



Meeting of the Board of Trustees

October 22, 2020, 2:00 PM

<https://zoom.us/j/95107926368?pwd=eDFON3NoSXRvbXQrVmliEkzUjFMQT09>

AGENDA

- I. Roll Call (Avian Jones)
- II. Public Comment Period
The public is invited to provide comments relevant to the SC Early Childhood Advisory Council and/or South Carolina First Steps during this period. Members of the public wishing to speak must either email ajones@scfirststeps.org or notate their interest in speaking in the comment box on Zoom *prior* to the start of the meeting. Comments should be limited to no more than three minutes per speaker.
- III. Call to Order and Approve Agenda (David Morley)
Motion: To adopt the agenda as submitted
Motion: To adopt the August 20, 2020 minutes as submitted
Attachments: August 20, 2020 Minutes
- IV. Executive Committee Report (David Morley)
Attachments: Executive Committee Report, Minutes of Executive Committee Meetings, Agency Head Performance Evaluation Planning Stage Document FY2020 - 2021
- V. Consent Agenda: **Motions Recommended by Committees** (David Morley)
 - a. Motion that the program READY 4K! be designated as Evidence-Based and added to the State Board List of Evidence-Based Programs (Programs and Grants recommends)
 - b. Motion to add the standards for evidence-based program Home Instruction for Parents of Preschool Youngsters to the FY21 Partnership and Program Accountability Standards (Program and Grants recommends)
 - c. Motion to receive the 2019-20 Financial Audit as presented (Finance and Administration Committee recommends)
- VI. Finance and Administration Committee (Walter Fleming)
Attachments: Finance and Administration Report, Finance and Administration Committee Meeting Minutes, SC First Steps Financial Audit and Statements for the Year Ended June 30, 2020 (separate attachment), FY 2021 Financial Status Report as of September 30, 2020, FY 2021 Donations Report as of September 30, 2020

Presentation: Greenville County First Steps Diversification Plan presentation by Derek Lewis, CFRE, Executive Director Greenville County First Steps

Motion: To adopt the proposal from Greenville County First Steps to create an Endowed Investment Fund
- VII. Local Partnership Program and Grants Committee (Jennifer McConnell)
Attachments: Local Partnership Program and Grants Committee Report, Local Partnership Program and Grants Committee Meeting Minutes, Corrective Action Plan Update, Finance Report Summary, Carry Forward Finance Report, Programs Recommended for Evidence-Based Designation, Research Citation-JHR, First Steps Board Approved Evidence-Based Programs,



Accountability Standards for HIPPY, Summary of Family Services Expansion Grant Awards, AmeriCorps Program

- VIII. Strategic Planning and Evaluation Committee (Dr. Amy Williams)
Attachments: Strategic Planning and Evaluation Committee Report, Strategic Planning and Evaluation Committee Meeting Minutes
- IX. Legislative Committee (Sen. Gerald Malloy)
- X. Executive Director's Report (Georgia Mjartan)
Attachments: Executive Director's Report, Agency Accountability Report Narrative and 2020 – 2025 Measures of Success, Listen4Good Project Overview, FY2022 Budget Request
- XI. **Motion:** To adjourn the meeting of the SC First Steps Board of Trustees



Board of Trustees Meeting

August 20, 2020

2:00PM

<https://zoom.us/j/98151204375?pwd=cFhQZTd1Snk4YW5GV0NPUVBQZndJQT09>

Draft Minutes

Members Present (18):

Dave Morley, Chair
Julie Hussey, Vice Chair
Sue Williams
Alexia Newman
Rep. Rita Allison
Tim Holt
Marshall Taylor
Rep. Jerry Govan
Roger Pryor, Jr.

Walter Fleming
Michael Leach
Mary Lynne Diggs
Dr. David Mathis
Sen. Gerald Malloy
Sen. Greg Hembree
Dr. Amy Williams
Dr. Shelley Canright
Jennifer McConnell

Members Absent (3):

Joshua Baker
Angel Johnson-Brebner
Mary Poole

Others Present (64):

Lt. Gov. Pamela Evette
Georgia Mjartan
Avian Jones
Samantha Ingram
Betty Gardiner
Sarah Eargle
David Lisle
Reginald Williams
Lamyra Sanders
Jenn Adams
Janie Quinn
Mark Barnes
Anna Workman
Debbie Robertson
Cassie Barber
Doris Mitchell
Betty Gardiner
Cindy Riley
Laura Baker
Cindy Ellis
Joy Mazur
Katie Dow

Tiffany Outlaw
Corey Dwyer
SheKiah Reese
Kim Trudell
Jon Artz
Cindy Galloway
Chelsea Richard
Verline Jacques
Tierra Thomas
Jennifer Williams
Nancy Zioboro
Micah Rea
Kristine Jenkins
Jordan Hix
Candi Lalonde
Suzanne McGougan
Pierce McNair
Shirleen Lewis
Sheila Cornwell
Zack Catoe
Lavinia Tejada

Sharon Bruton
Beth Moore
Shayla Pettigrew
Dione Brabham
Valencia Johnson
Kim Chariker
Kim Archung
Paula Durham
Sarah Conrad
Angela Compton
Lawanda Bethel
Paulette Plowden
Donna Barton
Sally Cauthen
Marie Stewart
A Brewton
Marcia Bacon
Marie Williams
Peggy McDaniel
Cindy Riley
Crystal Campbell

Avian Jones conducted a roll call.



Mr. Morley allowed for an opportunity for public comment. The audience member was not present at the time. Mr. Morley stated he would allow time for her to speak once she arrived.

Mr. Dave Morley called the meeting to order at 2:07 p.m.

Mr. Morley asked for a motion to adopt the agenda. Rep. Allison provided a second and the motion was unanimously approved.

Mr. Morley provided a motion to approve the June 18, 2020 minutes. Ms. McConnell provided a second and the motion was unanimously approved.

Mr. Morley asked for a motion to approve the consent agenda as follows:

- I. Consent Agenda: **Motions Recommended by Committees** (David Morley)
 - a. Motion to issue Corrective Action Plans to 12 Local Partnerships to document progress towards compliance by local board and staff in meeting the minimum qualifications specified in each plan. (See attached for list of local partnerships receiving Corrective Action Plans.) (Program and Grants Committee recommends)
 - b. Motion to award \$580,113 in funding for the Family Services Expansion Grant: Parenting Program Expansion Awards to the following 8 local partnerships: Bamberg, Berkeley, Dorchester, Greenville, Newberry, Orangeburg, Pickens, and York. (Details on grant award amounts attached.) (Program and Grants Committee recommends)
 - c. Motion to award 18 AmeriCorps member slots including all stipend expenses and an additional \$77,000 in grants (\$7,000 per AmeriCorps Parent Educator awarded) to the following counties: Barnwell, Berkeley, Charleston, Colleton, Dorchester, Marion, Newberry, Orangeburg, Pickens, Richland, Williamsburg (Details on member slots awarded and grant amounts attached.) (Program and Grants Committee recommends)
 - d. Motion to award the remaining balance of \$23,830 in Rural Home Visiting Expansion funds to be distributed equally between Barnwell and Dillon County First Steps in the respective sums of \$11,915 each for continuation of their parenting programs. (Program and Grants Committee recommends)

Ms. Williams provided a second and the motion was unanimously approved.

Ms. Mjartan thanked the Local Partnership Programs and Grants Committee for their hard work in making recommendations for the allocation of recent grant awards. She requested that the Executive Committee be allowed to recommend and vote on a number of local partnerships to be awarded 12 remaining AmeriCorps member slots. Mr. Morley provided a motion to empower the Executive Committee to act. Dr. Mathis provided a second and the motion was unanimously approved.

The Trustees entered Executive Session. Mr. Morley presented on the Executive Committee. While in Executive Session they reviewed Ms. Mjartan's performance review.

Mr. Morley asked for a motion to approve the review as discussed in the Executive Session. Rep. Allison provided a second and the motion was unanimously approved.

Ms. McConnell reported on the Program and Grants Committee and recent Local Partnership grant awards and corrective action plans. Ms. Mjartan stated that this is the single largest grant pool that SC First Steps has been able to distribute in over ten years.



Mr. Leach shared that DSS was able to grant \$1.2 million federal dollars to SC First Steps that will assist with providing high quality child care across the state.

Mr. Fleming presented the report for the Finance Committee. Mr. Barnes provided an update on Blackbaud's data breach.

Dr. Williams reported on the Strategic Planning and Evaluation Committee and how they will be evaluating the work with the newly received grants.

Sen. Malloy provided a Legislative update surrounding the status of the state's budget. He addressed the work issues and funding that the House and Senate AccelerateSC Committee members are reviewing in regard to COVID-19, to include child care needs across the state.

Ms. Mjartan provided the Executive Director's report, provided an update on 4K, the agency's fundraising plan, and a brief review of the current posted positions and upcoming positions.

Mr. Morley allowed for public comments from Ms. Crystal Campbell of Dorchester County First Steps.

Mr. Morley provided a motion to adjourn the meeting. Ms. Hussey provided a second and the motion was unanimously approved. The meeting was adjourned by Mr. Morley.

The meeting was adjourned at 3:43 p.m.



To: SC First Steps Board of Trustees

From: David Morley, Chairman, Executive Committee

Date: October 22, 2020

RE: **Executive Committee Report**

The Executive Committee of the Board of Trustees met three times over the past two months on August 24, September 17, and October 13. Each time, the committee took action on behalf of the board regarding time-sensitive matters. Those motions are included in the attached minutes. Two votes awarded Family Service Expansion Grants and AmeriCorps members to local partnerships from competitive funds and one vote supported the adoption of the Agency Head Performance Evaluation Planning Document.

Agency Head Performance Evaluation Planning Document

Annually, the executive committee works together with the Executive Director to establish objectives for the year. This Agency Head Performance Evaluation Planning Document is required by the Agency Head Salary Commission for all agency directors. This year, the Executive Director's planning document directly connection to furthering the agency objectives and strategies adopted by the First Steps Board of Trustees in Every Child Ready, the 2020 – 2025 Strategic Plan.

