

Sole Source Written Determination

MMO Form 102

Agency Identification: South Carolina Department of Education (SCDE) — Agency H63

Description of the Agency Need That This Procurement Fulfills:

The South Carolina Department of Education (SCDE) requires continued access to cloud computing infrastructure, data storage, collaboration tools, and artificial intelligence productivity capabilities to support its enterprise-wide technology operations. SCDE serves more than 800,000 students and thousands of educators and administrative staff across South Carolina's 82 school districts. The agency relies on a secure, scalable, and highly available cloud platform to host critical applications, manage sensitive student and personnel data, facilitate statewide communication and collaboration, and enable AI-assisted productivity. Without uninterrupted access to these services, SCDE's ability to deliver core educational support functions—including data reporting, federal compliance, curriculum support, and internal operations—would be significantly disrupted.

SCDE intends a five-year agreement (one base year with four one-year renewal options), estimated total expense \$5,000,000.00.

Describe the Market Based on Research Performed:

The enterprise cloud services market is dominated by a small number of hyperscale providers, most notably Microsoft Azure, Amazon Web Services (AWS), and Google Cloud Platform (GCP). Each platform offers differentiated architectures, security models, licensing structures, and integration ecosystems. SCDE conducted market research to assess whether alternative cloud providers or resellers could satisfy its current operational requirements without disruption, cost escalation, or data migration risk.

SCDE's research revealed the following:

- Microsoft Azure is deeply embedded in SCDE's existing IT environment, which includes Microsoft 365 (including Teams, SharePoint, Exchange Online, and OneDrive), Active Directory/Entra ID for identity management, and numerous agency-developed and third-party applications built on Azure-native services. These integrations create a tightly coupled technology ecosystem that cannot be replicated on an alternative cloud platform without substantial reengineering, re-licensing, and re-testing of dependent systems.
- Microsoft Copilot for Microsoft 365 is natively integrated into the Microsoft 365 productivity suite that SCDE has used for several years. Copilot's AI-assisted features—including document drafting, email summarization, meeting transcription, and data analysis within Excel—are available only within the Microsoft 365 environment and cannot be substituted by a third-party AI tool without losing functionality, single sign-on integration, and the data governance controls already established within the Microsoft tenant.

- SHI International Corp. is an authorized Microsoft licensing solutions provider (LSP) and Azure reseller. SCDE has purchased Microsoft Azure and related services through SHI International for several years under its existing Enterprise Agreement (EA). SHI has established knowledge of SCDE's licensing structure, entitlements, and billing configuration. Transitioning to a different reseller would require license reassignment, renegotiation of pricing tiers, potential loss of accrued credits or commitments, and onboarding a new vendor into SCDE's procurement and payment systems—all of which introduce unnecessary operational and financial risk.
- Specifications were developed based on SCDE's existing Azure tenant configuration and active Microsoft 365 license types, which are standardized commercial offerings. The product will be obtained from SHI International, an authorized reseller, who also provides consulting, licensing advisory, and account management support to SCDE. Training and technical support are provided by both SHI and Microsoft through existing service agreements.

SCDE evaluated the option of utilizing the South Carolina Division of Technology Operations' (Admin/DTO) shared Azure environment, managed under the forthcoming Smarttronic (SMX) Managed Cloud Services contract. Based on consultation with Admin's cloud team on September 3, 2026, SCDE determined that the shared services model does not meet the agency's operational, technical, or timeline requirements for the following reasons:

- Existing Investment and Operational Maturity — SCDE has already built and operationalized a production Azure environment with multiple applications deployed and in active use by program offices, database infrastructure supporting 180+ databases in migration, firewall and networking infrastructure configured, and phased Bicep (infrastructure-as-code) scripts enabling repeatable, automated deployment. Migrating this existing environment into Admin's cloud brokerage would require a substantial rebuild, as there is no clean technical path to retarget existing EA-based Azure subscriptions under Smarttronic's management framework.
- Autonomy and Deployment Speed — SCDE is modernizing 40+ legacy applications and migrating 173 servers on an aggressive timeline. The agency requires the ability to provision and deploy Azure services same-day to maintain project velocity. Admin's Smarttronic model routes service requests through a formal Request for Solution (RFS) process—pre-sales scoping, design proposals, cost estimates, and contract approvals—which introduces multi-week delays incompatible with SCDE's operational pace. SCDE's in-house cloud team possesses deep Azure expertise and does not require the managed-service intermediary that the Smarttronic model provides.
- No Pricing Available — The Smarttronic contract does not commence until October 1, 2026, and Admin confirmed that accurate pricing for SCDE's workload cannot be provided until after that date. SCDE's procurement timeline cannot accommodate this delay.

- Educational Licensing — SCDE holds educational (EDU) licensing for Microsoft products, including A5 licensing for Office 365 and educational pricing for SQL Server. These licensing entitlements are specific to SCDE's status as a K-12 education agency and may not transfer or apply within Admin's shared tenant structure.
- FERPA and Data Sovereignty — SCDE manages student personally identifiable information (PII) subject to the Family Educational Rights and Privacy Act (FERPA) and the Children's Online Privacy Protection Act (COPPA). Federal law requires that SCDE maintain direct, final-say control over all data storage, access, and processing of student records. A shared Azure environment managed by a third-party broker introduces an additional administrative layer between SCDE and its data, which is inconsistent with SCDE's data governance obligations.
- Commercial Cloud Validated — SCDE's Azure environment operates in Microsoft's commercial cloud, which supports FedRAMP Moderate compliance—the appropriate security baseline for state education agency data. This was validated directly with Microsoft prior to deployment. SCDE's most sensitive data (e.g., CTIS) remains on-premises and is not part of the cloud migration scope.

