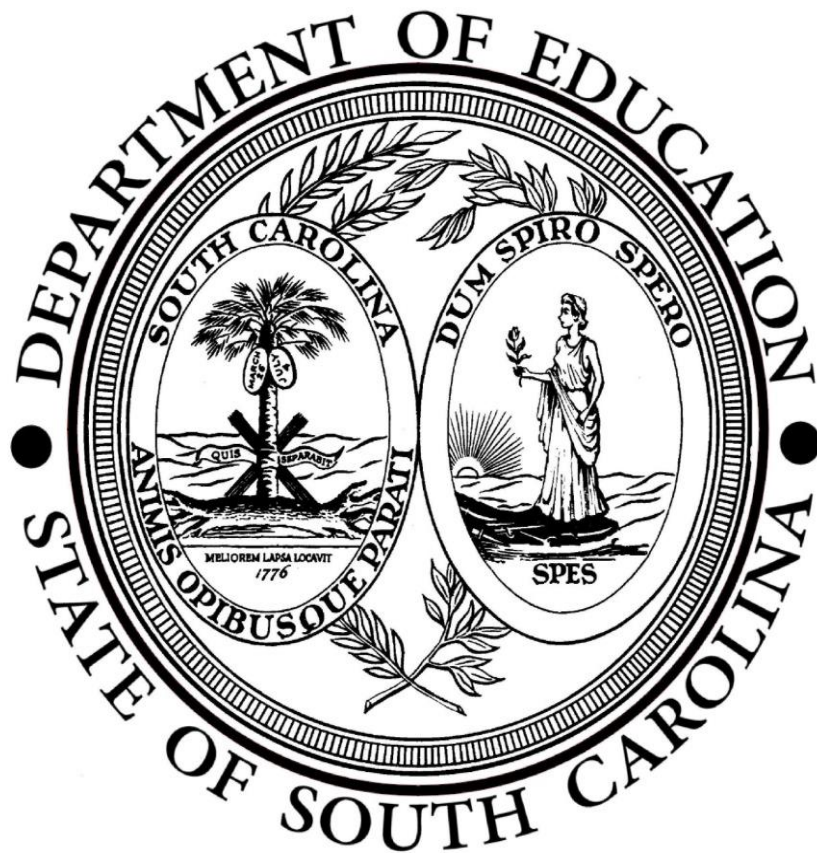


South Carolina Department of Education (SCDE)

Office of Special Education Services (OSES)

Maintenance of State Financial Support (MFS) Procedures





Purpose of State’s MFS Procedures	3
Timeline and Staff Responsibilities for Collecting, Validating, and Reporting MFS Data	4
State’s Definition of “Made Available” and MFS Calculations.....	5
Education Finance Act (EFA)	6
Education Improvement Act (EIA) and General Fund Appropriations.....	8
State Proviso Allocation	9
Validating and Reporting MFS Data	10
Actions in Case of Potential Failure to Maintain Financial Support.....	11

Related State Resources A variety of resources can be found on the Center for IDEA Fiscal Reporting (CIFR) (<http://cifr.wested.org/resources/mfs/>) including the MFS Toolkit (<http://cifr.wested.org/resources/mfs/mfs-toolkit/>). Other state documents will be listed in each section.

Purpose of State's MFS Procedures

Purpose

The purpose of this document is to describe how SCDE implements the IDEA requirements of 20 U.S.C. § 1412(a)(18) and in 34 CFR §300.163(a) that a State:

must not reduce the total amount of State financial support for special education and related services for children with disabilities, or otherwise made available because of the excess costs of educating those children, below the amount of that support for the preceding fiscal year.

The state's implementation reflects the guidance of the Office of Special Education Programs (OSEP) provided in the December 2, 2009, OSEP Memorandum 10-05 regarding state maintenance of financial support (MFS).

South Carolina's current methodology was officially approved by the U.S. Department of Education, Office of Special Education by letter dated June 1, 2017.

Background

In accordance with 34 CFR §300.163(a), the standard of state MFS for the state is the comparison of the amount of state financial support made available for special education and related services from year to year. To meet this requirement, SCDE has implemented a system to report and monitor state financial support and to proactively advise policy makers of the MFS requirements, ensuring sustained fiscal support for special education and related services.

Special education and related services are funded in South Carolina by EFA, EIA, General Fund Appropriations, and State Proviso Allocations (as needed).

SCDE works with the General Assembly and other agencies that receive funds that may be made available for special education services or otherwise made available for the excess costs of educating these children to ensure MFS is met annually.