Attached: Agency Head Performance Evaluation Planning Document



Executive Committee Meeting Minutes

August 24, 2020

12:00 PM

Via Zoom

Members present: Dave Morley, Shelley Canright, Walt Fleming, Jennifer McConnell, Amy Williams

Member not present: Sen. Gerald Malloy

Staff Committee present: Georgia Mjartan and Debbie Robertson

The committee convened for an urgent matter – to vote to make a grant award with funding remaining from a grant pool that was in large part awarded at the Aug. 20, 2020 meeting of the Board of Trustees. In order to include this final grant award in the press release and contracting process underway, the Executive Committee deemed it necessary to have a called meeting on August 24, 2020.

Action Taken on behalf of the Board of Trustees of South Carolina First Steps:

To award \$40,000 in funding for the Family Services Expansion Grant: Parenting Program Expansion Awards to Dillon County First Steps.

Motion made by Walt Fleming, seconded by Shelley Canright, unanimous approval by all members present.

The meeting concluded at 12:07 pm. The meeting convened on Zoom.



Executive Committee Meeting Minutes

September 17, 2020

11:00 AM

Via Zoom

Members present: Dave Morley, Shelley Canright, Walt Fleming, Jennifer McConnell, Amy Williams

Member not present: Sen. Gerald Malloy

Staff Committee present: Georgia Mjartan

Acting on behalf of the SC First Steps Board of Trustees on a time-sensitive matter, with a motion by Walt Fleming and a second by Amy Williams, the following action was approved unanimously:

- Motion to award a total of 9 AmeriCorps positions to the following local First Steps partnerships: Horry, Charleston, Dillon, Lee, Spartanburg, Edgefield / Saluda as outlined below and to grant \$14,000 to Horry County First Steps for HIPPY program implementation.

The committee was briefed on the upcoming quarterly Executive Director's Convening, which will be held Sept. 22, 9 am – 4 pm and will feature sessions on Home Instruction Program for Preschool Youngsters, Nurse Family Partnership, Nurturing Parenting, and Parents As Teachers for Home-Based Providers, Grant-Writing, Fundraising, SMART Goals, and Strategic Planning. The purpose behind the annual convening focus highlighting evidence-based program models was discussed at-length. One member of the committee asked if this is the best way to ensure local partnerships align their strategy and program investments with the need in their community and the state strategic plan? The conclusion was that this is just one small part of the process to get at this goal, which also includes the partnership needs assessment and strategic planning processes, model cost evaluations, and support from program officers.

There was also a lengthy discussion about Greenville County First Steps' investment plan as well as a briefing on concerns raised by and about Greenwood and Abbeville County First Steps. Some partnerships' concerns over the liability insurance coverage requirement were noted. The board committee indicated their continued support of this requirement.

Executive Director Georgia Mjartan offered updates of the following information:

First Steps 4K: 2064 students enrolled (lower than this time last year likely due to parental concerns re: pandemic and child care closures or limited reopening), 2017 slots remaining (likely an overcount, but does indicate capacity still available), 238 classrooms in 212 centers currently available and a part of the program.

Ms. Mjartan presented the following as the draft of the agency's proposed budget request to the Governor based on conversation Mjartan has had with Governor's staff:

2021 / 2022 Budget Request Due to Governor's Office will include, for First Steps 4K:



- Cost of keeping the same number of children enrolled as in 2019-2020, \$4,388,383
- Cost of \$200 Increase for the base rate of \$4,600 to \$4,800 for students enrolled in 2019-2020, \$ 678,800
- Cost of 1/3 statewide expansion (Total statewide expansion projected at \$15,446,255), \$5,148,752

For the Outcome and Accountability Data Base Recurring Cost, \$142,448

Total Request for State Budget for FY2021 – FY2022, which does not include additional funds for local partnership programs nor for Early Childhood Advisory Council: \$10,358,383

The committee was in agreement with this request and approach.

Mjartan reminded the committee that they had been emailed the Agency Accountability Report, which was a collaborative process based on the agency strategic plan and involving many staff members in setting annual goals.

Mjartan reported on the following personnel matters:

- Executive Director Managerial Position Description Updates: ECAC & Agency Data
- Development Coordinator - Lay-Off due to Pandemic
- Parenting Program Coordinator - Hiring
- AmeriCorps Program Coordinator - Hiring
- Child Care Quality Coordinator - Hiring
- SLDS Project Coordinator - Hiring
- Two-Gen Coordinator – Hiring
- 4K Coordinator - Vacant, Hiring

The committee was provided the Executive Director's updated position description and the posting notice for the Two-Gen Coordinator for review ahead of the meeting. In discussing the pandemic-related layoff of the development coordinator, Mr. Morley asked if we still planned to host a Spring fundraising event as previously discussed. Mjartan indicated that the event was on hold due to concerns over attendance vis-à-vis COVID-19. Mr. Morley stated that he saw the value in having a Development Coordinator in the future.

Ms. Mjartan provided an updated on two grant applications submitted:

- Duke Endowment, 3 year request to: *Expand Access to Evidence-Based Parenting Programs for Families with Young Children Assigned to Family Preservation Services* \$3,681,614.70 (250 families, 8 counties) or \$2,373,425.16 (150 families, 5 counties)
- Sisters of Charity, 1 year request for \$25,000 for *Building a Stronger System of Child Care for South Carolina*

The time for the Build It Back Better Town Hall with Governor McMaster's Office (confirmed), Sen. Lindsey Graham's Office (confirmed), other state and federal leaders (invited) will be changed to accommodate state legislators who cannot attend next week due to session.



South Carolina received the invitation to participate in the Early Childhood Education Business Collaboratory, which we had applied for as a state.

Committee members were provided with the following list of AmeriCorps slot and monetary grant awards associated with AmeriCorps.



AmeriCorps Awards to Local Partnership

Black indicates award already made, blue indicates second round of awards proposed

Parent Educator – Home Instruction Program for Preschool Youngsters (HIPPY) (14 slots/ 15 slots):

Barnwell	2 (900 hour)	\$14,000
Berkeley	1 (900 hour)	\$ 7,000
Colleton	1 (900 hour)	\$ 7,000
Marion	2 (900 hour)	\$ 14,000
Newberry	1 (900 hour)	\$ 7,000
Orangeburg	1 (900 hour)	\$ 7,000
Richland	4 (900 hour)	\$28,000
Total:		\$77,000

Horry	2 (900 hour)	\$
14,000		
TBD	1 (900 hour)	\$ 7,000- Still
waiting to hear from Anderson		

Community Outreach (8 slots/ 8 slots):

Tri-County: Charleston, <u>Berkeley</u> , Dorchester	1 (1200 hour)- <u>Berkeley as the primary recipient</u>
Richland	1 (900 hour)
Williamsburg	1 (675 hour)
Dorchester	1 (675 hour)
Charleston	1 (675 hour)
Dillon	1 (675 hour)*
Lee	1 (675 hour)*
Horry	1 (900 hour)

Family Support (7 slots/ 7 slots):

Barnwell	1 (1200 hour)
Berkeley	1 (900 hour)
Newberry	1 (900 hour)
Pickens	1 (675 hour)
Williamsburg	1 (675 hour)
Spartanburg	1 (900 hour)
Edgefield/ Saluda	1 (900 hour)



Executive Committee Meeting Minutes

October 13, 2020

4:00 PM

Via Zoom

Members present: Dave Morley, Dr. Shelley Canright, Walt Fleming, Jennifer McConnell, Dr. Amy Williams

Member not present: Sen. Gerald Malloy

Staff Committee present: Georgia Mjartan

Acting on behalf of the SC First Steps Board of Trustees on a time-sensitive matter, with a motion by Walt Fleming and a second by Dr. Shelley Canright, the following action was approved unanimously:

- Motion to accept the Agency Head Performance Evaluation Planning Stage Document for Fiscal Year 2020 – 2021 with the edits proposed by the committee.

The document was presented to the committee ahead of the meeting by email. With all members having reviewed the document, there was discussion and three suggested edits, all of which were incorporated into the planning document. The three edits proposed by the committee members were:

1. To include in the final document reference to measures and where those measures of success can be found.
2. To ensure discussion of the value of and plan for supervisor to employee coaching, personal and professional development and learning agenda goals through objective-setting and regular one-on-ones.
3. To clearly articulate the role of Listen4Good in the implementation of customer satisfaction surveying, specifically for families with younger children (0-3).

The meeting adjourned at 4:28 pm.



Agency Head Performance Evaluation

Fiscal Year: 2020-2021

Planning Stage:

Please complete an annual objective for each category in the spaces provided.

Agency: South Carolina First Steps to School Readiness

Agency Head: Georgia Mjartan

Mission Statement: (Briefly summarize the mission of the agency)

South Carolina First Steps works collaboratively to ensure that all children start school ready to reach their highest potential with engaged support from their parents, caregivers, and communities.

Objective 1: Leadership

The Leadership objective examines how the agency head guides and sustains the organization, setting organizational vision, values, and performance expectations.

Operationalize Every Child Ready, South Carolina First Steps' Strategic Plan by including objectives, strategies and measures of success in agency accountability report, developing team-level operational plans and fostering staff-level accountability for implementation, outputs and outcomes.

Objective 2: Strategic Planning

The Strategic Planning objective examines how the agency head develops strategic objectives and action plans, the implementation of the plans, how plans are changed if circumstances require a change, and how accomplishments are measured and sustained.

Communicate with external and internal publics the vision, mission, objectives, strategies and measures of success outlined in Every Child Ready, intentionally connecting activities and work plans with strategies, and public communications and outcomes tracking with accountability to the plan, creating buy-in and support. Through a dashboard, track ongoing progress toward achievement of measures of success and strategic plan goals. Ensure funding of local partnerships and 4K providers, grant-seeking and grant-making, contracting, and all operational investments and activities clearly align with and support the strategic plan. (Strategy 4.1.3) Use the Interagency Collaboration Committee of the Early Childhood Advisory Council to ensure cross-agency early childhood strategic and regulatory alignment and interagency governance for shared projects such as data systems or portals of entry. In collaboration with other agencies and the Early Childhood Advisory Council, develop and ratify a cohesive, inter-agency South Carolina Early Childhood State Strategic Plan.

