.3 million in federal funds, and potentially up to \$85 million for additional shortfalls, which would have had a devastating effect on the state and LEAs. More importantly, the SCDE has developed, with stakeholder input, a meaningful plan to focus these settlement funds on improving outcomes for students with disabilities. In the upcoming two weeks, the OSES will provide additional information regarding the four regional Tier One trainings for LEAs to attend. If you have any questions in the meantime, please do not hesitate to contact John Payne at jrpayne@ed.sc.gov, or by calling 803-734-8224.

cc: District Special Education Directors
District Chief Financial Officers