



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S. 0840 Introduced on January 9, 2018
Author: Talley
Subject: Department of Early Development and Education
Requestor: Senate General
RFA Analyst(s): Shuford, A. Martin, and Powell
Impact Date: April 4, 2018 - Updated for Revised Analysis and Fiscal Impact

Estimate of Fiscal Impact

	FY 2018-19	FY 2019-20
State Expenditure		
General Fund	See Below	\$0
Other and Federal	See Below	\$0
Full-Time Equivalent Position(s)	See Below	0.00
State Revenue		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill transfers various early childhood programs to the newly created Department of Early Development and Education (DEDE). For FY 2017-18, these transferred programs have General Fund appropriations of \$37,032,919, Other Funds appropriations of \$94,353,184, and Federal Funds appropriations of \$200,183,007. Total funds transferred will amount to \$331,569,110. There are 971.93 FTE positions associated with these funds. The following table provides the estimated transfers by agency and fund group.

This bill will increase agency expenditures by a total of \$6,213,431 and 20.00 FTEs in FY 2018-19 from the transition costs incurred by the agencies from which the early childhood programs are being transferred. For FY 2017-18, these additional expenditures include General Fund appropriations of \$5,793,752, Other Funds appropriations of \$134,660, and Federal Funds appropriations of \$285,019. The second table below summarizes these expenditures by agency and fund group.

This fiscal impact statement is updated to include additional agency responses from the Department of Health and Environmental Control and a revised analysis and fiscal impact.

Transfers to the Department of Early Development and Education					
Agency	General Fund	Other Funds	Federal Funds	Total Funds	FTEs
DDSN	\$3,725,000	\$5,587,500	\$0	\$9,312,500	0.00
DHHS	\$1,655,598	\$1,479,000	\$6,698,511	\$9,833,109	58.00
DHEC	\$4,497,392	\$0	\$112,650,848	\$117,148,240	715.94
DSS	\$7,533,814	\$4,903,336	\$76,471,506	\$88,908,656	153.99
First Steps	\$6,521,510	\$31,157,227	\$4,362,142	\$42,040,879	33.50
SDE	\$13,099,605	\$51,226,121	\$0	\$64,325,726	10.50
TOTALS	\$37,032,919	\$94,353,184	\$200,183,007	\$331,569,110	971.93

Total Additional Expenditures for Agencies					
Agency	General Fund	Other Funds	Federal Funds	Total Funds	FTEs
DEDE (New)	\$52,800	\$134,660	\$285,019	\$472,479	3.00
DDSN	\$0	\$0	\$0	\$0	0.00
DHHS	\$0	\$0	\$0	\$0	0.00
DHEC	\$2,137,652	\$0	\$0	\$2,137,652	17.00 ^a
DSS	\$3,603,300	\$0	\$0	\$3,603,300	0.00
First Steps	\$0	\$0	\$0	\$0	0.00
SDE	\$0	\$0	\$0	\$0	0.00
TOTALS	\$5,793,752	\$134,660	\$285,019	\$6,213,431	20.00

a - These 17.00 FTEs will be needed for a twelve month period.

Explanation of Fiscal Impact

Updated for Revised Analysis and Fiscal Impact Introduced on January 9, 2018

State Expenditure

This bill creates a new state agency called the Department of Early Development and Education to administer early care and education programs in the state, as well as other programs related to early childhood issues. Programs are transferred to the new agency from the Department of Health and Human Services (HHS), the Department of Disabilities and Special Needs (DDSN), the Department of Social Services (DSS), the Department of Health and Environmental Control (DHEC), the Office of South Carolina First Steps to School Readiness (First Steps), and the Department of Education. Programs in the new agency are split into two divisions, the Early Health and Wellness Division and the Early Care and Education Division.

Department of Early Development and Education. The bill specifies there will be an executive director for the agency and a head for each division. This will result in three new state FTEs at a cost, including fringe, of \$472,479. We allocate this expenditure between the General Fund, Other Funds, and Federal Funds based on the ratio of each source of funds to the total funds transferred to the new agency. This results in the total \$472,479 expenditure being allocated \$52,800 to the General Fund, \$134,660 to Other Funds, and \$285,019 to Federal Funds. The salary for the agency head was estimated using an average of salaries approved by the Agency Head Salary Commission for agencies of comparable levels of responsibility. The salary for the division directors was estimated using the midpoint of the band for a Program Manager III in the state classification system.

It is assumed that individuals from within the existing programs transferred to the new agency can be identified to provide human resources and business services. At least one program to be transferred currently has personnel who perform these functions. It is also assumed that the new agency would contract for information technology support using existing allocations and would pay for the operating costs associated with the new employees using existing allocations that supported similar functions at the agencies where these programs were previously housed. The bill directs that existing employees and contracts of the programs involved be transferred to the new agency, with employees retaining their existing salaries and classifications.