Objective 3: Customer Focus

The Customer Focus objective examines how the agency head determines who the agency customers are, the requirements, needs and expectations of those customers, and the satisfaction of those customers.

The "customers" of South Carolina First Steps and the Early Childhood Advisory Council include: 1. Families and children enrolled in programs and services delivered or funded by SCFS, its grantees, partners or contractors, 2. Families and children eligible for programs and services delivered or funded by SCFS, its grantees, partners or contractors, 3. South Carolina families with children prenatal through five and children birth through five, 4. Local partnerships and 4K providers, 5. Early childhood professionals and providers including parent educators, home visitors, early childhood educators, child care providers, and others; 5. The public, including employers. Customer-focused objectives outlined by corresponding number are as follows: 1. Clients: (2.5.1) Implement a formal process for collecting feedback from program participants using a model piloted in other social service agencies nationally. Successfully implement the first cycle of Listen4Good, soliciting and receiving customer satisfaction feedback from parents and families who participated in First Steps' high intensity programs, including programs targeting children birth through three, school transition programs, and First Steps 4K. 2. Prospective Clients: (1.1.5) Maximize parent and family knowledge, choice and engagement in their child's early learning and development. Engage in public information campaigns and parent outreach efforts to promote and educate about available options. Build outreach, enrollment and community education capacity within local partnerships and First Steps 4K by successfully recruiting, training, and deploying AmeriCorps Members. Through the 4K Outreach Coordinator and 4K Manager focused on family engagement and holistic supports, develop effective outreach and support functions. 3. Families

with young children (4.2.2) Develop, maintain and promote Palmetto PreK as a single portal into publicly-funded prekindergarten programs for 3 and 4 year old children in SC. Expand options available on Palmetto PreK through the addition of non-CERDEP public school slots. Increase traffic and use of PPK. (Strategy 4.2.3) Develop, maintain and promote First Five SC as an early childhood system outreach tool and single portal into publicly-funded early childhood programs and services for South Carolina's children prenatal through five and their families. Procure project vendor, assemble project design and development team, and maintain buy-in for participation by all key stakeholders most notably other public agencies. (Strategy 2.3.3) Provide families with easy-to-find, accessible information about available early childhood program options in their community. In addition to the design, development, maintenance and promotion of Palmetto PreK and First Five SC web portals, also design and develop materials that support families' knowledge about available services directly and in partnership with other agencies and entities. (Strategy 4.4.1) Actively and routinely engage families and participants in the early childhood state system in providing ongoing feedback and advise to agencies and policymakers based on their lived experiences and interactions with the system through the development and support of formal avenues such as a Family Voice Council. Establish South Carolina's first Two-Generation Coordinator within state government, define and begin building a Family Voice Council, and involve parents of young children in the development of a state early childhood system strategic plan. (Strategy 1.1.7) Cultivate a community of champions and advocates for children and their families. Survey families with young children, coordinate an information-sharing campaign that highlights survey findings and lifts up families' stories, and begin building a network of families willing and able to share their needs and solutions with policymakers. 4. Local Partnerships and First Steps 4K Providers: (Strategy 4.5.4) Support and continue to build out the learning community of First Steps local partnerships. Convene meaningful opportunities for partnerships and 4K providers to learn from each other and from experts. Structure opportunities for local partnerships and providers to receive information from First Steps (i.e. newsletters, formalization of database for communications, virtual and in-person convenings, meetings and trainings) and solicit and consider feedback from partnerships and providers on their needs and experiences. 5. Providers and 6. The Public and Employers: (Strategy 1.2.7) Increase public awareness about the importance of access, availability, affordability, and quality in early care and education, as well as implications for workforce participation. Establish and support a SC Early Care and Education Business Collaboratory Team, raising awareness of the need for a sustainable child care system, bringing ideas and best practices for solutions from other states and national organizations, and establishing communication with and from providers, the business community and employers around this issue.

Objective 4: Workforce Focus / Human Resources

The Workforce Focus/Human Resources objective examines how the agency head ensures the performance, management, and development of the workforce to utilize its full potential in accomplishing the organization's overall mission, strategy, and agency goals.

Recruit, train and successfully deploy into service new members of the First Steps team including individuals filling new positions created by grant funding and AmeriCorps as well as those established with state funds and through vacancies. (Strategy 2.4.3) Encourage information-sharing and interactions across state office staff...to ensure the greatest opportunity for innovation and creativity. Formalize the Employee Performance Management System (EPMS) process to include strategic plan objectives, strategies and values in review and planning. Develop team members by supporting their personal and professional learning agenda goals through regular one-on-ones with supervisors and supervisor to employee coaching that ties back to EPMS planning stage objectives. Share individual team objectives and their connection to the strategic plan with the rest of the staff to encourage cross-organizational collaboration. Establish or support cross-cutting intra-organizational teams or collaboration groups relevant to the successful execution of strategies (Fiscal / Grants Management, Communications, AmeriCorps, Safety, Child Care). Begin revising the agency's Personnel, Policies and Procedures manual, including further development and articulation of policies, procedures and practices that support a family-friendly, inclusive and supportive workplace (Strategy 2.4.2) and that do not tolerate discrimination or harassment of any type (Strategy 2.4.6). (Strategy 2.4.4) Ensure that executive leadership team models the organization's values in their day-to-day behavior. The intensity and speed of change triggered by the global COVID-19 pandemic provides a key opportunity for senior leadership to demonstrate and funnel all decision and actions through the values frame adopted by the

Board of Trustees. Ensure First Steps team members are successful in accomplishing the agency's missions and goals while telecommuting and modifying work practices due to COVID-19. Ensure team members are provided with the right training, resources, and policy structures to thrive in a rapidly changing environment. Retain and continue to onboard staff through this period of pandemic precautions. In doing this, keep our focus on children, relationships, equity, high quality and results. Approach building lease procurement process strategically, ensuring space for the team that meets immediate and future needs.

Objective 5: Process Management / Continuous Improvement

The Process Management/Continuous Improvement examines how the agency head continuously works to improve the agency work process and improves its work process to deliver organizational success.

CQI and Process Management objectives are measurable and tie in to the achievement of agency-level "Measures of Success" as well as measures included in the Agency Accountability Report. (Strategy 1.1.4) Promote and support evidence-based parenting and home visiting programs by ensuring high-quality program implementation and model fidelity, attracting funding and support for programs, and service as the states hub of training and capacity-building for evidence-based parenting and home visiting programs. Establish HIPPY (Home Instruction Program for Preschool Youngsters) in South Carolina and enroll families in the high-intensity, evidence-based program through successful deployment of AmeriCorps members with local First Steps partnerships. (Strategy 2.2.2) In partnership with PASOS, expand the community health worker program targeting Hispanic families (Strategy 1.2.3) Increase the availability of early care and education programs that align with families' geographic and transportation needs and enable parents to work including: preserving the availability of state-funded 4K schedule options; supporting child care providers offering evening, weekend and non-traditional schedule options; and intentionally including Family Child Care Home providers, FFN, and non-licensed caregivers in child care training, quality enhancement and professional development opportunities. During this time of economic uncertainty, work with the legislature to increase funding for First Steps 4K in order to preserve existing capacity. Through grant-making and state office support including interagency collaboration, bring opportunities for evidence-based child care training and quality enhancement to child care home and FFN providers (i.e. PAT Supporting Care Providers through Home Visits). ((Strategies 2.1.4 and 2.1.6) Build the agency's research and evaluation capacity including through the procurement of an agency outcomes and accountability data system and work toward development of an early childhood component of the State Longitudinal Data System (SLDS). (Strategy 3.1.2) Increase public awareness of and support for South Carolina First Steps and Strategy 3.1.1) Increase public support for investments in early childhood...Develop and launch new website with deeper, more useful interior pages (i.e. local partnerships, "why it matters," etc.), grow social media following and effectiveness, and obtain earned media for the agency and its programs. Continue to build print and digital materials and other resources to a) communicate the value and impact of investing in early childhood and b) to support parents and providers.

Objective 6: Financial Management

The Financial Management objective examines how the agency head manages the budget, manages audit results, and determines priorities for the expenditure of funds to achieve agency short- and long-term organizational goals.

(Strategy 3.4.2) Ensure the fiscal health of First Steps through strong fiscal oversight, accurate budgeting, inclusive planning and accountability to funders including the General Assembly and taxpayers. Include program and administrative staff in the development of the budget, budget requests, and grant-seeking and development processes. Build rigor, internal audit capacity, training and support, and internal systems that will ensure local partnership fiscal accountability and transparency laterally within First Steps and vertically between the state office and county partnerships. (Strategy 3.3.1) Develop and implement a resource development plan, aligned to the strategic plan priorities, that sets quantifiable targets for individual, foundation, and corporate giving and actively engages staff, board members, volunteers, and partners in its implementation. Establish a contact database and donor management platform (Raiser's Edge) inclusive of existing contacts and prospects. Move communications efforts toward "activation" opportunities (i.e. giving, sharing, responding). Seek private and foundation grants that align with and advance agency strategic plan, and build stronger, positive relationships with funders. (Strategy 3.2.1) Pursue and successfully obtain direct federal funding through federal grants, bringing additional dollars for early childhood systems and services into South Carolina. Support successful outcomes and reporting from PDG renewal grant year 1 and help write and develop relationships that support the successful acquisition of PDG renewal

grant year 2. (Strategy 1.1.3) Develop and implement targeted strategies to educate and inform legislators and policymakers about the need for early childhood investment, the efficacy of First Steps programs, and the opportunity for measureable impact with the allocation of additional state dollars. Hire a staff member whose role includes government affairs. Develop a legislative communications and education plan that includes involvement of board members and stakeholders.

