



Representative Weston Newton  
Chairman  
House Legislative Oversight Committee  
SC House of Representatives  
P.O. Box 11867  
Columbia, SC 29211

November 17, 2016

Dear Chairman Newton,

On behalf of South Carolina First Steps to School Readiness, it is my pleasure to respond to the House Legislative Oversight Committee's six month follow-up request. Please find attached the agency's status report and response.

2016 has been an important year for SC First Steps, with the initiation of Early Head Start services to 254 low-income infants and toddlers in 12 SC counties, the continued expansion of the First Steps 4K program and the addition of both technical assistance resources and new program funding for the agency's 46 local, non-profit First Steps Partnerships. With your support, base funding for First Steps' smallest local partnerships has grown from \$138,000 to \$200,000 annually in FY17, allowing partnerships to both expand their service to children and families and to better fulfill the core functions detailed for them in Act 287 of 2014.

Among the 2016 reforms about which we are most proud is the creation of a local Executive Directors' Leadership Council. This advisory body, comprised of all local directors, is designed to mirror the committee structure of the State Board of Trustees and provide partnerships an active voice in shaping state-level policy. We are already seeing the benefits of this structure in the form of improved communication and buy-in.

As a reminder, First Steps requires statutory reauthorization prior to July 1, 2017. We anticipate the introduction of legislation to this effect and thank you in advance for your continued support of the agency's service to South Carolina's youngest learners.

We are grateful to you, to the members of the Education and Cultural Subcommittee, and to committee members and staff for all of your hard work and support throughout this process. I invite you to contact me at any time should you have questions or concerns about SC First Steps.

Respectfully,

A solid black rectangular box redacting the signature of Julia-Ellen Davis.

Julia-Ellen Davis  
Interim Director

cc: Representative James Smith  
Representative Gary Clary  
Representative Tommy Stringer  
Representative Joe Jefferson  
Mr. Ken Wingate

Committee Recommendation or Request:	Response:
<p><i>4K Participation</i></p> <ul style="list-style-type: none"> <li>• Work with local partnerships to establish 4K classrooms in communities where no other providers are available;</li> <li>• Develop a pilot program designed to provide startup funds for potential private 4k providers in underserved areas. The development of the pilot program should consider best practices in other states and nontraditional funding mechanism (e.g., social impact bonds);</li> <li>• What plans, if any, are in place to increase participation in the state’s most rural areas;</li> </ul>	<p>We are deeply appreciative of the Committee’s attention to the issue of 4K capacity shortages, particularly within the state’s rural communities. In remote communities where school districts lack physical classroom space, there is often a concurrent shortage of existing private sector capacity. As our testimony to the Education and Cultural Subcommittee reflected, many of the state’s most rural communities have few (if any) center-based preschool providers. McCormick County, for example, is home to a single licensed child care center jointly administered by the school district and First Steps.</p> <p>In these rural communities the issue may be less encouraging the participation of existing providers, but rather the creation of new programs and classrooms – which can be done in the private sector at lesser cost and without costly capital construction. That said, encouraging even non-profit providers to enter the marketplace may take more underwriting than the \$10,000 materials and equipment grant funding currently permitted by law to ensure viability.</p> <p>To this end, First Steps worked with subcommittee Chairman James Smith near the end of the 2016 legislative session to develop proviso language enabling a pilot program providing additional grant funds to start-up providers (which may include local First Steps partnerships) in areas of high geographic need. Given the late stage of the budget process, the language was ultimately not introduced.</p> <p>On September 30, 2016 First Steps included two new 4K proviso requests in its Executive Budget request to Governor Haley.</p> <p>The first addresses this start-up grant process and reads as follows:</p> <p><u><i>NEW (First Steps 4K in Underserved Communities) Using funds appropriated for the Child Early Reading and Development Education Program, South Carolina First Steps shall develop a pilot program to expand four-year-old kindergarten enrollment within underserved communities. Newly-created and/or newly-approved private providers in communities enrolling less than 80% of eligible students in a public, private, or Head</i></u></p>

Start setting during the prior fiscal year, may receive up to \$30 thousand in supplemental, needs-based incentives designed to address necessary building renovations, materials and staffing costs, and/or other obstacles currently preventing their participation in the First Steps 4K program. First Steps will submit a report detailing its expenditures and expanded enrollment to the Chairs of the House Ways and Means Committee and Senate Finance by March 15, 2018.