The new agency is organized into two divisions as follows:

Early Health and Wellness Division	
Program Name	Agency Transferred From
BabyNet	DDSN/HHS
Nurse-Family Partnership Program	HHS/DHEC
Women, Infants, and Children Supplemental Food Program (WIC)	DHEC
Postpartum Newborn Home Visit Program	DHEC
Quality through Technology and Innovation in Pediatrics (QTIP) Program	HHS

Early Care and Education Division	
Program Name	Agency Transferred From
Head Start Collaboration (Head Start)	DSS
First Steps to School Readiness Initiative	First Steps
Office of Early Learning	Department of Education
ABC Childcare Program	DSS
Childcare Fire and Life Safety Office	DSS
Childcare Licensing Office	DSS
Child Care Resource and Referral Network	DSS (and others)
Child Development Education Program	Department of Education

Office space requirements for the new agency will be an additional expenditure over time assuming that the new agency chooses to co-locate its departments. This calculation assumes an average of 210 square feet per employee, which includes circulation and common space¹. This assumption is currently used by the Department of Administration when evaluating agency space needs. It also assumes that the agency would occupy rented space in the Columbia, SC area at a gross cost of \$13.10 per square foot. The gross rent currently paid by state agencies for space of similar use ranges from \$13.10 per square foot to \$15.81 per square foot. With a projected 971.93 FTEs, we anticipate that office space costs for the new agency will amount to \$2,670,000 over the next few fiscal years. There may be some savings realized for the agencies from which these programs are being transferred, if those agencies are able to reduce the amount of leased space or find another state entity to occupy state owned space. The timing of these savings will depend also on the how

¹ CBRE, Inc. (2015), Comprehensive Real Property Evaluation, Strategic Planning & Implementation Report, performed under contract to the South Carolina Department of Administration.
https://www.admin.sc.gov/files/South_Carolina_Strategic_Plan_12_07_2015_Final%202.pdf

long the current leases run for the agencies transferring employees. The amount of these savings is undetermined at this time.

Department of Disabilities and Special Needs. This bill will transfer the responsibilities associated with the BabyNet program from the agency to the Department of Early Development and Education. The BabyNet program's budget in FY 2017-18 is \$3,725,000 in General Funds and \$5,587,500 in Other Funds. No FTEs are directly assigned to the BabyNet program as this program is administered under a contract. The program funds will be transferred to the new Department of Early Development and Education and there will be no additional expenditure impact to the General Fund, Other Funds, or Federal Funds.

Department of Health and Human Services. This bill transfers the Quality through Technology and Innovation in Pediatrics (QTIP) program, the Nurse Family Partnership (NFP) program, and BabyNet to the newly created Department of Early Development and Education. For FY 2017-18, these programs had General Fund appropriations of \$1,655,598, Other Funds appropriations of \$1,479,000, and Federal Funds appropriations of \$6,698,511. There are 58 associated FTE positions with these funds. The program funds and positions will be transferred to the Department of Early Development and Education. As such, there will be no additional expenditure impact to the General Fund, Other Funds, or Federal Funds.

Department of Health and Environmental Control. This bill transfers responsibilities associated with the Women, Infants, and Children Supplemental Food program (WIC), the Nurse-Family Partnership Program, and the Postpartum Newborn Home Visit programs from DHEC to the newly created Early Health and Wellness Division. For FY 2017-18, these programs have General Fund appropriations of \$4,497,392 and Federal Funds appropriations of \$112,650,848. There are 715.94 associated FTE positions with these funds. The program funds and positions will be transferred to the Department of Early Development and Education. As such, there will be no additional expenditure impact to the General Fund, Other Funds, or Federal Funds.

DHEC reports that this bill will increase General Fund expenditures by \$129,312 in FY 2018-19 for asset identification and segregation, federal grant management, signage replacement, website and document modifications, and human resource processing. In addition, DHEC anticipates an additional \$225,000 in General Fund expenditures in FY 2018-19 for the transition of 750 vendor contracts.

DHEC indicates that a transition team, comprised of existing staff, will be needed in each of the four health regions. They are concerned that the time commitment of the transition team will affect current duties and may result in the need to hire an additional 17 contract employees for twelve months to assist with daily activities and to help provide a smooth transition of services. DHEC estimates an increase in General Fund expenditures of \$1, 646,000 for these additional workers.

Due to the split funding between WIC and other programs managed by DHEC, the transfer of the WIC program would cause a reduction in staff located in local health departments. This reduction would increase travel costs for moving staff from one location to another. DHEC estimates this change will cause a recurring increase in General Fund expenditures of \$137,340. In summary, DHEC anticipates that General Fund expenditures will increase by a total of \$2,137,652 in FY 2018-19 and \$137,340 each year thereafter.

This bill transfers all federal funds received from the Maternal and Child Health Block Grant (MCH) from DHEC to the Department of Early Care and Learning (DECL). The state is required to match a portion of the federal funds received from this grant. The current state match equals \$8,558,892. Of this amount, \$4,061,500 of the state match is appropriated for DHEC’s Independent Living Program, and will be retained by DHEC. In order for the Department of Early Development and Education to continue to receive the current level of federal funding, they may be required to provide these matching funds in addition to the \$4,497,392 that will be transferred to support the Maternal and Child Health Program at DECL. This fiscal impact statement is updated to include additional agency responses from DHEC and a revised analysis and fiscal impact.