Planning Stage Verification

Agency Head:

Signature: _____

Date: _____

Governor or Board/Commission Chair:

Signature: _____

Date: _____

To: SC First Steps Board of Trustees

From: Walter Fleming, Chairman, Finance and Administration Committee

Date: September 30, 2020

RE: Finance and Administration Report

The Finance and Administration Committee met via Zoom Call on September 30, 2020 to receive updates from staff and any action items. Detailed meeting minutes are attached. The committee brings forward two action items and provides the following updates.

ACTION: Receive the 2019-20 Financial Audit Report

Emily Sobczak, CPA with Greene Finney, LLP presented the Annual Financial Reports and associated audit. She mentioned that the firm gave an unqualified opinion, which is the best opinion you can receive and that the agency had no findings or discuss with management issues again this year.

She mentioned the total fund balance had decreased by \$3.8 million which was a direct reflection of management's decision to expand the 4K program and its services to children. She mentioned that the 4K Program fund balance had dropped from over \$6 million at the beginning of the year, to \$1.3 million at the end of the year. The program also had obligations of \$900,000 at year end, which would leave a balance of approximately \$400,000. She also mentioned the 4K Program expended over \$4 million to closed classrooms during the last year for grants/payments to keep the child-care centers viable during the pandemic. The agency requested these funds as part of the CARES Act reimbursement for COVID expenses but to date has not received notification they would be reimbursed. The Net Pension and OPEB liabilities decreased by \$1.6 million, and \$.6 million respectively due to a reduction in staffing from BabyNet and Early Head Start Grants. She mentioned that the agency's fund balance is about 19% of annual expenses, which is good.

She has presented her report, which every board member has received in their packet, and we make the following motion.

Motion: *To receive the 2019-20 Financial Audit as presented.*

ACTION: Discuss and Review a Request from Greenville County First Steps:

Derek Lewis, Executive Director Greenville County First Steps presented a request to the Finance and Administration Committee which is being shared with the Board. The Committee has reviewed the request which would allow Greenville County First Steps to create an Endowed Investment Fund. This fund would be invested in an account with Wells Fargo. They would create the fund with unrestricted donations they have received from a number of years.

Derek explained their need to create an endowed fund that would provide a reserve account in anticipation of any potential downturn in revenue, create an ongoing source of revenue, diversify fund sources, and enhance local fund raising efforts. Derek discussed that if this fund had been in place over the last 6 years, they would have generated \$107,000 in earnings, instead of only \$700.

The plan would meet all of SC First Steps financial requirements and would be documented in the financial statements. He anticipates that they would try and build the fund from an initial amount of \$400,000 to \$1.3 Million by 2025. State Office staff have mentioned that the agreement meets all of the legal requirements necessary for the fund.

The Finance and Administration Committee has voted to support Mr. Lewis presenting his request to the Board of Trustees.

Motion: Review the proposal from Greenville County First Steps to create an Endowed Investment Fund.

First Steps State Office

COVID19 Situation Update

Mr. Barnes presented an update to the Committee on the pandemic. Most staff continue to telecommute, but the office is open with staff being able to come in as necessary.

He mentioned that the agency has still not heard about the request for reimbursement of \$4.2 million in direct COVID 19 costs.

Financial Report & State Budget Update

The FY 2020-21 YTD financial report and donation report through September 30, 2020 is attached.

The organization's financial position is strong, with the only unknown being the reimbursement for our COVID expenses. This \$4.2 million is needed to meet our budget projections for this year. Other financial areas of the organization are in good shape.

Staff discussed the Continuing Resolution passed by the General Assembly and finalized by the actions taken by them when they returned in September, which funded SC First Steps at the same amount for FY 2021 as we received in FY 2020.

State Budget Request for FY 21-22

The Agency submitted its State Budget Request to the Governor earlier this month. It included \$10.3 million in new funding, made up by almost \$10.2 million for the 4K Program. The remainder was requested for the annual costs of the new Outcome and Accountability Data System. The funding for 4K would be \$4.4 million to cover the deficit in annual funding, based on the number of children enrolled in the program in March. \$680,000 to cover the cost of increasing the reimbursement rate by \$200 per child, and \$5.5 million to expand to 1/3 of the statewide expansion.

Local Partnerships

Update on Blackbaud& Raisers Edge: Blackbaud Data Breach

As of the first of October, we have identified all of the organizations and individuals who may have had information accessed in Financial Edge, Blackbaud's financial management system being used by for the Local Partnerships. In addition, notifications were developed and have been sent. All appropriate action has been taken. Agency staff are continuing the implementation of Raisers Edge, the Donor software purchased as part of the Blackbaud system.

Local Partnership Financial Audit Update

An update was provided to the Committee members on the status of the financial audits. The reports had several comments for the Local Partnerships, and Finance Staff is working with the Local Partnerships and State Office Local Partnership Staff to resolve any issues.

4K Program

The staff gave an update on the 4K Program.

Other Program Information

Staff gave an update on additional items.

Minutes from Finance and Administration Committee Meeting

September 30, 2020

Members present: Walter Fleming, Chairman, Tim Holt, Dave Morley

Members not present: N/A

Nonmembers present: Mark Barnes, COO/CFO; Lavinia Tejada, CPA, Finance and Audit Director, Derek Lewis, Executive Director, Greenville County First Steps, Emily Sobczak, CPA, Greene Finney, LLP, Frank Cureton, Attorney, Haynsworth, Sinkler and Boyd, Annie Cherry, Local Partnership Senior Fiscal Manager

Zoom Video Meeting was called to order by Walter Fleming at 10:04 am.

2019-20 SC First Steps Financial Audit

Chairman Fleming asked for introductions, and then asked Emily Sobczak with Greene Finney, LLP to present the 2019-20 Financial Audit. Ms. Sobczak presented the audit and announced they issued an unmodified opinion, which is the best you can receive. In addition, they announced they had no recommendations, or concerns that would have been shared with management. She mentioned the total fund balance had decreased by \$3.8 million which was a direct reflection of managements decision to expand the 4K program and its services to children. She mentioned that the 4K Program fund balance had dropped from over \$6 million at the beginning of the year, to \$1.3 million at the end of the year. The program also had obligations of \$900,000 at year end, which would leave a balance of approximately \$400,000. She also mentioned the 4K Program expended over \$4 million to closed classrooms during the last year for grants/payments to keep the child care centers viable during the pandemic. The agency requested these funds as part of the CARES Act reimbursement for COVID expenses but to date has not received notification they would be reimbursed. The Net Pension and OPEB liabilities decreased by \$1.6 million, and \$.6 million respectively due to a reduction in staffing from BabyNet and Early Head Start Grants. Overall, according to Ms. Sobczak, Mr. Barnes and Ms. Tejada are doing a great job in financial management of the agency.

Mr. Holt motioned that the Finance and Administration Committee vote to accept the audit. The motion was seconded by Mr. Morley, with a unanimous vote to follow.

Greenville County First Steps Investment Plan

Mr. Barnes mentioned that he had been working with Derek Lewis, Executive Director of Greenville County First Steps, on an agreement to create an endowed investment fund. Mr. Barnes has shared a copy of the agreement to the Committee that has been approved by Greenville County First Steps Board of Directors. Derek Lewis presented their request for the SC First Steps Board of Trustees to approve their proposed investment plan. Derek explained their need to create an endowed fund that would provide a reserve account in anticipation of any potential downturn in revenue, create an ongoing source of revenue, diversify fund sources, and enhance local fund raising efforts. Derek discussed that if this fund had been in place over the last 6 years, they would have generated \$107,000 in earnings, instead of only \$700. The plan would meet all of SC First Steps financial requirements and would be documented in the financial statements. He anticipates that they would try and build the fund from an initial amount of \$400,000 o \$1.3

Million by 2025. Mr. Barnes mentioned that the agreement meets all of the legal requirements necessary for the fund. There was general discussion and several questions from the Board members.

Tim Holt motioned, to send the Greenville County First Steps Endowed Fund request and agreement to the full Board of Trustees for a discussion and vote. The Committee voted 2 to 0 to send the request to the full Board.

First Steps State Office

COVID19 Situation Update

Mr. Barnes presented an update to the Committee on the impact of the pandemic. Most staff continue to telecommute, and our work is continuing. We have the office open but are still working with a minimal staff in the office.

We still have not heard a decision on our request for \$4.2 million in reimbursements from the federal CARES Act funding. As a reminder, the majority of these funds, \$4.1 million, were spent to keep the 4K centers from permanently closing between March 16, and May 31 and in order to keep our 4K teachers employed. These funds are needed to ensure that we can maintain the level of students that were enrolled in March prior to the shutdown due to the pandemic.

Financial Report

The YTD financial report was reviewed by Mr. Barnes. The organization's financial position is strong, with the only unknown being the reimbursement for our COVID expenses. This \$4.2 million is needed to meet our budget projections for this year. Other financial areas of the organization are in good shape.

Lease Update

Mr. Barnes updated the Committee on the current status of our Lease Solicitation process. Due to requirements from MMO, our lease on the office space in Columbia has had to be reposted. This means it will take longer for us to determine the outcome.

State Budget

The General Assembly passed a Continuing Resolution to continue funding state government at the same level as this year and we started with that amount for FY 21. They approved those amounts when they returned in September. Our budget was unchanged from the prior year.

The Agency submitted its State Budget Request to the Governor earlier this month. SC First Steps requested an additional \$10.3 million in new funding. Almost \$10.2 million of these funds are for 4K. Included in 4K are three components. \$4.4 million to cover the deficit in annual funding, based on the number of children enrolled in the program in March. \$680,000 to cover the cost of increasing the reimbursement rate by \$200 per child, and \$5.5 million to expand to 1/3 of the statewide expansion. The remaining increase is for the annual cost of operating the new Outcomes and Accountability Data System that is funded through the PDG grant. In addition, 3 FTES were also requested. Staff mentioned that even though additional funding was not requested for the Local Partnerships in this budget request, a number of new grants have been received in the last few months that contain considerable resources that will flow to the Local Partnerships over the next several years.