The second is designed to address an additional capacity issue that has arisen since adoption of the Committee's report in May and is designed to permit the participation of military preschool providers.

The state's military bases operate some of its most high quality preschool classrooms, but because they are regulated (on federal property) by the US Department of Defense – as opposed to the SC Department of Social Services – they are currently unable to participate as First Steps 4K providers.

The proposed proviso language addresses this accidental omission, allowing that:

During the current fiscal year, South Carolina First Steps to School Readiness may extend four-year-old kindergarten provider eligibility to military child care settings regulated by the United States Department of Defense.

We believe that both provisos are essential to meeting our mutual goal of expanded access and would welcome the committee's support of these proposals as part of the General Appropriations Act for FY18.

In terms of promoting the program to additional children, First Steps has found great success in recent years partnering with the SC Department of Social Services for joint mailings to eligible families. (DSS provides client mailing data to a third party bulk mailer, which ships postcards to eligible families at First Steps' expense.)

For the coming school year, the agency is preparing an interactive search tool for the First Steps website that will better enable families to identify provider locations near their homes and workplaces and an aggressive social media advertising campaign targeting mothers in the eligible districts.

*Common Assessment Tool*

- Collaborate with the State Department of Education on a common school readiness assessment tool for use within the public and private sectors for the General Assembly to consider making law and committing to the use of over a period of years;

After two consecutive years during which the state’s readiness assessment instruments were procured and changed on short notice, Proviso 1A.68 delayed implementation of Read to Succeed’s requirement (59-155-150) that *“beginning in Fiscal Year 2016-2017, the [state’s readiness] assessment must assess each child’s early language and literacy development, mathematical thinking, physical well-being, and social-emotional development.”*

In its place, Proviso 1A.68 requires that the *“department shall manage the administration of assessments that analyze the early literacy and language development of children in publicly funded prekindergarten as done in the prior fiscal year.”*

At present the state offers 4K providers the choice of three different readiness assessment tools (*Teaching Strategies GOLD, MyIGDIS, and Pals Pre-K*). Not only does the use of these multiple instruments prevent the production of any common data set on participating four-year-olds, but this practice also prevents tracking from 4K to 5K, where all students are currently assessed using a separate, fourth instrument, the *Developmental Reading Assessment(r) 2nd Edition PLUS (DRA2+)*.

The SC Department of Education is now piloting a Kindergarten Readiness Assessment (KRA) tool developed by the NC Department of Education as part of a ten state consortium in which SC participates as an unfunded, collaborating partner through First Steps’ leadership. Assuming its successful implementation, it is the Department’s intent to utilize this tool on a statewide basis (replacing use of the DRA2+ in kindergarten, while continuing to offer the choice of three assessments in 4K).

It remains our hope and desire that the state will identify a common readiness assessment tool for all students and commit to its use over a period of years.

*Interagency Early Childhood Data System*

- List of data the agency recommends be maintained for an effective interagency, early childhood data system, other agencies that currently house each type of data, and agencies/consumers that may benefit from having the data in one system that is easily accessible;

Currently the state's agencies maintain a host of proprietary data systems, often unable to communicate even within individual agencies. The development of a single platform on which multiple agencies could customize the collection of program specific data, while simultaneously connecting these records to services rendered by partner agencies would by definition be costly and complex, but holds the potential to support the state in:

- 1) The effective coordination of services to its most vulnerable citizens,
- 2) The evaluation of outcomes derived by the combination of these services, and
- 3) Making key program and demographic data available to the public.