Department of Social Services. This bill transfers the Head Start Collaboration, the ABC Childcare Program, the Childcare Fire and Life Safety Office, the Childcare Licensing Office, and the Child Care Resource and Referral Network to the newly created Department of Early Development and Education. For FY 2017-18, these programs have General Fund appropriations of \$7,533,814, Other Funds appropriations of \$4,903,336, and Federal Funds appropriations of \$76,471,506. There are 153.99 associated FTE positions with these funds. The program funds and positions will be transferred to the Department of Early Development and Education.

However, the agency indicates that \$3,603,300 in administrative salaries and benefits, contractual costs, and other DSS operating expenditures that are funded by federal grants will be transferred to the new agency. This amount represents the current agency administrative and other allocated expenditures being funded partially by federal programs. These expenditures will continue to be incurred by DSS even as the five programs are transferred to the new agency. DSS indicates that these expenditures are necessary in order to continue agency operations. DSS indicates further that \$3,603,300 in additional General Fund appropriations will be required in FY 2018-19, as the agency’s current appropriations will not be adequate to manage these expenditures.

Program	CCDF 100 Percent Federal	Head Start 80 Percent Federal	Head Start 20 Percent General Fund Match	SC Mandatory and Matching Federal Portion	Total	FTE Positions
Agency Admin.	\$1,606,758	\$36,961	\$8,730	\$0	\$1,652,449	31.40
Children’s Services	\$8,506	\$0	\$0	\$0	\$8,506	0.21
County Office Admin.	\$54,718	\$0	\$0	\$0	\$54,718	1.61
CPS Case Management	\$199,630	\$0	\$0	\$0	\$199,630	5.40
County Support of LCL DSS	\$218	\$0	\$0	\$0	\$218	0.00
Employee and Training Case Management	\$78,968	\$0	\$0	\$0	\$78,968	2.57
Family Independence	\$0	\$0	\$0	\$14,277	\$14,277	0.33

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Program	CCDF 100 Percent Federal	Head Start 80 Percent Federal	Head Start 20 Percent General Fund Match	SC Mandatory and Matching Federal Portion	Total	FTE Positions
Foster Care Case Management	\$31,957	\$0	\$0	\$0	\$31,957	0.86
Information Resource Management	\$914,175	\$8,016	\$1,794	\$0	\$923,985	16.33
Child Support Services	\$176,065	\$0	\$0	\$0	\$176,065	5.11
Legal Representation	\$12,295	\$0	\$0	\$0	\$12,295	0.27
State Employer Contributions	\$446,857	\$2,811	\$563	\$0	\$450,232	0.00
TOTALS	\$3,530,148	\$47,788	\$11,086	\$14,277	\$3,603,300	64.10

There are approximately 64 FTEs associated with this funding. However, the agency is not requesting additional FTE positions, as the additional \$3,603,300 in General Fund appropriations would offset the lost federal grant revenue currently funding these existing FTEs.

Office of First Steps to School Readiness. This bill will transfer First Steps to the new agency in its entirety. For FY 2017-18, First Steps had General Fund appropriations of \$6,521,510, Federal Funds appropriations of \$4,362,142, and Other Funds appropriations of \$31,157,227. There are 33.5 FTEs associated with this funding. Of the General Fund appropriations, \$97,310 are associated with salary and fringe while \$6,424,200 represent the General Fund appropriation for the private portion of the SC Child Development Education Program (CDEP). Of the Other Funds authorizations, \$29,336,227 is from Education Improvement Act (EIA) authorizations, including \$9,767,864 for the private portion of CDEP, \$14,435,228 for county First Steps partnerships, and \$5,133,135 (27.5 FTEs) for agency administration. The remaining \$1,400,000 in Other Funds authorizations are from non-EIA sources and are for operating expenses.

The bill specifies that the director of the Early Health and Education Division shall appoint an administrator to oversee the South Carolina First Steps to School Readiness Initiative. It is possible that this administrator could fill the FTE position currently occupied by the Executive Director; as such, this would result in no expenditure impact. However, the bill states that all current FTEs must be transferred to the new agency. Accordingly, if an administrator other than the current Executive Director is selected, a new FTE position would be needed with a General Fund cost of \$107,671 for salary and fringe. This amount is estimated using the midpoint of the band for a Program Manager II in the state classification system. In either case, we anticipate that the new agency would use existing appropriations and allocations to fund the salary and fringe costs associated with the First Steps administrator.

This bill also eliminates the First Steps Board of Trustees and devolves its responsibilities to the Early Care and Education Division of the Department of Early Development and Education. While

some savings may result from the elimination of the First Steps Board of Trustees, it is assumed that these savings would be needed to offset other operating expenses for administration within the new agency. As such, no savings will result from this change.