Related Resources: CIFR MFS Quick Reference Guide, SCDE Office of Special Education Services Funding Flow Ideograph, Letter from Ruth Ryder, Acting Assistant Secretary, U.S. Department of Education, Office of Special Education and Rehabilitative Services, to Molly Spearman, State Superintendent of Education, SCDE, dated June 1, 2017.

Timeline and Staff Responsibilities for Collecting, Validating, and Reporting MFS Data

South Carolina’s MFS timeline is as follows:

- By July: State budget passed by General Assembly. State constitution requirement to pass a balanced budget annually.
- Late July: OSES Fiscal and Grants Management (FGM) team and the SCDE Director of Finance pull the general fund state budget to find the appropriation for SCSDB, and EIA Identify appropriated amounts related to the MFS State Proviso. EFA, EIA, General Fund, and the State Proviso amounts will be in the annual Appropriations Act. EFA will be also posted on the state department web site.
- October or November (90th day of school in each district): SCDE Office of Finance (Director of Finance) collects average daily membership (ADM) for estimate EFA allocations per district.
- 4th Tuesday of October: OSES Data and Technology (D&T) Team Lead collects IDEA child count data.
- November: D&T Team cleans IDEA child count data is available.
- By December 1: FGM team and Director of Finance calculate the first MFS estimate for the current fiscal year. D&T Team checks calculation. OSES Director and Director of Finance report to SCDE senior leadership, including Chief Finance Officer (CFO).
- December 1: SCDE CFO reports estimates of child count and state funds made available to the General Assembly to determine if State Proviso funds are needed for potential shortfall.
- December – February: FGM team and Office of Finance provide annual MFS calculations for annual state audit to the state auditors.
- By February 1: D&T Team Lead submits IDEA child count through *EdFacts*. FGM Team Lead routes the draft IDEA application through the SCDE agency routing system.
- By mid-March: FGM Team Lead advertises IDEA application in state newspapers and website for concurrent 60-day notification and 30-day comment period.
- Spring - 135th day of school in each district: Final ADM is collected by the SCDE Office of Finance.
- By May 1: FGM Team and OSES Director complete IDEA application and request signatures from CFO on Section V and State Superintendent via the agency routing system.
- May: FGM Team Lead submits application per OSEP instructions, copying OSES Director, Director of Finance, CFO, Director of Grants, and OSEP State Contacts.
- By June 30: If needed, SCDE Office of Finance allocates money to LEAs from the State Proviso.
- Between January and June: If needed, SCDE OSES Director, CFO, and Director of Legislative Affairs request from the General Assembly an allocation of additional funds above the State Proviso to meet MFS.
- By June 30, following final EFA distribution to districts: The FGM Team and Director of Finance calculate final MFS for the current state fiscal year. D&T Team check the calculations.

Related Resources: SCDE MFS Timeline, MFS Methodology Spreadsheet.

Sample South Carolina Timeline for Reporting MFS Repeated Annually

IDEA Award Year	Application Year	MFS State Fiscal Years Reported in Section V Application
FFY 2017	Spring 2016	SFYs 2014 and 2015
FFY 2018	Spring 2017	SFYs 2015 and 2016
FFY 2019	Spring 2018	SFYs 2016 and 2017
FFY 2020	Spring 2019	SFYs 2017 and 2018
FFY 2021	Spring 2020	SFYs 2018 and 2019

State's Definition of "Made Available" and MFS Calculation

Funds Made Available

"Financial support made available" is the amount of state financial support provided for special education and related services or otherwise made available for the excess costs of educating students with disabilities in a given fiscal year, regardless of the amount actually expended. Only state funds are included in this definition, excluding any federal or local funds. All made-available funds are appropriated amounts and these are EFA, EIA, General Fund, and State Proviso appropriations if needed.

MFS Calculation

The appropriated amounts are all reflected in the MFS Spreadsheet, which sums the amounts in these categories. No local or federal funds are included. The MFS Spreadsheet includes year-to-year comparisons of state fiscal support. The Spreadsheet aggregates the individual amounts from the above sources to calculate the total amount made available.

SCDE's MFS Spreadsheet calculates a per pupil amount in addition to the total amount. The per pupil amount is calculated by dividing the total MFS made available by the IDEA child count for the same year in which the funds were made available.

Related Resources: CIFR's MFS Quick Reference Guide, Funding Flow Ideograph, OSEP Letter to Koch.

