



2018
SCSBA REGIONAL ADVOCACY MEETINGS

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Accountability

ACADEMIC ACCOUNTABILITY

DISTRICT

STATE/FED

EAA

PROVISO

SCHOOL

STATE/FED

EAA

PROVISO

FISCAL ACCOUNTABILITY

DISTRICT

STATE/FED

EAA

PROVISO

NO SCHOOL-LEVEL
FISCAL ACCOUNTABILITY

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Is the perfect storm brewing?

Over the past several years, various state legislative and federal actions have gradually shifted greater authority to the State over local school districts. Some of these actions follow.

Technical Assistance Budget Proviso 1A.12 (amended 2016, 2017)



This long-standing proviso that dealt specifically with technical assistance for schools was amended to include school districts in 2016, and in 2017, to provide criteria for intervention in local school districts. The key changes follow:

S.C. Department of Education (SCDE) was directed to create a tiered system of providing technical assistance for low-performing schools and districts. Assistance (or "intensive support") is triggered for schools and districts (districts added in 2016) that have one of the following:

- Absolute rating of Below Average or At-risk on last report card (last ratings in 2014);
- lowest percentages of students meeting state standards on the most recent state assessments; or
- lowest high school graduation rates.

Assistance may include such things as:

- per student allocation;
- placement of a principal mentor; transformation coach or instructional leader;
- replacement of the principal;
- reconstitution of a school; or,
- declaration of a state of emergency and takeover management (added in 2016).

Placement in an assistance tier will be based on factors that include, but are not limited to, the following:

- length of time the school or district has been at-risk/below average;
- annual achievement ratings;
- annual growth ratings;
- school or district accreditation; and/or,
- financial risk status.

The state superintendent has sole authority to declare a state of emergency in a district or school. The criteria for school districts are as follows:

- has an accreditation status is probation or denied
- A majority of the schools fail to show improvement
- Has a "high risk" financial risk status
- Has a deficit due to financial mismanagement

The state superintendent may declare a state of emergency in a school if it has an accreditation status of probation or denied or it fails to show improvement. Management of a district or school may include:

- direct management;
- consolidation with another district;
- charter management;
- public/private management; or,
- contracting with an educational management organization or another school district.

Schools or districts are to be placed in a tier no later than December 15. The SCDE provides a diagnostic review for low performing schools. Newly identified low-performing schools and districts must be reviewed by an External Review Team in the year of designation and every third year thereafter. The report is to be posted on the SCDE website.

District consolidation legislation

- Senate bill to mandate the consolidation of school districts by county was carried over in the Senate.
- Senate bill 36 to mandate the consolidation of school districts with less than 2,500 students unless they are already countywide carried over this year.
- Laurens County bill to consolidate school districts was filed with no notice in the House and stopped in the Senate.
- Orangeburg County School District consolidation is underway.

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New Education Accountability Program in Effect 2018

Steps to declare a state of emergency to assume management of a school district.

Every Student Succeeds Act (State and Federal Accountability)

- Diagnostic review of the system, governance and leadership capacity
- Revision of district renewal/strategic plan based on diagnostic reviews
- Contracted professional development services.
- Support to improve financial risk or accreditation status as needed
- A SCDE liaison or Transformation Coach to serve the district and schools
- Annual evaluation to determine effectiveness of interventions on student achievement and graduation rate
- SCDE guidance regarding the selection of evidence-based practices and interventions to improve student achievement

Low performing schools will be identified for technical assistance and intervention based on the new accountability system. Schools will be identified as

- Priority Schools
- Comprehensive Support and Improvement (CSI) Schools
- Targeted Support and Improvement (TSI) Schools
- Additional targeted support and improvement (ATSI) Schools

Priority Schools are schools that meet one or more of the following:

- Title I schools in the bottom 10 percent using the weighted point index;
- non-Title I schools differentiated by elementary, middle and high school in the bottom 10 percent using the weighted point index;
- have less than 70 percent graduation rate; or
- Title I Schools with chronically low-performing subgroup(s).

Subject to funding additional support will also be provided to priority schools using the State's tiered support matrix.

Education Accountability Act

When a school district receives a rating of below average (districts no longer rated), it is assigned an external review team that is appointed by the state superintendent and approved by the State Board of Education (SBE) to study educational programs and identify factors affecting the performance of the district and report its recommendations no later than three months after the release of the rating. The external review team, which must be composed of SCDE staff, representatives from selected school districts, higher education and business, must report annually to the district board of trustees and the SBE over the next four years.

Within 30 days of receiving the rating, the SCDE must notify the superintendent and the district board of trustees of the technical assistance recommendations approved by the SBE. There is no exit procedure for technical assistance services; however, there is a requirement in the law that the external review team is to annually report on the district's progress for four years, or as deemed necessary by the SBE.