This bill adds some responsibilities regarding the promulgation of regulations and an annual report to the General Assembly, but there are no significant changes to the mission or activities of First Steps. Therefore, First Steps does not anticipate any significant new costs or savings. The non-EIA program funds and positions will be transferred to the Department of Early Development and Education. EIA program funds will continue to be appropriated with other EIA funds at the Department of Education, but will be allocated to the new agency. There will be no additional expenditure impact to the General Fund, Other Funds, or Federal Funds.

Department of Education. This bill will transfer the Office of Early Learning and the public portion of CDEP from the agency to the Department of Early Development and Education. This bill will transfer \$13,099,605 in General Fund expenditures from the Department of Education to the new agency. This \$13,099,605 represents CDEP funds that flow directly to school districts based upon student counts. There would also be a transfer of responsibility for \$51,226,121 in EIA funds from the Department of Education to the new agency. Due to the structure of EIA appropriations, these funds would remain in the Department of Education's budget, but would be allocated to the new agency as a partnership. These EIA funds are made up of \$34,324,437 in school district allocations for the public portion of CDEP, \$15,513,846 in school district allocations for the half-day 4k program, and \$831,246 in salaries and fringe and \$556,592 in operational expenditures for 10.5 FTEs associated with these programs. The non-EIA program funds and positions will be transferred to the Department of Early Development and Education. EIA program funds will continue to be appropriated with other EIA funds at the Department of Education, but will be allocated to the new agency. There will be no expenditure impact to the General Fund, Other Funds, or Federal Funds.

State Treasurer's Office. This bill creates two new agency funds. One fund would house non-governmental grants, gifts, and donations and the second would be a new agency fund. Balances in both funds may be carried forward from year to year and both funds retain their own interest. The State Treasurer's Office is directed to invest the monies in the same manner as other funds administered by the Office. Agency activities performed to create these funds will be conducted in the normal course of business. As a result, this section would not have an expenditure impact on the General Fund, Other Funds, or Federal Funds.

State Revenue

Currently, the federal Early Head Start grant provides services to approximately 400 infants and toddlers. The First Steps agency reports that its ability to qualify for the federal Early Head Start grant may be jeopardized by the removal of the Board of Trustees pursuant to the bill. This may impact the agency's status as a 501(c)(3) non-profit organization and could reduce its ability to generate federal and private funds. While the final revenue impact will depend on decisions of the new agency, alternative structural and operational choices renders this concern unlikely. Therefore, we anticipate no future federal or private funding revenue impact from this bill.

Local Expenditure

N/A

Local Revenue

N/A

Updated for Additional Agency Responses

Introduced on January 9, 2018

State Expenditure

This bill creates a new state agency called the Department of Early Development and Education to administer early care and education programs in the state, as well as other programs related to early childhood issues. Programs are transferred to the new agency from the Department of Health and Human Services (HHS), the Department of Disabilities and Special Needs (DDSN), the Department of Social Services (DSS), the Department of Health and Environmental Control (DHEC), the Office of South Carolina First Steps to School Readiness (First Steps), and the Department of Education. Programs in the new agency are split into two divisions, the Early Health and Wellness Division and the Early Care and Education Division.

Department of Early Development and Education. The bill specifies there will be an executive director for the agency and a head for each division. This will result in three new state FTEs at a cost, including fringe, of \$472,479. We allocate this expenditure between the General Fund, Other Funds, and Federal Funds based on the ratio of each source of funds to the total funds transferred to the new agency. This results in the total \$472,479 expenditure being allocated \$52,800 to the General Fund, \$134,660 to Other Funds, and \$285,019 to Federal Funds. The salary for the agency head was estimated using an average of salaries approved by the Agency Head Salary Commission for agencies of comparable levels of responsibility. The salary for the division directors was estimated using the midpoint of the band for a Program Manager III in the state classification system.

It is assumed that individuals from within the existing programs transferred to the new agency can be identified to provide human resources and business services. At least one program to be transferred currently has personnel who perform these functions. It is also assumed that the new agency would contract for information technology support using existing allocations and would pay for the operating costs associated with the new employees using existing allocations that supported similar functions at the agencies where these programs were previously housed. The bill directs that existing employees and contracts of the programs involved be transferred to the new agency, with employees retaining their existing salaries and classifications.