Local Partnerships

Update on Blackbaud & Raisers Edge: Blackbaud Data Breach

We have been working to identify exactly the data in our system that may have been accessed, since we were notified on July 16 that Blackbaud was the victim of a data breach. As of the first of October, we have been able to identify the information, have developed notifications for all affected parties, and have submitted those notifications by mail to the affected parties. We have responded in a very conservative manner so that anyone, even if the data accessed would be public information under the Freedom Of Information Act, we have done notifications. All appropriate action has now been taken.

We are continuing to move forward with implementation of Blackbaud's Raiser's Edge, which is a fundraising system that was purchased along with their Financial Edge software.

Local Partnership Financial Audit Update

Mr. Barnes provided an update to the Committee members on the status of the financial audits. He mentioned that the reports had several comments for the Local Partnerships, and Finance Staff is working with the Local Partnerships and State Office Local Partnership Staff to resolve any issues.

4K Program

Staff gave an update on the program's status.

Other Program Information

Staff mentioned the upcoming walk through at the building that will house the new child development center in Kershaw. Mr. Barnes mentioned that staff was working to implement the new grants that have been received by SC First Steps.

Other

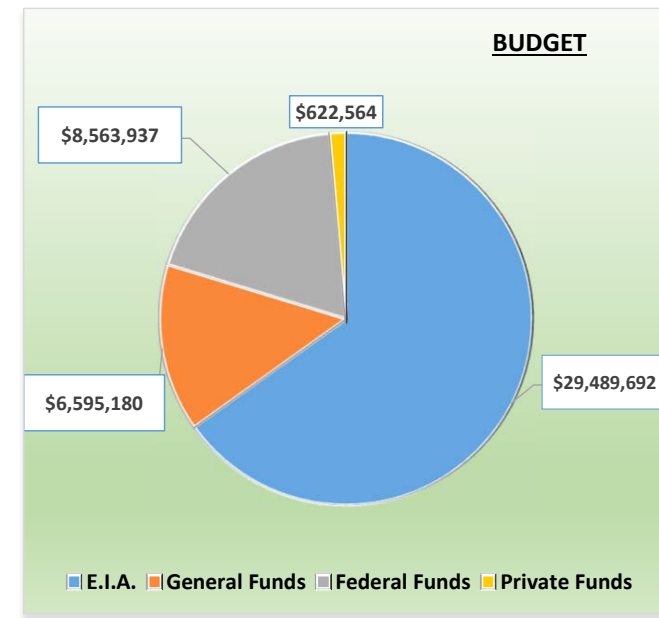
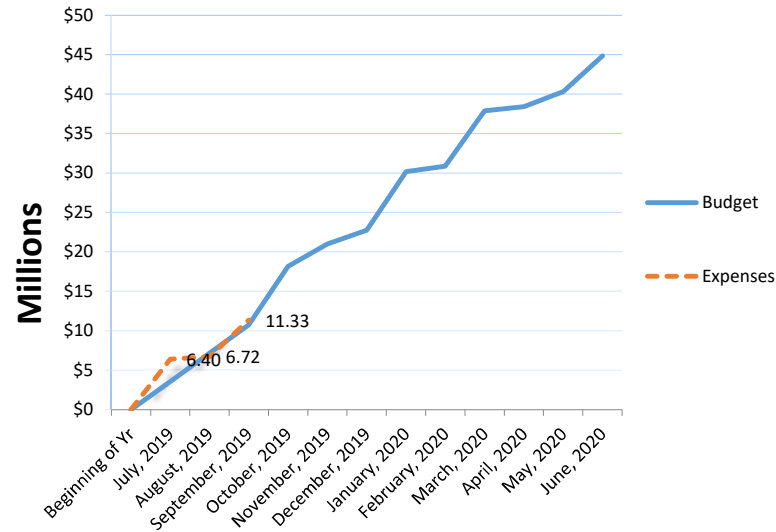
There was additional general discussion regarding the Greenville County First Steps Investment plan. Requests for additional information were given to Mr. Barnes, who will be working to provide that to the Committee Members.

With no further business to discuss the meeting was adjourned by Walter Fleming at 11:05 AM.

As of
September 30, 2020

Spending Rates

Projected	25%
Actual	25%



PROGRAMS / OPERATIONS	STATE			FEDERAL GRANTS			PRIVATE FUNDS			GRAND TOTAL		
	APPROPRIATIONS											
Description	Budget	Expenses	Balance	Budget	Expenses	Balance	Budget	Expenses	Balance	Budget	Expenses	Balance
LOCAL PARTNERSHIPS	14,435,228	5,413,038	9,022,190	1,358,200		\$ 1,358,200	327,445		327,445	16,120,873	5,413,038	\$ 10,707,835
LOCAL PARTNERSHIPS SUPPORT & TECH ASST.	2,514,638	439,699	2,074,939	463,305		\$ 463,305			-	2,977,943	439,699	\$ 2,538,244
PRIVATE 4-K	17,021,778	5,046,442	11,975,336	4,415,441		4,415,441			-	21,437,219	5,046,442	\$ 16,390,777
EARLY CHILDHOOD ADVISORY COUNCIL	82,155	62,205	19,950	1,685,060	2,400	1,682,660			-	1,767,215	64,605	\$ 1,702,610
AMERICORPS				312,123		312,123	5,535		5,535	317,658	-	\$ 317,658
POLICY & ACCOUNTABILITY	2,031,073	348,659	1,682,414	329,808		329,808	289,584	14,765	274,819	2,650,465	363,424	\$ 2,287,041
GRAND TOTAL:	36,084,872	11,310,044	24,774,828	8,563,937	2,400	8,561,537	622,564	14,765	607,799	45,271,373	11,327,209	\$ 33,944,164

Notes:

1) Local Partnerships:

- Funding Sources: Education Improvement Act (EIA) Funds
- Formula allocation cash advances are disbursed on a quarterly basis.
- Expenditures reflect disbursements from SC First Steps (state-level)
- Does not include local-level actual expenses to staff and vendors

2) Private budgets based on Projected Fund Raising and income & prior year cash.

29,489,692	E.I.A.
6,595,180	General Funds
8,563,937	Federal Funds
622,564	Private Funds

3) LP Support & Technical Assistance

- Contracted accounting firm (Manley Garvin, LLC)
- Accounting Software network support & Data Housing
- Programmatic data housing & network support
- Workers' compensation insurance coverage
- External programmatic evaluation
- Financial audits-annually each LP

Federal Funds:

AmeriCorps:	312,123
SLDS:	149,546
PDG:	3,733,885 ²³
4K - COVID	4,368,383
	8,563,937

3) LP Support & Technical Assistance (cont.)

- Does not include local-level actual expenses to staff and vendors
- OFS program & finance staff (payroll, rent, contractual, supplies, travel, etc.)
- Includes LP Countdown to Kindergarten program

4) 4K E.I.A Appropriations includes proviso authorized carry over cash for quality and technology.

5) 4K Appropriations includes \$900,000 of EIA, and \$300,000 of General Funds in Carry Forward cash. (These funds carried forward \$900,000 in carry forward commitments leaving a balance of \$300,000)

6) State Appropriations Include EIA Funds and General Funds.

Donations

FY 2021

As of September 30th, 2020



DATE RECEIVED	GENERAL	DONOR/PAYOR	FUNDS	PURPOSE / COMMENTS
Jul 20, 2020	\$ 25	Board Member	Unrestricted	
Jul 20, 2020	\$ 648	Terry Richardson	Restricted	Start With a Book Campaign
Jul 20,2020	\$ 25	Chanel Jackson	Restricted	Start With a Book Campaign
August 20,2020	\$ 25	Board Member	Unrestricted	
August 20,2020	\$ 500	Karen R. Jenkins	Unrestricted	
Sep 21, 2020	\$ 25	Board Member	Unrestricted	

Sub-Totals: \$ 1,248

GRAND TOTAL: \$ 1,248

To: First Steps Board of Trustees

From: Jennifer McConnell, Chair, Local Partnership Program and Grants Committee

Date: October 22, 2020

RE: Report of the Local Partnership Program and Grants Committee

1. The Local Partnership Program and Grants Committee met on October 8, 2020 to discuss updates on the issuance of Corrective Action Plans. Fiscal reports were provided by the finance team with the caveat that some minor year end balances are still being confirmed. All local partnerships met the limits on spending for administrative expenses (13%) and core function (12%). In addition all partnerships meet the requirement that 75% of program spending must be for evidence based programs (see attached Finance Report Summary). Counties who exceeded the carry forward limit of 15% of their FY20 state allocation amount will be asked to submit a plan for how they will come utilize this carry forward in this fiscal year. There were no Local Partnerships who exceeded 15% carry forward for 3 consecutive years (see attached Carry Forward Finance Report).

2. **Action Item:** Recommendation to add a program to the State Board Approved list of Evidence Based Programs

Motion: The Local Partnership Program and Grants Committee recommends that the program READY 4KI be designated as Evidence Based and added to the State Board list of Evidence Based Programs.

The committee reviewed information detailing the process established for First Steps designation as evidence based, and the criteria and research cited for the proposed program (see attached table -Programs Recommended for Evidence Based Designation and Research Citation-JHR). Ms. Hussey moved that the committee recommend the State Board approve adding this program to the list of First Steps Board Approved Evidence Based Programs (see attached). Dr. Canright seconded the motion and it passed unanimously.

3. **Action Item:** Approval of addition to the FY21 Partnership and Program Accountability Standards (attachment- Accountability Standards – HIPPY (Home Instruction for Parents of Preschool Youngsters))

Motion: The Local Partnership Program and Grants Committee recommends the addition of standards for the evidence- based program Home Instruction for Parents of Preschool Youngsters (HIPPY) to the FY21Partnership and Program Accountability Standards (see attached HIPPY Standards).

The committee reviewed the standards as drafted by staff. These standards will be added mid-year to provide guidance for those eight Local Partnerships implementing the HIPPY program as part of the new AmeriCorps Grant. Dr. Shelley Canright moved that the HIPPY program standards be added as submitted. Ms. Julie Hussey seconded the motion and it passed unanimously.