Education Finance Act

The Education Finance Act of 1977 (Act 163) was enacted to achieve school finance reform and was designed to ensure that every child in each public school receives an educational opportunity that meets state standards. It established a reasonable balance between the portion of the funds to be paid by the State (approximately 70 percent) and the portion of the funds to be paid by the districts collectively (approximately 30 percent) in support of the foundation program.

So that funds will be equitably distributed to the school districts on the basis of student need, cost factors called “weightings” are used to provide for the relative cost difference among educational programs. A weighting of 1.0 is assigned to students in grades kindergarten through twelve who are being educated in regular classroom settings. These students are considered to be the most economically educated group. The funding level for this group is called the base student cost (BSC) and supports the costs necessary to meet the criteria established by the General Assembly.

The ADM (average daily membership) for each student classification is multiplied by the weighting factor for the respective classification to determine the weighted pupil units (WPU) for each classification. The district’s total WPU for all classifications is multiplied by the base student cost (BSC) to arrive at the total cost for the foundation program. The amount of local support the district is required to provide is determined by computing the total statewide collective local share (approximately 30 percent) of the cost of the foundation program multiplied by the district’s index of taxpaying ability. The district’s index of taxpaying ability is the district’s relative fiscal capacity compared to that of all other districts in the State, based on the full market value of all taxable property of the district. The amount that the State provides to each school district under the Education Finance Act (EFA) is the difference between the total cost for the district to provide the foundation program and the district’s required local support.

The following is a list of the program codes, classifications, and weightings:

Program Code	Classification	Weighting
K	Kindergarten	1.00
P	Primary	1.00
EL	Elementary	1.00
HS	High School	1.00
TM	Trainable Mentally Handicapped (1)	2.04
SP	Speech Handicapped	1.90
HO	Homebound	1.00
EH	Emotionally Handicapped	2.04
EM	Educable Mentally Handicapped	1.74
LD	Learning Disabilities (2)	1.74
HH	Hearing Handicapped	2.57
VH	Visually Handicapped	2.57
OH	Orthopedically Handicapped (3)	2.04
V	Vocational (Grades 9–12)	1.29
AU	Autism	2.57

Program Code	Classification	Weighting
HIAC	High Achieving	.15
LEP	Limited English Proficiency	.20
ACAS	Academic Assistance	.15
PIP	Pupils in Poverty	.20
DUAL	Dual Credit Enrollment	.15

(1) Includes Profoundly Mentally Handicapped (PMD)

(2) Includes Developmentally Delayed (DD) and Other Health Impaired (OHI)

(3) Includes Traumatic Brain Injury (TBI)

Special Note: PMD and TMD is the language used in EFA and refers to students with significant intellectual disabilities.

The methodology for calculating the EFA portion of Maintenance of State Financial Support (MFS) for South Carolina is outlined below.

- Total EFA funding made available to school districts for students with a primary Special Education EFA weighting. If a student has multiple classification weightings, only one primary weighting can be used for funding purposes.
- EFA funding made available to special schools and state-operated programs for students with a primary Special Education EFA weighting. These include Palmetto Unified (correctional facility), Department of Juvenile Justice (correctional facility for youth), South Carolina School for the Deaf and the Blind, Felton Lab (prior to 2017, this was a special school operated at a state university; beginning 2017, part of the statewide Charter District), and the South Carolina Charter School District (while considered a school district in South Carolina, funding is tracked separately from other school districts in A. above).
- The state provides funding to school districts to cover the employer portion of the state retirement, group life insurance, social security, and health insurance for district personnel (Fringe) as well as to cover the health and dental premium liability for current retirees (Fringe Retiree Insurance). This funding is allocated based on the EFA formula using the weighted pupil classifications.
- A fringe factor to determine the amount of fringe and retiree fringe insurance to include in MFS is calculated by dividing the total EFA funding for students with disabilities (C) by the total EFA funding for all students.
- A prorated fringe amount for MFS is then calculated by multiplying the total fringe and fringe retiree insurance (D) by the fringe factor (E).

Related Resources: MFS Spreadsheet, OSEP Memorandum 10-05, OSEP Letter to East (2010), OSEP Letter to Morton.

Education Improvement Act (EIA) and General Fund Appropriations

South Carolina allocates additional funds for special education and related services for the excess cost related to the education of students with disabilities through EIA and General Fund Appropriations as outlined below.