When a school district rated at-risk does not meet expected student academic progress or has not satisfactorily implemented actions in its renewal plan, the board of trustees is to outline the reasons why a state of emergency must not be declared in the district before the SBE.

The state superintendent, with approval by the SBE, can take any of the following actions:

- Continue to advise and provide technical assistance in implementing the recommendations of the State Board of Education to include establishing and conducting a training program for the board and superintendent to focus on roles and actions in support of increases in student achievement.

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Every Student Succeeds Act (State and Federal Accountability)

Comprehensive support and improvement (CSI) schools are schools that meet one or more of the following:

- Title I and non-Title I schools in the bottom five percent using the weighted point index;
- have less than 70 percent graduation rate; or
- Title I schools identified for additional targeted support and improvement (ATSI) due to low performing subgroups who have not satisfied the statewide exit criteria for such schools after six years (the equivalent of two identification cycles) will be identified as CSI schools due to chronically low performing subgroups.

Priority and CSI Schools will be identified every three years. The baseline will be 2017 results and schools will enter their planning year (2017-18). In the first cycle, the CSI designation will apply for two additional years (2018-19 and 2019-20).

Schools identified for additional targeted support and improvement (ATSI) are schools that do not have one or more student subgroups performing as low as ALL students in the highest performing CSI schools across all indicators for six years, which is the equivalent of two consecutive identification cycles.

ATSI schools will be initially identified in 2018. Failure to exit ATSI by 2023 would trigger the escalated status from ATSI to CSI designation. (The first cycle will be five, not six, years to align the timing with interim accountability targets.)

There is exit criteria for all designations. There are four levels of technical assistance and intervention will be based on a tiered support system to align with the technical assistance proviso. Criteria include:

- School Index Ranking - 2014 to the November 2018 report card
- Accreditation status.
- District financial risk status
- Length of consecutive years in Priority Status - 2014 to the November 2018 report card

Education Accountability Act


- Mediate personnel matters between the district board and superintendent when the SBE is informed by majority vote of the board or the superintendent that the district board is considering dismissal of the superintendent, and the parties agree to mediation.
- Recommend to the governor that the office of superintendent be declared vacant. If the governor declares the office vacant, the state superintendent may furnish an interim replacement until the vacancy is filled by the district board of trustees. District boards negotiating contracts for the superintendency are to include a provision that the contract is void should the governor declare that office of superintendency vacant. This contract provision does not apply to existing contracts but to new contracts or renewals of contracts.
- Declare a state of emergency in the school district and assume management of the school district.

The district board of trustees may appoint at least two non-voting members to the board from a pool nominated by the Education Oversight Committee (EOC) and the SCDE. The appointed members shall have demonstrated high levels of knowledge, commitment and public service, must be recruited and trained for service, and represents the interests of the SBE on the district board. Compensation for the non-voting members must be paid by the SBE in an amount equal to the compensation paid to the voting members of the district board.

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2018 Consolidation of Services Budget Proviso 1.102

 The state superintendent of education may direct the consolidation of administrative and professional services (finance, human resources, procurement, administrative functions, transportation and increasing instructional offerings) with one or more school districts in school districts that have one of the following:

- less than 1,500 students;
- designated in Fiscal Watch, Caution or Emergency status;
- a medium or high financial risk assessment;
- an accreditation status of probation or denied; or
- a school or schools that have been in improvement status for three years.

School districts have 30 business days to submit a plan to the state superintendent who then has 15 days to approve or amend the plan. Final plans go into effect within 60 days of approval. The state superintendent of education is authorized to direct the consolidation of services in districts that fail to submit a plan. The SCDE is directed to withhold one percent of the district's EFA allocation until the district complies with the consolidation of services.

2017 Fiscal Accountability Act (amended 2018)

 The law directs the SCDE to work with district superintendents and finance officers to develop and adopt a statewide program with guidelines for the following:

- identifying fiscal practices and budgetary conditions that, if uncorrected, could compromise the fiscal integrity of a school district and
- advising districts on the corrective actions that should be taken

The program has three escalating levels of fiscal and budgetary concerns: Fiscal Watch, Fiscal Caution, and Fiscal Emergency, with conditions and requirements associated with each. "Escalating" was clarified to mean conditions

must worsen to move from the lowest designation to the highest designation and that movement to "Fiscal Emergency" from "Fiscal Caution" could take place if a district has been designated on "Fiscal Watch" or "Fiscal Caution" for three of the previous five years.

The state superintendent is to give prior notification to the superintendent and board chairman of the district's potential to be placed on "Fiscal Watch," "Fiscal Caution," or "Fiscal Emergency" and if any steps may be taken to avoid the designation.

School boards can appeal a designation to the State Board of Education (SBE).