4. Information item: Local Partnerships Comprehensive Planning

Staff reviewed the Local Partnership Comprehensive Plan template with the committee. The local planning template includes a section to identify alignment with the 2020-2025 First Steps State Strategic Plan. Local Partnership plans are due to the state office by October 30th and will be posted to the SC First Steps website by December 1 as per legislative requirement.

5. Information item: Update on Family Services Expansion Grants

The committee received final updates to the grant awards made by the First Steps State Board at their August meeting. In terms of the Family Services Expansion Grant Awards, Dillon County First Step received an award for \$40,000 to expand their Nurturing Parenting Program after the offer to Greenwood, Abbeville and McCormick First Steps to resubmit with a reduced budget was declined. The committee directed staff to develop guidelines for future competitive grant applications that address submissions for joint applications – clarifying roles and responsibilities. (See attachment – Summary of Family Services Expansion Grant Awards). The AmeriCorps Program member awards were also adjusted to offer all interested partnerships the opportunity to participate. Final member assignments are detailed on the AmeriCorps Programs table (attached).

Attachments:

- Corrective Action Plan Update
- Finance Report Summary
- Carry Forward Finance Report
- Programs Recommended for Evidence Based Designation
- Research Citation-JHR
- First Steps Board Approved Evidence Based Programs
- Accountability Standards – HIPPY (Home Instruction for Parents of Preschool Youngsters)
- Summary of Family Services Expansion Grant Awards
- AmeriCorps Programs

**Board of Trustees
Local Partnership Program and Grants Committee Meeting**

October 8, 2020
Via Zoom
1:00 PM – 2:30 PM
Meeting Minutes

Committee Members Present: Jennifer McConnell (Chair), Julie Hussey, Roger Pryor, Dr. Shelley Canright

Staff to Committee Present: Debbie Robertson

1. Information item: Update on Local Partnership Corrective Action Plans

The Local Partnership Program and Grants Committee met on October 8, 2020 to discuss updates on the issuance of Corrective Action Plans. Fiscal reports were provided by the finance team with the caveat that some minor year end balances are still being confirmed. All local partnerships met the limits on spending for administrative expenses (13%) and core functions (12%). In addition, all partnerships met the requirement that 75% of program spending must be for evidence-based programs (see attached Corrective Action Plans Update and Finance Report Summary). Counties who exceeded the carry forward limit of 15% of their FY20 state allocation amount will be asked to submit a plan for how they will come utilize this carry forward in this fiscal year. There were no Local Partnerships who exceeded 15% carry forward for 3 consecutive years (see attached Carry Forward Finance Report). Staff explained that the Dolly Parton Imagination Library accountability standards are being reviewed by a committee of staff and local partnership executive directors due to the issues that were raised this year around limits on administrative expenses and make up of state vs/ other funding sources. This committee will bring recommendations to the Program and Grants Committee at their next meeting in November.

2. **Action Item:** Recommendation to add a program to the State Board Approved list of Evidence Based Programs

Motion: The Local Partnership Program and Grants Committee recommends that the program READY 4KI be designated as Evidence Based and added to the State Board list of Evidence Based Programs.

The committee reviewed information detailing the process established for First Steps designation as evidence based, and the criteria and research cited for the proposed program (see attached table -Programs Recommended for Evidence Based Designation and Research Citation-JHR). Ms. Hussey moved that the committee recommend the State Board approve adding this program to the list of First Steps Board Approved Evidence Based Programs (see attached). Dr. Canright seconded the motion and it passed unanimously.

3. **Action Item:** Approval of addition to the FY21 Partnership and Program Accountability Standards (attachment- Accountability Standards – HIPPY (Home Instruction for Parents of Preschool Youngsters))

Motion: The Local Partnership Program and Grants Committee recommends the addition of standards for the evidence- based program Home Instruction for Parents of Preschool Youngsters (HIPPY) to the FY21Partnership and Program Accountability Standards (see attached HIPPY Standards).

The committee reviewed the standards as drafted by staff. These standards will be added mid-year to provide guidance for those eight Local Partnerships implementing the HIPPY program as part of the new AmeriCorps Grant. Dr. Shelley Canright moved that the HIPPY program standards be added as submitted. Ms. Julie Hussey seconded the motion and it passed unanimously.

4. Information item: Local Partnerships Comprehensive Planning

Staff reviewed the Local Partnership Comprehensive Plan template with the committee. The local planning template includes a section to identify alignment with the 2020-2025 First Steps State Strategic Plan. Local Partnership plans are due to the state office by October 30th and will be posted to the SC First Steps website by December 1 as per legislative requirement.

5. Information item: Update on Family Services Expansion Grants

The committee received final updates to the grant awards made by the First Steps State Board at their August meeting. In terms of the Family Services Expansion Grant Awards, Dillon County First Step received an award for \$40,000 to expand their Nurturing Parenting Program after the offer to Greenwood, Abbeville and McCormick First Steps to resubmit with a reduced budget was declined. The committee directed staff to develop guidelines for future competitive grant applications that address submissions for joint applications – clarifying roles and responsibilities. (See attachment – Summary of Family Services Expansion Grant Awards). The AmeriCorps Program member awards were also adjusted to offer all interested partnerships the opportunity to participate. Final member assignments are detailed on the AmeriCorps Programs table (attached).

The next committee meeting will be November 9, 2020. The committee adjourned at 2:30 PM.

Attachments:

- Corrective Action Plan Update
- Finance Report Summary
- Carry Forward Finance Report
- Programs Recommended for Evidence Based Designation
- Research Citation-JHR
- First Steps Board Approved Evidence Based Programs
- Accountability Standards – HIPPY (Home Instruction for Parents of Preschool Youngsters)
- Summary of Family Services Expansion Grant Awards
- AmeriCorps Programs

Corrective Action Plans

October 2020

Update by Partnership	
Local Partnership Receiving Plan	Minimum Requirement Not Met
Abbeville	FY19 Audit comments related to COI and Match documentation
Aiken	Dolly Parton Imagination Library
Calhoun	Dolly Parton Imagination Library
Chester	Enhanced oversight of Program Strategies through a Service Delivery Plan as the partnership implements a new program
Chesterfield	Dolly Parton Imagination Library
Darlington	Continuation of FY19 CAP for Board Count and Fiscal Stewardship. Additional unmet requirements include Fiscal (Audit) and Conflict of Interest Policy
Edgefield	Dolly Parton Imagination Library
Greenwood	FY19 Audit comments related to COI and Match documentation
Hampton	Dolly Parton Imagination Library
Horry	Continuation of FY19 for Board Count and 15% Match. Additional unmet requirements in Audit comments due to Match.
Kershaw	15% Match Requirement
Marion	Continuation of FY19 for Excess Carry Forward. Additional unmet requirements for Liability Insurance and Time Study.
McCormick	Dolly Parton Imagination Library
Orangeburg	Dolly Parton Imagination Library
Williamsburg	Governance (Board Term Limits, Conflict of Interest)

FY20 Finance Reports

As of October 14, 2020 – all reports are not yet final

- **Administrative Percentage (13% max)**

- All clear

- **Match Requirement (15% Match)**

- Kershaw – 4.63%

- **Core Function (12% Max)**

- All clear

- **Carry Forward (Exceed 15%)**

- Aiken – 40.93%
- Barnwell – 28.07%
- Chester – 17.48%
- Edgefield – 17.69%
- Fairfield – 26.46%
- Marion – 35.66%
- Richland – 16.35%
- Union – 17.66%