- The South Carolina General Assembly annually appropriates a line item to be used for students with disabilities to the South Carolina Department of Education that is designated as pass-through funding to the School for the Deaf and the Blind.
- The South Carolina General Assembly annually appropriates a line item directly to the School for the Deaf and the Blind to be used for students with disabilities.
- The South Carolina General Assembly annually appropriates a line item to be used for students with disabilities to the South Carolina Department of Education that is designated as pass-through funding to the South Carolina Department of Disabilities and Special Needs.

Total of all line item appropriations to other state agencies, both direct and pass-through.

Related Resources: MFS Spreadsheet, OSEP Memorandum 10-05, OSEP Letter to East (2010), OSEP Letter to Morton.

Component 6: State Proviso

South Carolina includes in its MFS calculation any proviso amount that is needed to meet MFS. The authorizing language is shown below.

1A.33. “(SDE-EIA: IDEA Maintenance of Effort) Prior to the dispersal of funds appropriated in Section VIII.A.1. Aid to Districts according to Proviso 1A.31 for the current fiscal year, in the event that there is a reduction in state funds or there are changes in the Education Finance Act/Base Student Cost formula that would reduce support for children with disabilities, the Department of Education is authorized to utilize funds appropriated in Section VIII.A.1. Aid to Districts to ensure maintenance of state financial support for the IDEA. The department shall distribute these funds using the current fiscal year one hundred thirty-five day Average Daily Membership or as directed by the United States Department of Education. Funds provided for these purposes may not be transferred to any other purpose and therefore are not subject to flexibility. For continued compliance with the federal maintenance of state financial support requirements of the IDEA, funding for children with disabilities must, to the extent practicable, be held harmless to budget cuts or reductions to the extent those funds are required to meet federal maintenance of state financial support requirements under the IDEA. In the event cuts to funds that are needed to maintain fiscal effort are necessary, when administering such cuts, the department must not reduce funding to support children with disabilities who qualify for services under the IDEA in a manner that is disproportionate to the level of overall reduction to state programs in general. By December first, the department must submit an estimate of the IDEA maintenance of state financial support requirement to the General Assembly and the Governor.”

The General Assembly annually appropriates an amount under this provision. Of this amount, SCDE may distribute an amount of funds needed to meet MFS to LEAs using the EFA weighting formulas.

Validating and Reporting MFS Data

By December 1st, the FGM team and Director of Finance calculate the first MFS estimate for the current fiscal year. D&T Team checks calculation. By June 30, following final EFA distribution to districts, the FGM Team and Director of Finance calculate final MFS for the current state fiscal year. D&T Team check the calculations. If inconsistencies in the MFS calculation are noted, the D&T and FGM Teams work together, consulting with the Director of Finance to gather necessary information and ensure accurate calculations. Significant variances from year to year will be noted by the FGM Team Lead on the second tab of the MFS Spreadsheet as an annual notes section.

At least 60 days prior to the application due date, the FGM Team Lead advertises the IDEA application, Section V, in state newspapers and website for concurrent 60-day notification and 30-day comment period. If SCDE has not yet received final IDEA allocation from OSEP prior to advertisement, FGM Team Lead will use the previous year's allocation award as an estimate.

By May 1st the FGM Team and OSES Director complete the IDEA application and request signatures from the CFO on Section V via the agency routing system. Prior to the application due date, the FGM Team Lead submits application per OSEP instructions, copying OSES Director, Director of Finance, CFO, Director of Grants, and OSEP State Contacts.

Related Resources: MFS Spreadsheet

Actions in Case of Potential Failure to Maintain Financial Support

By December first, the SCDE must submit an estimate of the IDEA maintenance of state financial support requirement to the General Assembly and the Governor. If SCDE estimates that funds made available, including EFA, EIA, General Funds, and the State Proviso appropriations, will not meet MFS, OSES and the Office of Finance will immediately notify the Superintendent, Deputy Superintendent, CFO, and Office Legislative Affairs. Through the Office of Legislative Affairs, the SCDE will request from the General Assembly, an additional amount necessary be made available. If approved, the funds need to be made available by June 30th.

Concurrent with working with the General Assembly to secure additional needed funds, if the SCDE determines that the state may not meet MFS requirements, in a good faith effort, the SCDE will notify OSEP and begin reviewing data and information to determine if the state will apply for a waiver consistent with IDEA sections 300.163 and 164 for exceptional or uncontrollable circumstances for one year.