The fiscal accountability program is suspended if the Base Student Cost (BSC) is funded at an amount that is below the previous year's amount or if there is a mid-year budget cut. Credit is given to school districts that may not have the required general fund balance (at least one month of general fund expenditures for the previous two completed fiscal years) but are making progress towards meeting the requirement.

The following are the fiscal designations and a summary of the criteria for each.

Fiscal Watch

The state superintendent must declare a district under fiscal watch in the following circumstances:

- In his/her determination and discretion, that a district declared to be in fiscal watch has not acted reasonably to eliminate or correct practices or conditions that prompted the declaration and he/she has determined that a state of fiscal watch is necessary to prevent further decline.
- A district is under any type of ongoing, related investigation by any state or federal law enforcement agency or any other investigatory agency of the state.

Fiscal Caution

The state superintendent must declare the

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second and intermediate level of concern under the following circumstances:

- SCDE determines after reviewing the district's annual audit that financial practices outside of acceptable accounting standards exist.
- A district submits an annual audit more than 60 days after the December 1 deadline.
- SCDE discovers, after examining the district's previous two audits, any other fiscal practices or conditions that could lead to a declaration of fiscal emergency.
- SCDE determines the district is not maintaining the mandatory minimum of one month of general fund operating expenditures in its general reserve fund.
- An outside, independent auditing firm declares that a school district's financial records cannot be audited.
- SCDE identifies significant deficiencies, material weaknesses, direct and material legal noncompliance, or management letter comments which, in the interpretation of the SCDE, constitute an aggregate effect that significantly impacts the district's financial condition.
- An ongoing investigation is being conducted by any federal or state agency, law enforcement or otherwise, with regard to the district's finances or those of the school board.

Fiscal Emergency

The third and most severe level of concern, which could lead to a state takeover of district finances, is declared when:

- A district under fiscal caution fails to submit an acceptable recovery plan within 120 days or an updated recovery plan when required.
- The SCDE finds that a district under fiscal caution is not complying with an original or updated recovery plan and determines that fiscal emergency is necessary to prevent further decline.
- A district is at risk of defaulting on any type of debt, to include, but not be limited to, tax anticipation notes, general obligation bonds, or lease-purchase installment agreements.

- A district has previously been under fiscal watch, fiscal caution, or any combination of fiscal watch and fiscal caution for three fiscal years collectively, regardless of whether these three years are continuous.
- The state superintendent determines it is necessary to correct the district's fiscal problems and to prevent further fiscal decline.

Federal Uniform Grant Guidance (Financial Risk)

Requires state departments of education to evaluate entities that receive federal funding and are at risk of noncompliance with federal statutes, regulations and the terms and conditions of the funding. The SCDE developed a process to assess the risk of its districts. The purpose of the risk assessment is not to deny awards but to highlight evidence of potential risks in implementing grants and identify conditions that can help make awarding of grants more successful. The U.S. Department of Education states: Conducting risk assessments of grantees helps ensure that potential risks are identified and appropriate monitoring is established to mitigate those risks. The guidance allows the state department the ability to withhold funds for non-compliance. The SCDE's risk assessment is based on a three-point scale (high, medium, low) for 10 risk criteria. Four criteria are weighted higher than others. The criteria are as follow:

Criteria 1: Key Personnel Turnover

(High: 4, Medium: 2, Low: 1)

This criterion rates the maintenance of qualified and competent personnel with no or limited turnover in key positions including the federal program manager and the chief financial officer. High turnover in key personnel can result in a high risk rating. Stability in key personnel can result in a medium risk rating. Maintaining competent, experienced personnel can result in a low risk rating. Any turnover can be rated at least at the medium risk level.

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Criteria 2: Required Reporting

(High: 4, Medium: 2, Low: 1)

This criterion rates the timely submission of required programmatic reports, including the submission of expenditure reimbursement requests. Required programmatic reports will vary by program. Required reports not submitted can result in a high risk rating. Required reports submitted past the due date can result in a medium risk rating. Required reports submitted in a timely manner can result in a low risk rating. Requests for reimbursement made once a year (giving the appearance of supplanting) will result in a high risk rating. Infrequent requests for reimbursements (less often than quarterly but more than once a year) can result in a medium risk rating. Periodic requests for reimbursement (at least quarterly submission) can result in a low risk rating.

Criteria 3: Programmatic Compliance

(High: 5, Medium: 3, Low: 1)

This criterion rates the compliance with programmatic requirements of the grant. Specific items of programmatic compliance will differ based upon the grant award. Questions to ask to assist with rating this criterion include:

- Did the entity comply with the rules, regulations, terms and conditions of the grant award? If not, how significant was any noncompliance?
- Were allowable services provided under the grant?
- Were services provided to eligible recipients?