Agency partners/programs in such an effort would, at minimum, include:

- First Steps (BabyNet, 4K, Home Visitation, Child Care Quality Enhancement, Early Head Start)
- DSS (Child Care, SNAP, Child Protective Services)
- DHHS (Medicaid, Nurse-Family Partnership)
- The Children's Trust (MIECHV home visiting)
- Head Start/Early Head Start
- Department of Education (4K, Parenting, Preschool Special Education)
- Department of Mental Health (Early Childhood Mental Health Services)
- Department of Health and Environmental Control (Birth Certificate data, Maternal Child Health)

Clearly this is an undertaking that would extend well beyond First Steps or the agency's current ability to manage or underwrite such a system. Important conversations are already underway, however. Based in part on the Committee's recommendation, Representative Rita Allison has pulled together a working group to begin planning for just such an interagency system. The group had a productive initial conversation on Tuesday, August 23, 2016 with a commitment to convening again at the call of the Chair.

<p><i>4K Costs</i></p> <ul style="list-style-type: none"> <li>• Work in collaboration with the SC Department of Education to study and depict the comprehensive costs of public and private sector 4K provision;</li> </ul>	<p>As we testified to the subcommittee, the financing of 4-year-old kindergarten is creating significant disparities between the state’s public and private prekindergarten providers. At \$4,323 per child (\$86,460 per classroom of 20), the state’s current 4K funding model is insufficient to cover the costs of public school personnel (lead teacher and instructional assistant salary and fringe) required in these classrooms – requiring many SC school districts to contribute other public (local or federal) resources to cover the gap in personnel and materials. Within the private sector, not only does this supplemental funding not exist, but providers must provide for physical space, utilities, technology, and instructional supplies – while also paying property and income taxes to the state. In short, school district providers layer additional taxpayer resources on top of the funding provided by the General Assembly, while private providers see that funding shrink.</p> <p>First Steps is now in the planning stages of a 4K cost study designed to depict this issue side by side, with a number of school districts and private providers already committed to opening their books in an effort to better depict the costs of high-quality prekindergarten, with the intent of delivering this study to the General Assembly prior to the Ways and Means budget debate in late February.</p>
<p><i>Provisos</i></p> <p><i>Revisions to the following provisos in the agency’s budget submission:</i></p> <ul style="list-style-type: none"> <li>• Update Provisos 1.66 and 1A.31 to adjust the 4K tuition amount to match the law’s requirement that the rate be inflation indexed and to support additional materials funding;</li> </ul>	<p>With the support of the SC General Assembly, the majority of the proviso changes endorsed by the House Legislative Oversight Committee were included in the General Appropriations Act for FY17. A brief summary of these actions is included below, along with summaries of First Steps’ FY18 requests, as applicable.</p> <ul style="list-style-type: none"> <li>• Provisos 1.66 and 1A.31 of the FY16 General Appropriations Act were amended for FY17 (as Provisos 1.62 and 1A.30 respectively) to adjust the 4K student tuition rate by the rate of inflation. This raised tuition from \$4,218 to \$4,323 (an increase of \$105 per child).</li> </ul> <p>The House version of the bill likewise increased student transportation funding from \$550 to \$564, but this secondary increase was deleted by the Senate and did not prevail in</p>