The new agency is organized into two divisions as follows:

Early Health and Wellness Division	
Program Name	Agency Transferred From
BabyNet	DDSN/HHS
Nurse-Family Partnership Program	HHS/DHEC
Women, Infants, and Children Supplemental Food Program (WIC)	DHEC
Postpartum Newborn Home Visit Program	DHEC
Quality through Technology and Innovation in Pediatrics (QTIP) Program	HHS

Early Care and Education Division	
Program Name	Agency Transferred From
Head Start Collaboration (Head Start)	DSS
First Steps to School Readiness Initiative	First Steps
Office of Early Learning	Department of Education
ABC Childcare Program	DSS
Childcare Fire and Life Safety Office	DSS
Childcare Licensing Office	DSS
Child Care Resource and Referral Network	DSS (and others)
Child Development Education Program	Department of Education

Office space requirements for the new agency will be an additional expenditure over time assuming that the new agency chooses to co-locate its departments. This calculation assumes an average of 210 square feet per employee, which includes circulation and common space². This assumption is currently used by the Department of Administration when evaluating agency space needs. It also assumes that the agency would occupy rented space in the Columbia, SC area at a gross cost of \$13.10 per square foot. The gross rent currently paid by state agencies for space of similar use ranges from \$13.10 per square foot to \$15.81 per square foot. With a projected 971.93 FTEs, we anticipate that office space costs for the new agency will amount to \$2,670,000 over the next few fiscal years. There may be some savings realized for the agencies from which these programs are being transferred, if those agencies are able to reduce the amount of leased space or find another state entity to occupy state owned space. The timing of these savings will depend also on the how long the current leases run for the agencies transferring employees. The amount of these savings is undetermined at this time.

Department of Disabilities and Special Needs. This bill will transfer the responsibilities associated with the BabyNet program from the agency to the Department of Early Development and Education. The BabyNet program’s budget in FY 2017-18 is \$3,725,000 in General Funds and \$5,587,500 in Other Funds. No FTEs are directly assigned to the BabyNet program as this program is administered under a contract. The program funds will be transferred to the new Department of Early Development and Education and there will be no additional expenditure impact to the General Fund, Other Funds, or Federal Funds.

Department of Health and Human Services. This bill transfers the Quality through Technology and Innovation in Pediatrics (QTIP) program, the Nurse Family Partnership (NFP) program, and BabyNet to the newly created Department of Early Development and Education. For FY 2017-18, these programs had General Fund appropriations of \$1,655,598, Other Funds appropriations of \$1,479,000, and Federal Funds appropriations of \$6,698,511. There are 58 associated FTE positions with these funds. The program funds and positions will be transferred to the Department of Early Development and Education. As such, there will be no additional expenditure impact to the General Fund, Other Funds, or Federal Funds.

² CBRE, Inc. (2015), Comprehensive Real Property Evaluation, Strategic Planning & Implementation Report, performed under contract to the South Carolina Department of Administration.
https://www.admin.sc.gov/files/South_Carolina_Strategic_Plan_12_07_2015_Final%202.pdf

Department of Health and Environmental Control. This bill transfers responsibilities associated with the Women, Infants, and Children Supplemental Food program, the Nurse-Family Partnership Program, and the Postpartum Newborn Home Visit programs from DHEC to the newly created Early Health and Wellness Division. For FY 2017-18, these programs have General Fund appropriations of \$4,497,392 and Federal Funds appropriations of \$112,650,848. There are 715.94 associated FTE positions with these funds. The program funds and positions will be transferred to the Department of Early Development and Education. As such, there will be no additional expenditure impact to the General Fund, Other Funds, or Federal Funds.

DHEC reports that this bill will increase Other Funds expenditures by \$129,312 in FY 2018-19 for asset identification and segregation, federal grant management, signage replacement, website and document modifications, and human resource processing. In addition, DHEC anticipates an additional \$225,000 in Other Funds expenditures in FY 2018-19 for the transition of 750 vendor contracts. Therefore, DHEC anticipates that Other Funds expenditures will increase by a total of \$354,312 in FY 2018-19. This fiscal impact statement is updated to include agency responses from the Department of Health and Environmental Control.

Department of Social Services. This bill transfers the Head Start Collaboration, the ABC Childcare Program, the Childcare Fire and Life Safety Office, the Childcare Licensing Office, and the Child Care Resource and Referral Network to the newly created Department of Early Development and Education. For FY 2017-18, these programs have General Fund appropriations of \$7,533,814, Other Funds appropriations of \$4,903,336, and Federal Funds appropriations of \$76,471,506. There are 153.99 associated FTE positions with these funds. The program funds and positions will be transferred to the Department of Early Development and Education.

However, the agency indicates that \$3,603,300 in administrative salaries and benefits, contractual costs, and other DSS operating expenditures that are funded by federal grants will be transferred to the new agency. This amount represents the current agency administrative and other allocated expenditures being funded partially by federal programs. These expenditures will continue to be incurred by DSS even as the five programs are transferred to the new agency. DSS indicates that these expenditures are necessary in order to continue agency operations. DSS indicates further that \$3,603,300 in additional General Fund appropriations will be required in FY 2018-19, as the agency’s current appropriations will not be adequate to manage these expenditures. This fiscal impact statement is updated to include agency responses from the Department of Social Services.