If the General Assembly does not make funds available, and by June 30th of the current fiscal year SCDE determines that they did not meet MFS, OSEP may reduce South Carolina's Part B Section 611 grant by the same amount by which the state failed to meet the requirement. The penalty may be spread over a period of no more than five consecutive years.

Related Resources: OSEP Process and Criteria Used to Evaluate a Request by States to Waive Maintenance of Effort (MOE) Requirements Under Part B of the Individuals with Disabilities Education Act (IDEA).

Related Resources List with Hyperlinks

CIFR MFS Resources: <http://cifr.wested.org/resources/mfs>

A collection of resources focused on maintenance of state financial support.

CIFR MFS Toolkit: <http://cifr.wested.org/resources/mfs/mfs-toolkit/>

Developed by CIFR, the Maintenance of State Financial Support (MFS) Toolkit contains four tools to help state educational agencies (SEAs) with MFS. Together, these tools may be used by states to help key stakeholders better understand the MFS requirements; standardize state MFS data collection and reporting processes; and support the submission of high quality MFS data.

MFS Quick Reference Guide: helps states and stakeholders understand the basics of MFS.

Funding Flow Ideograph Tool: Create a graphic description of your state's fiscal support system.

Timeline Development Tool: Create a timeline and document your process for collecting MFS data.

Data Collection and Reporting Tool: Enter financial data from the SEA and other state agencies to ensure MFS reporting requirements are met.

Letter to Other State Agencies: Customize this letter to request MFS data from other state agencies.

CIFR MFS Quick Reference Guide: <http://cifr.wested.org/wp-content/uploads/2015/07/CIFR-MFS-QRG-final.pdf>

Developed by CIFR, this two-page quick reference guide assists states and stakeholders in better understanding the basics of the maintenance of state financial support (MFS) requirements stipulated in the IDEA. The guide describes the requirements, types of financial support states may make available, reporting obligations, and MFS waivers. It concludes with questions and additional resources for states to consider.

OSEP Letter to Koch: <http://cifr.wested.org/wp-content/uploads/2015/08/IL-SEA-MOE-OSEP-Response-12-17-14.pdf>

This letter responds to questions from the Illinois State Board of Education regarding whether proposed language for Illinois education appropriations is consistent with the provisions related to maintenance of state financial support (MFS) in IDEA. Given the appropriations language, the state asks if they would be penalized for not meeting MFS requirements if a local education agency (including a state-authorized charter school) fails to expend the amount allocated by the state for special education and related services. The letter explains the history and purpose of the MFS requirement and responds to the state's question.

OSEP Memorandum 10-05:

<http://www2.ed.gov/policy/speced/guid/idea/letters/2009-4/directors120209finsupport4q2009.pdf>

Clarifies the term "State financial support." In calculating MFS, the state must also include state funds provided by all state agencies that provide or pay for special education and related services to students. See 34 CFR §300.163.

OSEP Letter to East (2010):

<http://www2.ed.gov/policy/speced/guid/idea/letters/2010-2/east061410mosfinsupport2q2010.pdf>

Clarifies that the word "State" in "State Financial Support" from the governing regulation does not mean only the state educational agency (SEA), but means any state agency (e.g., the state department of health and human services).

This is consistent with the portion of the regulation stating that "Agencies in the State other than the SEA [have the responsibility] to provide, or pay for some or all of the costs of a free appropriate public education for any child with a disability in the State." See §612(a)(18)(A) and §612(a)(11)(B) of IDEA.

* Not to be confused with Letter to East 6/16/2011 LEA MOE, rescinded by Letter to Boundy.

OSEP Letter to Morton:

<http://cifr.wested.org/wp-content/uploads/2015/11/RSA-response-to-IL-VR-MFS-final-021611.pdf>

This letter to the Illinois Department of Human Services, clarifies whether certain non-federal expenditures under the Vocational Rehabilitation (VR) program may be used for calculating the VR maintenance of effort requirement. It further speaks to the use of those funds in the calculation of maintenance of state financial support for special education under 34 CFR §300.163 as described in the Office of Special Education Programs Memorandum 10-05.

Process and Criteria Used to Evaluate a Request by States to Waive Maintenance of Effort (MOE) Requirements

Under Part B of the Individuals with Disabilities Education Act (IDEA):

<http://www2.ed.gov/policy/speced/guid/idea/letters/2009-4/directors120209finsupport4q2009.pdf>

This OSEP document provides guidance around the process and criteria used to evaluate state requests for waivers to the maintenance of state financial support requirement.