



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S. 0840 Prefiled on December 6, 2017
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Subject: Department of Early Development and Education
Requestor: Senate General
RFA Analyst(s): Powell, Kokolis, and A. Martin
Impact Date: January 11, 2017

Estimate of Fiscal Impact

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

Fiscal Impact Summary

The expenditure and revenue impacts of this bill are pending, contingent upon responses from the Department of Social Services and the Department of Health and Environmental Control.

Explanation of Fiscal Impact

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 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. 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

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

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.

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

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