Carry-Forward Totals and Percentages

Fiscal Year Closing Balances										
#	PARTNERSHIP	FY18 Cash Balance	FY 18 Allocation	FY18 Percentage Carry-Forward	FY19 Cash Balance	FY 19 Allocation	FY19 Percentage Carry-Forward	FY20 Cash Balance	FY20 Allocation	FY20 Percentage Carry-Forward
01	Abbeville	\$3,201.37	\$200,000.00	1.60%	\$0.60	\$200,000.00	0.00%	\$4,728.99	\$200,000.00	2.36%
02	Aiken	\$0.00	\$0.00	#DIV/0!	\$59,151.98	\$410,115.00	14.42%	\$168,732.35	\$412,273.00	40.93%
03	Allendale	\$6,324.71	\$200,000.00	3.16%	\$12,305.49	\$200,000.00	6.15%	\$13,145.57	\$200,000.00	6.57%
04	Anderson	\$31,394.28	\$455,800.94	6.89%	\$23,902.90	\$452,177.00	5.29%	\$34,008.52	\$453,318.00	7.50%
05	Bamberg	\$4,839.22	\$200,000.00	2.42%	\$2,069.83	\$200,000.00	1.03%	(\$303.46)	\$200,000.00	-0.15%
06	Barnwell	\$31,668.49	\$200,000.00	15.83%	\$21,979.90	\$200,000.00	10.99%	\$56,130.32	\$200,000.00	28.07%
07	Beaufort	\$112.15	\$352,999.88	0.03%	\$11,562.02	\$352,994.00	3.28%	\$29,952.57	\$359,250.00	8.34%
08	Berkeley	\$75,024.55	\$503,659.34	14.90%	\$49,996.37	\$507,218.00	9.86%	\$66,248.49	\$504,881.00	13.12%
09	Calhoun	\$2,303.58	\$200,000.00	1.15%	\$3,662.55	\$200,000.00	1.83%	\$4,158.04	\$200,000.00	2.08%
10	Charleston	\$39,942.45	\$727,340.44	5.49%	\$5,997.97	\$736,040.00	0.81%	\$6,129.40	\$735,363.00	0.83%
11	Cherokee	\$6,450.24	\$200,000.00	3.23%	\$9,012.68	\$200,000.00	4.51%	\$17,362.98	\$200,000.00	8.68%
12	Chester	\$6,000.12	\$200,000.00	3.00%	\$11,488.03	\$200,000.00	5.74%	\$34,965.20	\$200,000.00	17.48%
13	Chesterfield	\$10,148.79	\$200,000.00	5.07%	\$4,193.60	\$200,000.00	2.10%	\$7,314.36	\$200,000.00	3.66%
14	Clarendon	\$56,099.17	\$200,000.00	28.05%	\$35,668.63	\$200,000.00	17.83%	\$24,334.37	\$200,000.00	12.17%
15	Colleton	\$20,017.22	\$200,000.00	10.01%	\$14,870.53	\$200,000.00	7.44%	\$4,805.09	\$200,000.00	2.40%
16	Darlington	\$19,578.65	\$228,282.30	8.58%	\$1,669.23	\$231,261.00	0.72%	\$6,819.32	\$228,592.00	12.17%
17	Dillon	\$4,217.58	\$200,000.00	2.11%	\$5,781.89	\$200,000.00	2.89%	\$16,225.28	\$200,000.00	8.11%
18	Dorchester	\$22,623.80	\$353,747.41	6.40%	\$18,229.58	\$357,664.00	5.10%	\$27,476.89	\$348,845.00	7.88%
19	Edgefield	\$28,898.60	\$200,000.00	14.45%	\$20,463.96	\$200,000.00	10.23%	\$35,372.82	\$200,000.00	17.69%
20	Fairfield	\$10,340.49	\$200,000.00	5.17%	\$22,143.11	\$200,000.00	11.07%	\$52,914.34	\$200,000.00	26.46%
21	Florence	\$47,476.13	\$402,177.94	11.80%	\$48,823.52	\$396,224.00	12.32%	\$39,881.55	\$396,595.00	10.06%
22	Georgetown	\$13,605.59	\$200,000.00	6.80%	\$40,767.38	\$200,000.00	20.38%	\$0.00	\$200,000.00	0.00%
23	Greenville	\$64,389.19	\$1,056,324.19	6.10%	\$72,464.36	\$1,051,033.00	6.89%	\$106,922.80	\$1,048,274.00	10.20%
24	Greenwood	\$6,633.23	\$219,495.69	3.02%	\$2,965.87	\$220,045.00	1.35%	\$1,130.58	\$221,361.00	0.51%
25	Hampton	\$33,781.43	\$200,000.00	16.89%	\$19,613.60	\$200,000.00	9.81%	\$19,766.43	\$200,000.00	9.88%
26	Horry	\$46,108.25	\$581,758.10	7.93%	\$29,869.58	\$587,818.00	5.08%	\$90,556.41	\$598,303.00	15.14%
27	Jasper	\$18,246.31	\$200,000.00	9.12%	\$19,907.26	\$200,000.00	9.95%	\$28,482.92	\$200,000.00	14.24%
28	Kershaw	\$15,684.48	\$200,000.00	7.84%	\$16,205.66	\$200,000.00	8.10%	\$18,218.88	\$200,000.00	9.11%
29	Lancaster	\$24,851.55	\$216,158.31	11.50%	\$39,691.15	\$218,579.00	18.16%	\$5,599.60	\$216,721.00	2.58%
30	Laurens	\$28,926.29	\$209,940.28	13.78%	\$28,438.36	\$207,303.00	13.72%	\$22,697.84	\$206,775.00	10.98%
31	Lee	\$12,776.26	\$200,000.00	6.39%	\$16,699.87	\$200,000.00	8.35%	\$24,502.05	\$200,000.00	12.25%
32	Lexington	\$26,900.56	\$624,416.31	4.31%	\$31,073.06	\$620,103.00	5.01%	\$43,886.70	\$613,745.00	7.15%
33	Marion	\$19,016.38	\$200,000.00	9.51%	\$48,483.47	\$200,000.00	24.24%	\$71,329.91	\$200,000.00	35.66%
34	Marlboro	\$5,631.11	\$200,000.00	2.82%	\$1,052.53	\$200,000.00	0.53%	\$5,919.23	\$200,000.00	2.96%
35	McCormick	\$29,839.33	\$200,000.00	14.92%	\$8,621.85	\$200,000.00	4.31%	\$15,781.50	\$200,000.00	7.89%
36	Newberry	\$23,774.64	\$200,000.00	11.89%	\$10,283.54	\$200,000.00	5.14%	\$27,781.26	\$200,000.00	13.89%
37	Oconee	\$54,457.60	\$200,000.00	27.23%	\$12,142.51	\$200,000.00	6.07%	\$29,026.56	\$200,340.00	14.49%
38	Orangeburg	\$25,647.13	\$303,237.33	8.46%	\$7,896.55	\$299,069.00	2.64%	\$15,276.75	\$298,561.00	5.12%
39	Pickens	\$16,327.96	\$259,727.65	6.29%	\$20,508.12	\$260,506.00	7.87%	\$26,661.32	\$255,573.00	10.43%
40	Richland	\$25,892.85	\$799,336.03	3.24%	\$108,377.73	\$796,304.00	13.61%	\$131,463.83	\$804,162.00	16.35%
41	Saluda	\$20,573.62	\$200,000.00	10.29%	\$21,291.07	\$200,000.00	10.65%	\$26,232.88	\$200,000.00	13.12%
42	Spartanburg	\$10,460.16	\$678,352.79	1.54%	\$35,933.01	\$666,608.00	5.39%	\$52,249.37	\$673,325.00	7.76%
43	Sumter	\$142,938.65	\$347,291.04	41.16%	\$19,913.00	\$350,957.00	5.67%	\$41,050.62	\$351,456.00	11.68%
44	Union	\$15,211.88	\$200,000.00	7.61%	\$7,443.73	\$200,000.00	3.72%	\$35,322.47	\$200,000.00	17.66%
45	Williamsburg	\$18,073.37	\$200,000.00	9.04%	\$5,953.44	\$200,000.00	2.98%	\$11,821.86	\$200,000.00	5.91%
46	York			#DIV/0!	\$8,837.15	\$513,211.00	1.72%	\$17,279.04	\$507,517.00	3.40%
TOTAL						\$ 14,435,229			\$14,435,230.00	

Program Recommended for First Steps Designation as Evidence Based

Strategy Name & Description	Criteria for Evidence Based ¹	Research Study	Study Outcomes
READY4K!: family engagement curriculum delivered via text messages.	A-1	York et al. (2019)	Increased parental involvement at home and school, leading to child gains in early literacy

FIRST STEP LEGISLATION - SECTION 59-152-25. Definitions.

(A) "Evidence-based program" means a program based on a clear and consistent program model that is designated as such by the South Carolina First Steps to School Readiness Board of Trustees because the program:

- (1)**
 - (a) is grounded in published, peer-reviewed research that is linked to determined outcomes;
 - (b) employs well-trained and competent staff to whom the program provides continual professional development that is relevant to the specific model being delivered;
 - (c) demonstrates strong linkages to other community-based services; and
 - (d) is operated to ensure program fidelity; or
- (2)** is commonly recognized by experts in the field as such a program.

Research Study References

York, B. N., Loeb, S., & Doss, C. (2019). One Step at a Time: The Effects of an Early Literacy Text-Messaging Program for Parents of Preschoolers. *Journal of Human Resources*, 54(3), 537–566.

¹ Note that all strategies will meet the criteria of evidence-based only if they also follow the guidelines for fidelity as set forth in program manuals or key aspects of relevant research showing program effectiveness.

Registries/Clearinghouses of Evidence-Based Programs

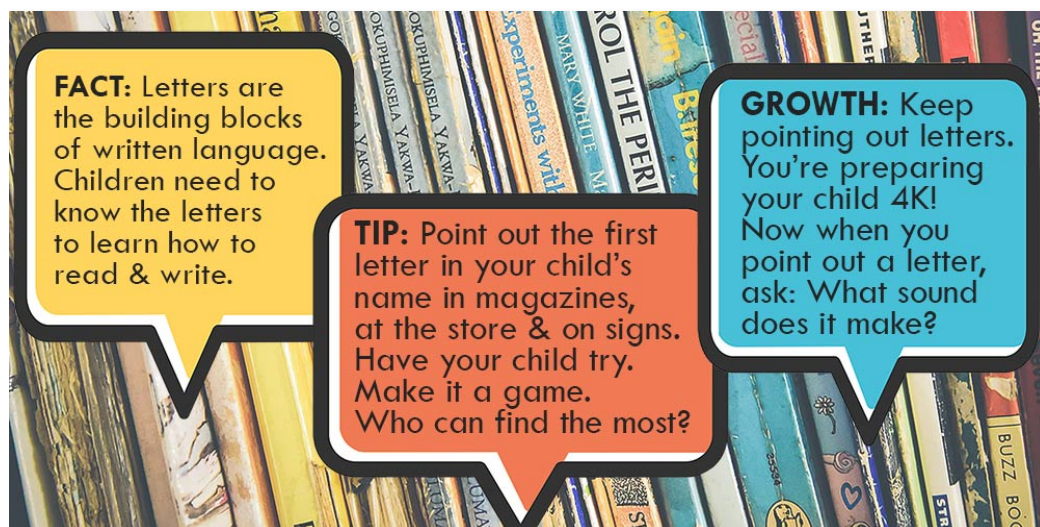
Substance Abuse and Mental Health Services Administration's (SAMHSA's) National Registry of Evidence Based Programs and Practices (NREPP): This is a searchable online registry of more than 250 interventions supporting mental health promotion, substance abuse prevention, and mental health and substance abuse treatment. Programs are pre-screened to ensure that at least one evaluation study meets the minimum criteria for review. At that point, programs are reviewed based upon rigor, effect size, program fidelity, and its conceptual framework. <https://www.samhsa.gov/nrepp>

JHR News & Research Highlights

The Journal of Human Resources is a leading journal in empirical microeconomics, with a focus on policy-relevant research.