Sole Source Vendor Name:

SHI International Corp.

Based upon the following determination, the South Carolina Department of Education proposes to acquire the supplies, information technology, and/or services described herein from the vendor named above per SC Code Ann. § 11-35-1560 and SC Regulation 19-445.2105, Sole Source Procurement.

Description of Supplies, Information Technology, and/or Services the Vendor Will Provide Under the Contract:

SHI International Corp. will provide SCDE with continued licensing, provisioning, and resale services for the following Microsoft products and services:

- Microsoft Azure — Cloud computing infrastructure services, including compute, storage, networking, database, security, and developer services hosted within Microsoft's commercial cloud environment.
- Microsoft Copilot for Microsoft 365 — AI-powered productivity features embedded within the Microsoft 365 suite (including Word, Excel, PowerPoint, Outlook, Teams, and other Microsoft 365 applications), enabling SCDE staff to leverage large language model capabilities for document creation, data synthesis, meeting intelligence, and workflow automation.
- Microsoft Copilot Studio — Low-code AI agent builder enabling SCDE to create custom copilots and automation workflows for agency-specific processes.

SHI will provide account management, licensing advisory support, and billing services associated with these products. The contract will cover license procurement, renewals, and consumption-based Azure services over the contract period.

Explain Why the Described Solution Is the Only Solution That Meets the Agency's Need and How No Other Identified Solutions Were Sufficient:

The South Carolina Department of Education has utilized Microsoft Azure cloud services and Microsoft's integrated productivity platform for several years. During this period, SCDE has built, configured, and operationalized numerous systems, workflows, and integrations that are native to and dependent upon the Microsoft Azure environment and Microsoft 365 ecosystem. The agency's identity and access management infrastructure is built on Microsoft Entra ID (formerly Azure Active Directory), and its collaborative and administrative applications are hosted in Azure and integrated with Microsoft 365 services. Migrating to an alternative cloud provider would require a complete re-architecture of these systems, extensive data migration, revalidation of security controls, retesting of dependent applications, and retraining of staff—all of which would impose significant financial cost, operational risk, and disruption to agency services that support South Carolina's public schools.

Microsoft Copilot for Microsoft 365 is not a standalone product available through alternative channels or substitute vendors. It is a proprietary Microsoft AI capability that functions exclusively within a licensed Microsoft 365 tenant. No other vendor offers an AI productivity tool with equivalent native integration into Microsoft Word, Excel, PowerPoint, Outlook, and Teams, with the same data governance boundaries, compliance certifications, and single sign-on experience that SCDE requires for handling sensitive student and personnel information. Alternative AI productivity tools (such as those offered by Google Workspace, Salesforce, or third-party AI platforms) would require a separate integration layer, additional security review, and a departure from the consolidated Microsoft environment SCDE has established—adding complexity, cost, and risk without providing equivalent functionality.

SHI Sole Source Justification

Azure and Microsoft Copilot are not named products on the existing SHI/Microsoft Enrollment for Education Solutions (EES) state contract administered through the South Carolina Division of Procurement Services. Because these products fall outside the scope of the state contract, SCDE cannot procure them through the standard state purchasing vehicle and must instead process a sole source procurement. SHI International Corp. is the only vendor that can fulfill this requirement for the following reasons:

- SHI is SCDE's existing Microsoft LSP and EA partner. SCDE renewed its three-year Enterprise Agreement with Microsoft through SHI in 2026. All existing Azure subscriptions, billing configurations, reserved instance pricing, and license entitlements are managed within this EA relationship. Procuring Azure and Copilot through a different vendor would require

license reassignment, billing reconfiguration, potential forfeiture of committed pricing, and onboarding of a new vendor—introducing unnecessary risk and cost with no operational benefit.

- Microsoft Azure subscriptions are tied to SCDE's existing tenant and EA enrollment managed by SHI. Azure resources cannot simply be 're-sold' by an alternate vendor without migrating the underlying subscription ownership, which would disrupt active production workloads.
- SHI has institutional knowledge of SCDE's Microsoft licensing posture, including educational pricing tiers, license mix, and subscription topology. A new reseller would require significant ramp-up time to replicate this knowledge.

Accordingly, SCDE has determined that only Microsoft Azure and Microsoft Copilot for Microsoft 365, procured through SHI International Corp., satisfy the agency's requirements. No other solution identified through market research was found to be technically equivalent, operationally compatible, or financially advantageous given SCDE's existing infrastructure, data commitments, and mission-critical dependency on the Microsoft platform.

Required Signatures:

Note: Determination is not complete without required signatures and dates.

Prepared by: _____ Date: ____/____/____

Printed Name: _____ Bill McKelvey Title: _Director of Infrastructure_____

Approved by: _____ Approval Date: ____/____/____

Printed Name: Ellen Weaver _____ Title: Superintendent_____