



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
(803)734-0640 • RFA.SC.GOV/IMPACTS

Bill Number:	S. 0291	Introduced on January 8, 2019
Author:	Talley	
Subject:	Department of Early Development and Education	
Requestor:	Senate Family and Veterans' Services	
RFA Analyst(s):	Mitchell, Griffith, and Wren	
Impact Date:	April 16, 2019	

Fiscal Impact Summary

The bill transfers various early childhood programs to the newly created Department of Early Development and Education and adds three new FTEs at a cost, including fringe, of \$472,479, allocated \$52,800 to the General Fund, \$134,660 to Other Funds, and \$285,019 to Federal Funds in FY 2019-20.

The bill will transfer the responsibilities associated with the BabyNet program, resulting in the transfer of \$5,587,500 in Other Funds from the Department of Disabilities and Special Needs to the Department of Early Development and Education in FY 2019-20.

The bill will transfer the Women, Infants, and Children Supplemental Food program and other programs from the Department of Health and Environmental Control to the Department of Early Development and Education, resulting in a transfer of \$4,497,392 in General Funds, \$112,650,848 in Federal Funds, and 715.95 associated FTEs in FY 2019-20.

The provisions of the bill do not require a transfer of funds from the State Treasurer's Office to the Department of Early Development and Education.

This bill will transfer the Office of South Carolina First Steps to School Readiness to the newly created department, resulting in the transfer of \$6,521,510 in General Funds, \$4,362,142 in Federal Funds, \$31,157,227 in Other Funds, and 45.5 FTEs in FY 2019-20.

This bill will transfer \$13,099,605 in General Funds from the Department of Education to the Department of Early Development and Education for the Office of Early Learning and the public portion of the Child Development Education Program in FY 2019-20.

The bill is not expected to have an impact on future federal or private funding revenue.

The net fiscal impact of this bill is pending, contingent upon responses from the Department of Health and Human Services and the Department of Social Services.

Explanation of Fiscal Impact

Introduced on January 8, 2019

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 takes effect on July 1, 2019.

Department of Early Development and Education (DEDE). 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 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 DEDE. The BabyNet program's budget in FY 2018-19 is \$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 DEDE and 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 2018-19, these programs have General Fund appropriations of \$4,497,392 and Federal Funds appropriations of \$112,650,848. There are 715.95 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 2019-20 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 2019-20 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.

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

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 2019-20 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.

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 will not have an expenditure impact on the General Fund, Other Funds, or Federal Funds.

Office of First Steps to School Readiness. This bill will transfer First Steps to the new agency in its entirety. For FY 2018-19, 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 45.5 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 (39.5 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 \$108,977 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 expenses or cost savings. However, the agency expressed a concern with the administrative capacity of the new organization. Currently, administrative support and expenses of First Steps is supplemented by the State Department of Education (SDE) staff and operations. 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 SDE, but will be allocated to the new agency. There will be no additional expenditure impact to the General Fund, Other Funds, or Federal Funds.

State 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 SDE 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 SDE to the new agency. Due to the structure of EIA appropriations, these funds would remain in SDE'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 SDE, but will be allocated to the new agency. There will be no expenditure impact to the General Fund, Other Funds, or Federal Funds.

The expenditure impact of this bill is pending, contingent upon responses from the Department of Health and Human Services and the Department of Social Services.

State Revenue

Currently, the federal Early Head Start grant provides services to approximately 400 infants and toddlers. First Steps indicates that its ability to qualify for federal grants from the Administration for Children and Families 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



Frank A. Rainwater, Executive Director