<ul style="list-style-type: none"> <li>• Update Proviso 1.84 [note: the Committee’s request refers to the proviso in question as 1.71] to update the type of assessment for which unspent funds can be used to purchase technology;</li> <li>• Update Proviso 1A.77 [note: the Committee’s request refers to the proviso in question as 1A.67] to require provision of special education accommodations during the administration of readiness assessments;</li> <li>• Update Proviso 1A.68 to modify the BabyNet autism therapy services rates;</li> </ul>	<p>Conference Committee. <i>(NOTE: First Steps has requested a similar inflation adjustment for FY18 for both tuition and transportation.)</i></p> <p>Both House and Senate budget writers declined to add language proposed by First Steps and endorsed by the Committee that would have permitted First Steps and the SCDE to “develop a grant application process designed to replace worn and/or consumable materials within existing classrooms in an annual amount not to exceed \$2,500 per classroom.”</p> <p>To support additional materials funding, Proviso 1A.9 was amended to include – for the first time - lead teachers in First Steps 4K classrooms among those receiving \$275 materials reimbursement from the state.</p> <ul style="list-style-type: none"> <li>• Proviso 1.84 of the General Appropriations Act of FY16 was updated for FY17 (as Proviso 1.74) to include the amendment recommended by the Committee (deleting references to “<i>language and literacy assessments</i>” and replacing this with “<i>required school readiness assessments</i>”).</li> </ul> <p>First Steps has requested a technical change in this proviso for FY18, updating the reporting dates from 2017 to 2018.</p> <ul style="list-style-type: none"> <li>• Proviso 1A.67 of the General Appropriations Act of FY16 was amended for FY17 (as Proviso 1A.68) to include accommodations language recommended by the Committee. The amended proviso included the following insertion: “<i>Accommodations that do not invalidate the results of these assessments must be provided in the manner set forth by the student's Individualized Education Program or 504 Accommodations Plan.</i>”</li> <li>• Proviso 1A.68 of the General Appropriations Act for FY16 was amended for FY17 (as Proviso 1A.60) to include modified language endorsed by the committee. The original proviso (designed years prior to increase the BabyNet Autism rate) set this rate at \$13.58, preventing First Steps from raising it, even in the event that Medicaid raised its own rate for</li> </ul>
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*BabyNet*

- The Subcommittee understands that, pursuant to Executive Order 2016-20 [note: the Committee’s request refers to the Executive Order in question as 2016-12] BabyNet will be transferred from First Steps to the Department of Health and Human Services. However, since that transfer of responsibilities is not effective until July 1, 2017, requests for updates on items related to BabyNet are still included in this letter.

As noted, Executive Order 2016-20 transfers the “lead agency” status for BabyNet from First Steps to the SC Department of Health and Human Services, effective July 1, 2017. The only preceding request related to BabyNet describes the modification of BabyNet Autism rates in the proviso section above.

SC First Steps takes great pride in its tenure as BabyNet’s lead agency, having overcome substantial programmatic and fiscal deficits inherited in 2010, instituted a wide range of accountability structures, and advancing a comprehensive plan to address the system’s 25 year history of federal non-compliance.

With the support of new fiscal and FTE resources provided by the SC General Assembly, BabyNet’s frontline Service Point of Entry (SPOE) offices are now averaging less than the required 45 days from intake to completion of the Individualized Family Service Plan (IFSP) for the first time in the program’s recorded history.

It is our hope that First Steps will continue to provide some or all of BabyNet’s front-line services in partnership with DHHS. Continuing in this local portal role – which is distinct from the lead agency function – is entirely consistent with First Steps’ statutory mission.

Independent of the outcome, we remain strongly committed to the system’s success and are already at work planning a smooth transition of lead agency functions with our partners at DHHS.

To this end, we implore the General Assembly to follow through with implementation of the Legislative Audit Council’s most significant 2011 recommendation for the system (endorsed by the House Legislative Oversight Committee in May):

*The General Assembly should appropriate all BabyNet funding directly to [the designated lead agency] to increase accountability for the lead agency with regard to partner agencies and providers.*

South Carolina’s IDEA Part C system is uniquely fragmented, with state funds dedicated to the BabyNet program appropriated directly to

	<p>participating agencies – as opposed to flowing through the responsible lead agency. This practice continues to undermine the federal requirement that the lead agency act as a “single line of authority” over the program, and - left uncorrected – will impair DHHS’ ability to enact administrative changes and redirect programmatic cost savings into other areas of need.</p> <p>Should SC First Steps continue to play a role in the local delivery of BabyNet services, we will respectfully request that funds appropriated for this purpose be directed through DHHS as part of a contractual relationship with the new lead agency.</p>
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