Program	CCDF 100 Percent Federal	Head Start 80 Percent Federal	Head Start 20 Percent General Fund Match	SC Mandatory and Matching Federal Portion	Total	FTE Positions
Agency Admin.	\$1,606,758	\$36,961	\$8,730	\$0	\$1,652,449	31.40
Children’s Services	\$8,506	\$0	\$0	\$0	\$8,506	0.21
County Office Admin.	\$54,718	\$0	\$0	\$0	\$54,718	1.61
CPS Case Management	\$199,630	\$0	\$0	\$0	\$199,630	5.40

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Program	CCDF 100 Percent Federal	Head Start 80 Percent Federal	Head Start 20 Percent General Fund Match	SC Mandatory and Matching Federal Portion	Total	FTE Positions
County Support of LCL DSS	\$218	\$0	\$0	\$0	\$218	0.00
Employee and Training Case Management	\$78,968	\$0	\$0	\$0	\$78,968	2.57
Family Independence	\$0	\$0	\$0	\$14,277	\$14,277	0.33
Foster Care Case Management	\$31,957	\$0	\$0	\$0	\$31,957	0.86
Information Resource Management	\$914,175	\$8,016	\$1,794	\$0	\$923,985	16.33
Child Support Services	\$176,065	\$0	\$0	\$0	\$176,065	5.11
Legal Representation	\$12,295	\$0	\$0	\$0	\$12,295	0.27
State Employer Contributions	\$446,857	\$2,811	\$563	\$0	\$450,232	0.00
TOTALS	\$3,530,148	\$47,788	\$11,086	\$14,277	\$3,603,300	64.10

There are approximately 64 FTEs associated with this funding. However, the agency is not requesting additional FTE positions, as the additional \$3,603,299 in General Fund appropriations would offset the lost federal grant revenue currently funding these existing FTEs.

Office of First Steps to School Readiness. This bill will transfer First Steps to the new agency in its entirety. For FY 2017-18, First Steps had General Fund appropriations of \$6,521,510, Federal Funds appropriations of \$4,362,142, and Other Funds appropriations of \$31,157,227. There are 33.5 FTEs associated with this funding. Of the General Fund appropriations, \$97,310 are associated with salary and fringe while \$6,424,200 represent the General Fund appropriation for the private portion of the SC Child Development Education Program (CDEP). Of the Other Funds authorizations, \$29,336,227 is from Education Improvement Act (EIA) authorizations, including \$9,767,864 for the private portion of CDEP, \$14,435,228 for county First Steps partnerships, and \$5,133,135 (27.5 FTEs) for agency administration. The remaining \$1,400,000 in Other Funds authorizations are from non-EIA sources and are for operating expenses.

The bill specifies that the director of the Early Health and Education Division shall appoint an administrator to oversee the South Carolina First Steps to School Readiness Initiative. It is possible that this administrator could fill the FTE position currently occupied by the Executive Director; as such, this would result in no expenditure impact. However, the bill states that all current FTEs must be transferred to the new agency. Accordingly, if an administrator other than the current Executive Director is selected, a new FTE position would be needed with a General Fund cost of \$107,671 for

salary and fringe. This amount is estimated using the midpoint of the band for a Program Manager II in the state classification system. In either case, we anticipate that the new agency would use existing appropriations and allocations to fund the salary and fringe costs associated with the First Steps administrator.

This bill also eliminates the First Steps Board of Trustees and devolves its responsibilities to the Early Care and Education Division of the Department of Early Development and Education. While some savings may result from the elimination of the First Steps Board of Trustees, it is assumed that these savings would be needed to offset other operating expenses for administration within the new agency. As such, no savings will result from this change.

This bill adds some responsibilities regarding the promulgation of regulations and an annual report to the General Assembly, but there are no significant changes to the mission or activities of First Steps. Therefore, First Steps does not anticipate any significant new costs or savings. The non-EIA program funds and positions will be transferred to the Department of Early Development and Education. EIA program funds will continue to be appropriated with other EIA funds at the Department of Education, but will be allocated to the new agency. There will be no additional expenditure impact to the General Fund, Other Funds, or Federal Funds.

Department of Education. This bill will transfer the Office of Early Learning and the public portion of CDEP from the agency to the Department of Early Development and Education. This bill will transfer \$13,099,605 in General Fund expenditures from the Department of Education to the new agency. This \$13,099,605 represents CDEP funds that flow directly to school districts based upon student counts. There would also be a transfer of responsibility for \$51,226,121 in EIA funds from the Department of Education to the new agency. Due to the structure of EIA appropriations, these funds would remain in the Department of Education's budget, but would be allocated to the new agency as a partnership. These EIA funds are made up of \$34,324,437 in school district allocations for the public portion of CDEP, \$15,513,846 in school district allocations for the half-day 4k program, and \$831,246 in salaries and fringe and \$556,592 in operational expenditures for 10.5 FTEs associated with these programs. The non-EIA program funds and positions will be transferred to the Department of Early Development and Education. EIA program funds will continue to be appropriated with other EIA funds at the Department of Education, but will be allocated to the new agency. There will be no expenditure impact to the General Fund, Other Funds, or Federal Funds.