Significant programmatic noncompliance can result in high risk rating. Minor programmatic deficiencies can result in a medium risk rating. Very minimal or no instances of programmatic noncompliance can result in a low risk rating.

Criteria 4: Fiscal Compliance

(High: 5, Medium: 3, Low: 1; Major Systematic Issues: 10)

This criterion rates the compliance of financial requirements of the grant program. Questions to ask when rating this criterion include:

- Were expenditures incurred for allowable costs?

- Did the entity use grant funds to supplement and not supplant existing services?
- What is the dollar amount of the fiscal deficiencies?
- How many instances of fiscal noncompliance were noted?

Significant fiscal deficiencies (e.g., more than one instance of the same deficiency, several different deficiencies, significant amounts of unallowable costs requiring reimbursement, etc.) will be rated high risk. Minor fiscal deficiencies (one instance, no unallowable costs requiring reimbursement) will result in a medium rating. No instances of fiscal deficiencies will result in a low rating.

The SCDE Office of Finance also provides a rating for fiscal compliance as follows:

- Budget amendments that are filed after the required deadline and/or frequently submitted reimbursements for overclaimed or unspent funds can result in a high risk rating.
- Budget amendments filed near the deadline and/or there were seldom occasions of reimbursements of overclaimed or unspent funds, can result in a medium risk rating.
- Budget amendments filed in a timely manner and in advance of expenditures, and infrequent reimbursements for overclaimed or unspent funds, will be rated as low risk.

Criteria 5: Performance

(High: 5, Medium: 3, Low: 1)

This criterion rates the compliance of requirements, expectations and outcomes listed in the grant award. Failure to meet performance requirements, expectations and outcomes will result in a high risk rating. Meeting most performance requirements, expectations and outcomes, can result in a medium risk rating. Meeting performance requirements, expectations and outcomes can result in a low risk rating.

Criteria 6: Technical Assistance

(High: 4, Medium: 2, Low: 1)

This criterion rates the frequent need for technical assistance from the SCDE Office of Finance and all federal program areas. Raters

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take into consideration the experience of key personnel and the type of assistance needed when providing a rating for this criterion. For example, is the frequent need for the technical assistance due to turnover? If so, new personnel should be expected to need frequent technical assistance and should be rated lower; however, experienced personnel should not need frequent basic level support and technical assistance. Experienced personnel requiring frequent basic level support can result in a higher risk rating. Repeated calls for answers on the same topic can also result in a higher risk rating. Lack of understanding following repeated technical assistance can result in a higher risk rating.

Criteria 7: Financial Stability

(High: 5, Medium: 3, Low: 1; Negative Unassigned Fund Balance: 10)

This criterion assesses the financial wealth of a district based on an unreserved fund balance. This measure is supported by the South Carolina Fiscal Practices and Budgetary Conditions Act, which requires districts to maintain one month of unreserved general funds to cover one month of its general fund operating expenditures. For school districts, the assessment is made by comparing the unreserved fund balance to the general fund operating expenditures. An unreserved fund balance less than 8.33 percent (1 month/12 months) of general fund operating expenditures can result in a high risk rating. An unreserved fund balance that is between 8.33 percent and 9.99 percent of general fund operating expenditures can result in a medium risk rating. An unreserved fund balance that is 10 percent or more of general fund operating expenditures can result in a low risk rating.

Criteria 8: Quality of Management Systems

(High: 5, Medium: 3, Low: 1; Major Systematic Issues: 10)

This criterion assesses reported deficiencies in internal controls and noncompliance with federal awards as listed in the annual audit report. Major and/or more than one internal control finding or more than one federal award

finding can result in a high risk rating. Three or more management letter comments could also yield a high risk rating. Minor and/or one internal control finding or one federal award noncompliance finding will be assessed as a medium risk. Also, two or more management letter comments may yield a medium risk rating. No internal control findings or no federal award noncompliance findings or one minor management letter comment will be rated as low risk. (The SCDE is to take into account varying methods auditors use in making management letter comments in making these determinations.)

Criteria 9: Timely submission of annual audit report

(High: 3, Medium: 2, Low: 1)

This criterion assesses the timeliness of the submission of the annual audit report that is due annually by December 1 under state law. Annual audit reports received more than 30 days after the due date can result in a high risk rating. Annual audit reports received within 30 days of the due date can be rated as a medium risk. Annual audit reports received on or before the due date can result in a low risk rating.

Criteria 10: Other material factors-such as accreditation, test security/cheating violations, fraud

(High: 5, Medium: 3, Low: 1, None: 0; Varied for accreditation; Major Issues: 10)

This criterion assesses other factors including school-wide and district-wide accreditation status, founded test security and cheating violations, instances of fraud not already identified in one of the previous categories and significant violations in nonfederal programs.