State Treasurer's Office. This bill creates two new agency funds. One fund would house non-governmental grants, gifts, and donations and the second would be a new agency fund. Balances in both funds may be carried forward from year to year and both funds retain their own interest. The State Treasurer's Office is directed to invest the monies in the same manner as other funds administered by the Office. Agency activities performed to create these funds will be conducted in the normal course of business. As a result, this section would not have an expenditure impact on the General Fund, Other Funds, or Federal Funds.

State Revenue

Currently, the federal Early Head Start grant provides services to approximately 400 infants and toddlers. The First Steps agency reports that its ability to qualify for the federal Early Head Start grant may be jeopardized by the removal of the Board of Trustees pursuant to the bill. This may

impact the agency's status as a 501(c)(3) non-profit organization and could reduce its ability to generate federal and private funds. While the final revenue impact will depend on decisions of the new agency, alternative structural and operational choices renders this concern unlikely. Therefore, we anticipate no future federal or private funding revenue impact from this bill.

Local Expenditure

N/A

Local Revenue

N/A

Prefiled on December 6, 2017

State Expenditure

This bill creates a new state agency called the Department of Early Development and Education to administer early care and education programs in the state, as well as other programs related to early childhood issues. Programs are transferred to the new agency from the Department of Health and Human Services (HHS), the Department of Disabilities and Special Needs (DDSN), the Department of Social Services (DSS), the Department of Health and Environmental Control (DHEC), the Office of South Carolina First Steps to School Readiness (First Steps), and the Department of Education. Programs in the new agency are split into two divisions, the Early Health and Wellness Division and the Early Care and Education Division.

The bill specifies there will be an executive director for the agency and a head for each division. This will result in three new state FTEs at a cost, including fringe, of \$472,479. Once data for all affected agencies is available, these costs will be allocated between the General Fund, Other Funds, and Federal Funds based on the ratio of each source of funds to the total. The salary for the agency head was estimated using an average of salaries approved by the Agency Head Salary Commission for agencies of comparable levels of responsibility. The salary for the division directors was estimated using the midpoint of the band for a Program Manager III in the State classification system. It is assumed that individuals from within the existing programs can be identified to provide human resources and business services. At least one program to be transferred currently has personnel who perform these functions. It is also assumed that the new agency would contract for information technology support using existing allocations and would pay for the operating costs associated with the new employees using existing allocations that supported similar functions at the agencies where these programs were previously housed. The bill directs that existing employees and contracts of the programs involved be transferred to the new agency, with employees retaining their existing salaries and classifications.

Once a total number of employees is determined, pending the receipt of information from DHEC and DSS, an estimated cost for the space required for the new agency will be calculated. This cost would be incurred over time and assumes that the new agency chooses to co-locate its departments. This calculation assumes an average of 210 square feet per employee, which includes circulation and common space³. This assumption is currently used by the Department of Administration when

³ CBRE, Inc. (2015), Comprehensive Real Property Evaluation, Strategic Planning & Implementation Report, performed under contract to the South Carolina Department of Administration.

https://www.admin.sc.gov/files/South_Carolina_Strategic_Plan_12_07_2015_Final%202.pdf

evaluating agency space needs. It also assumes that the agency would occupy rented space in the Columbia, SC area at a gross cost of \$13.10 per square foot. The gross rent currently paid by state agencies for space of similar use ranges from \$13.10 per square foot to \$15.81 per square foot. There may be some savings realized for the agencies from which these programs are being transferred, if those agencies are able to reduce the amount of leased space or find another state entity to occupy state owned space. The amount of these savings is undetermined at this time.

The new agency is organized into two divisions as follows:

Early Health and Wellness Division	
Program Name	Agency Transferred From
BabyNet	DDSN/HHS
Nurse-Family Partnership Program	HHS/DHEC
Women, Infants, and Children Supplemental Food Program (WIC)	DHEC
Postpartum Newborn Home Visit Program	DHEC
Quality through Technology and Innovation in Pediatrics (QTIP) Program	HHS

Early Care and Education Division	
Program Name	Agency Transferred From
Head Start Collaboration (Head Start)	DSS
First Steps to School Readiness Initiative	First Steps
Office of Early Learning	Department of Education
ABC Childcare Program	DSS
Childcare Fire and Life Safety Office	DSS
Childcare Licensing Office	DSS
Child Care Resource and Referral Network	DSS (and others)
Child Development Education Program	Department of Education

Department of Disabilities and Special Needs. This bill will transfer the responsibilities associated with the BabyNet program from the agency to the Department of Early Development and Education. The BabyNet program’s budget in FY 2017-18 is \$3,725,000 in General Funds and \$5,587,500 in Other Funds. No FTEs are directly assigned to the BabyNet program as this program is administered under a contract. The program funds will be transferred and there will be no expenditure impact to the General Fund, Other Funds, or Federal Funds.

Department of Health and Human Services. This bill transfers the Quality through Technology and Innovation in Pediatrics (QTIP) program, the Nurse Family Partnership (NFP) program, and BabyNet to the newly created Department of Early Development and Education. For FY 2017-18 these programs had total appropriations consisting of \$1,655,598 from the General Fund, \$1,479,000 from Other Funds, \$6,698,511 from Federal Funds, and 58 associated FTE positions. The program funds and positions will be transferred to the Department of Early Development and Education. There will be no expenditure impact to the General Fund, Other Funds, or Federal Funds.

Department of Health and Environmental Control. DHEC is still reviewing this bill to assess its impact on the agency. This bill may have complex impacts on revenue streams and programs beyond those specified in the bill, which could impact expenditures.

Department of Social Services. DSS is still reviewing this bill to assess its impact on the agency. This bill may have complex impacts on revenue streams and programs beyond those specified in the bill, which could impact expenditures. DSS provided an initial response on January 9, 2018. In this response, DSS indicated that it anticipates a General Fund impact of \$3,603,300 due to changes in the agency's federally approved Cost Allocation Plan caused by the transfer of programs in this bill. Additional information has been requested from the agency and further clarification is required before this section can be considered complete.

Office of First Steps to School Readiness. This bill will transfer First Steps to the new agency in its entirety. For FY 2017-18 First Steps had total appropriations, after allocations, consisting of \$6,521,510 in State Funds (1 FTE), \$4,362,142 in Federal Funds (5 FTEs), and \$31,157,227 in Other Funds (27.50 FTEs). Of the General Fund appropriations, \$97,310 are associated with salary and fringe while \$6,424,200 represent the General Fund appropriation for the private portion of the SC Child Development Education Program (CDEP). Of the Other Funds authorizations, \$29,336,227 is from Education Improvement Act (EIA) authorizations, including \$9,767,864 for the private portion of CDEP, \$14,435,228 for county First Steps partnerships, and \$5,133,135 (27.5 FTEs) for agency administration. The remaining \$1,400,000 in Other Funds authorizations are from non-EIA sources and are for operating expenses.

The bill specifies that the director of the Early Health and Education Division shall appoint an Administrator to oversee the South Carolina First Steps to School Readiness Initiative. It is possible that this Administrator could fill the FTE position currently occupied by the Executive Director; as such, this would result in no expenditure impact. However, the bill states that all current FTEs must be transferred to the new agency. Accordingly, if a different Administrator is selected, a new FTE position would be needed at a General Fund cost of \$107,671 for salary and fringe. This was estimated using the midpoint of the band for a Program Manager II in the State classification system. It is also assumed that the new agency would pay for the operating costs associated with the new employee using existing allocations.

This bill also eliminates the First Steps Board of Trustees and devolves its responsibilities to the Early Care and Education Division of the Department of Early Development and Education. While some savings may result from the elimination of the First Steps Board of Trustees, it is assumed that these savings would be needed to offset other operating expenses for administration within the new agency. As such, no savings will result from this change.

This bill adds some responsibilities regarding the promulgation of regulations and an annual report to the General Assembly, but there are no significant changes to the mission or activities of First Steps. Therefore, First Steps does not anticipate any significant new costs or savings. The non-EIA program funds and positions will be transferred to the Department of Early Development and Education. EIA program funds will continue to be appropriated with other EIA funds at the Department of Education, but will be allocated to the new agency. There will be no expenditure impact to the General Fund, Other Funds, or Federal Funds.

Department of Education. This bill will transfer the Office of Early Learning and the public portion of CDEP from the agency to the Department of Early Development and Education. This bill will transfer \$13,099,605 in General Fund expenditures from the Department of Education to the new agency. This \$13,099,665 represents CDEP funds that flow directly to school districts based upon student counts. There would also be a transfer of responsibility for \$51,226,121 in EIA funds from the Department of Education to the new agency. Due to the structure of EIA appropriations, these funds would remain in the Department of Education's budget, but would be allocated to the new agency as a partnership. These EIA funds are made up of \$34,324,437 in school district allocations for the public portion of CDEP, \$15,513,846 in school district allocations for the half-day 4k program, and \$831,246 in salaries and fringe and \$556,592 in operational expenditures for 10.5 FTEs associated with these programs. The non-EIA program funds and positions will be transferred to the Department of Early Development and Education. EIA program funds will continue to be appropriated with other EIA funds at the Department of Education, but will be allocated to the new agency. There will be no expenditure impact to the General Fund, Other Funds, or Federal Funds.

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State Revenue

The revenue impact of this bill is pending, contingent upon responses from the DSS and the DHEC. Due to the nature of state and federal matching requirements, this bill may have complex impacts on revenue streams and programs beyond those specified in this bill.

First Steps reports that, depending on how the structural changes in this bill are implemented, its ability to qualify for the federal Early Head Start grant may be jeopardized. Agency authorizations from Federal Funds total \$4,362,142. Currently, the federal Early Head Start grant provides services to approximately 400 infants and toddlers. As this impact depends on the operational decisions of the new agency, no values are assigned to this impact. The agency also reports its status as a 501(c)(3) non-profit organization may be jeopardized by the removal of the Board of Trustees; thus, this change in status could impact its ability to raise funds privately. As this potential Other Funds impact relates to unquantified future contributions, no value is assigned to this impact.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director