[HOME](#) [ABOUT THE JOURNAL OF HUMAN RESOURCES](#) [EDITORIAL BOARD](#) [READ JHR ONLINE](#)

[SUBSCRIBE](#)





Categories

[JHR in the News](#)

[News & Announcements](#)

[Research Highlights](#)

[Uncategorized](#)

Research Highlights

Text-Messaging Program READY4K! Supports Early Literacy Development in the Home

📅 February 25, 2019 👤 admin 📌 children, early childhood, education, parenting

Racial and socioeconomic gaps in academic achievement begin early in life, with large gaps in skills present by the time children enter kindergarten. One factor contributing to this educational inequality is the great variation in home learning experiences.

Researchers and practitioners have taken a variety of approaches to help parents support the literacy development of their children. Examples include interventions during doctors' visits or hosting



workshops for parents at schools. Unfortunately, these traditional approaches are hampered by their relative infrequency and/or substantial demands on parents' time.

Benjamin York, Susanna Loeb, and Christopher Doss wondered whether something as common as a text message could improve the home learning experience. "In this study, we field a randomized control trial to test the efficacy of a text messaging intervention that leverages lessons from behavioral economics on overcoming barriers to adult behavior change."

Parents of prekindergartners in the treatment group received a 32-week texting messaging curriculum designed to support the literacy development of their children, called READY4K!.

The program sent parents three text messages a week designed to address the following barriers that might limit parents' time reading to their children: (1) incomplete information on the importance of literacy skills, (2) the mental effort of choosing activities to do with children, (3) limited attention for parenting activities that have to be done over long periods of time, and (4) the often delayed gratification of parenting. At the core of READY4K! are small, easy-to-implement activities that reduce the difficulty for parents of supporting their children's literacy development.

The results support this longer-term, light-touch approach to parenting programs. Parents who received the texting curriculum reported engaging in more literacy activities, and their children scored higher on assessments of preliteracy skills. These literacy benefits were concentrated among students who scored in the bottom half of literacy skills at the beginning of the experiment.

So what's the potential of a pilot program like this? The finding that the academic benefits are largest for children with weaker baseline scores indicates the potential for this approach to reduce achievement gaps. Text-messaging is an effective way to implement this approach of delivering small bits of information regularly over long time periods because texting is low-cost and easy to scale.

Read the full study in *The Journal of Human Resources*: "[One Step at a Time: The Effects of an Early Literacy Text Messaging Program for Parents of Preschoolers](#)" by Benjamin York, Susanna Loeb, and Christopher Doss.



Benjamin N. York is the Founder and Chief Executive Officer of ParentPowered Technologies. Susanna Loeb (@SusannaLoeb) is the Barnett Family Professor of Education at the Stanford Graduate School of Education. Christopher Doss (@Chris_J_Doss) is an Associate Policy Researcher at the RAND Corporation.

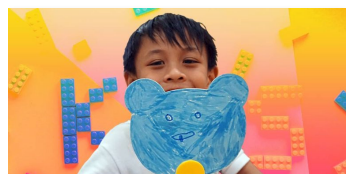
Share/Follow:     

← Does an Inheritance Make You Work Less?

Text-Messaging Parents Can Help Kids Learn to Read—
Especially If the Curriculum Is Personalized and Differentiated

→

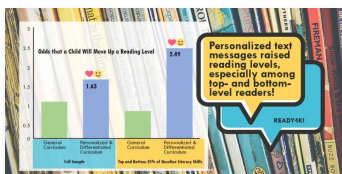
You May Also Like



Partial Schooling
Subsidy Puts Kids
into the
Classroom—And
to Work

📅 August 5, 2019

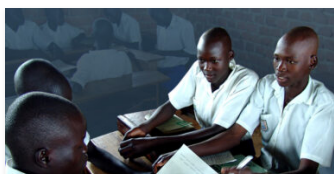
Comments Off



Text-Messaging
Parents Can Help
Kids Learn to
Read—Especially
If the Curriculum
Is Personalized
and
Differentiated

📅 February 25, 2019

Comments Off



Better Educator
Incentives Can
Improve Primary
School
Completion

📅 July 21, 2020

Comments Off



FIRST STEPS BOARD OF TRUSTEES LIST OF EVIDENCE BASED PROGRAMS

PROGRAM	DATE BOARD APPROVAL
4-Year-Old Kindergarten (half-day, full-day, extended-day)	6/16/17
Child Care Coaching/Quality Enhancement	6/16/17
Child Care Scholarships ¹	6/16/17
Child Care Training/Professional Development	6/16/17
Early Education for Children Under 4	6/16/17
Early Head Start	6/16/17
Head Start	6/16/17
Healthy Families	6/16/17
Incredible Years	6/16/17
Nurse-Family Partnership	6/16/17
Parent Child Interaction Therapy	6/16/17
Parents as Teachers	6/16/17
Reach Out and Read	6/16/17
Triple P ²	6/16/17
Early Identification and Referral	2/16/18
Early Steps to School Success	2/16/18
Imagination Library	2/16/18
Language Environment Analysis (LENA)	2/16/18
Raising a Reader ³	2/16/18
Nurturing Parenting Program	2/16/18
Parent Child Home	2/16/18
Conscious Discipline	8/17/18
Strengthening Families (3 – 5, 6 – 11)	8/17/18
Motheread/Fatheread	2/21/19
Quality Counts	2/21/19
Home Instruction for Parents of Preschool Youngsters (HIPPY)	4/26/19
Triple P – Universal	8/15/19
Ready 4K!	Pending

¹ Expenditures on child care scholarships shall be considered evidence-based when formally linked with one or more additional evidence-based programs. Stand-alone scholarship expenditures, without formal connections to evidence-base companion strategies, shall be considered evidence-informed.

² Level 3 or above

³ Raising a Reader was shown to be effective when paired with parent literacy training, but not without parent literacy training

Note: all strategies meet the criteria of evidence-based only if they also follow the guidelines for fidelity as set forth in program manuals or key aspects of relevant research showing program effectiveness.

FIRST STEPS PROGRAM ACCOUNTABILITY STANDARDS

Home Instruction for Parents of Preschool Youngsters (HIPPY;225)

REQUIREMENTS FOR FY21:

SCFSBOT Designation: Evidence-Based

First Steps' parent home visitation strategies are designed to equip adult clients with the knowledge and skills necessary to promote the school readiness, healthy development and long-term success of their preschool-aged children. Partnerships funding these strategies shall ensure vendor compliance with each of the following:

Partnerships funding HIPPYUSA shall work in collaboration with SC First Steps to ensure full compliance with national model guidelines. Fidelity of implementation in SC includes meeting the HIPPY Model, Guidance and Accreditation Standards along with a few SCFS-specific additions. The following standards include a mix of both; however, the expected Measurement Criteria for HIPPYUSA is attached for clarity.

1) TARGETING:

a) Targeting Clients At-Risk Of Early School Failure

At least 60% of home visitation clients shall be identified on the basis of two (2) or more of the readiness risk factors below (with 100% of client families possessing at least one risk factor at the time of enrollment):

- A preschool-aged child has been abused
- A preschool-aged child has been neglected
- A preschool-aged child has been placed in foster care
- Eligibility for the Supplemental Nutrition Assistance Program (SNAP, e.g. Food Stamps) or Free School Lunches (130% of federal poverty level or below – with first priority given to TANF-eligible clients whose annual family income levels fall at 50% of federal poverty level or below)
- Eligibility for services under the Individuals with Disabilities Education Act, Parts B (Preschool Special Education, ages 3-5) or C (BabyNet, ages 0-3)
- A preschool aged child with a developmental delay as documented by a physician or standardized assessment (not screening tool)
- Teenage mother/primary caregiver at or under the age of 20 (at the time of the focus child's birth)
- Low maternal/primary caregiver education (less than high school graduation at the time of focus child's birth)
- A preschool-aged child has been exposed to the substance abuse of a caregiver
- A preschool-aged child has been exposed to parental/caregiver depression
- A preschool-aged child has been exposed to parental/caregiver mental illness
- A preschool-aged child has been exposed to parental/caregiver intellectual disability
- A preschool-aged child has been exposed to domestic violence within the home
- Low birth weight (under 5.5 lbs.) in association with serious medical complications.
- English is not the primary language spoken in the home.
- Single parent household and has need of other services
- Transient/numerous family relocations and/or homeless
- Incarcerated Parent(s) (parent(s) is incarcerated in federal or state prison or local jail or was released from incarceration within the past year)
- Death in the Immediate Family (death of a parent/caregiver or sibling)
- Military Deployment (Parent/guardian is currently deployed or is within 2 years of returning from a deployment as an active duty member of the armed forces. Deployment is defined as any current or past event or activity that relates to duty in the armed forces that involves an operation, location, command or duty that is different from his/her normal duty assignment.)
- Recent Immigrant or Refugee Family - One or both parents are foreign-born and entered the country within the past 5 years.

The following condition, while not considered part of SC First Steps' targeting criteria, is an additional characteristic that can put children at potentially higher risk for early school failure.

Additional high-risk characteristic tracked by First Steps-funded programs:

- Child was removed for behavioral reasons from one or more child care, Head Start or preschool setting.

b) Targeting By Age (Early Intervention)

HIPPY is designed for families with children 2 – 6 years of age and face various barriers such as limited education, poverty, language and/or isolation.

Services provided with AmeriCorps funding will recruit 100% of families from First Steps 4K.

c) Client Retention

In order for home visitation to be effective, it is critical that client families remain in the program long enough to benefit from the planned intervention. Pursuant to national model guidelines HIPPY programs will provide 30 weeks of activities for parents to use in instructing their children.

- Each partnership will be required to demonstrate its successful, long-term retention of at least eighty percent (80%) of children enrolled complete at least 26 weeks, annually.

Since participating families are SCFS 4K enrolled, they will receive only one year of service prior to entering 5K.

2) SERVICE DELIVERY:

Fidelity to a published, research-based model

In order to ensure the delivery of high quality services and the validity of agency-wide evaluation efforts, vendors shall ensure that each First Steps-funded parenting/family strengthening strategy is implemented with fidelity to its published, research-based model. "Fidelity" is defined as complying with model specifications relating to:

a) Home Visit Intensity and Delivery:

- Ensure each child annually receives an activity packet and a set of story books; a set of geometric shapes with replacements as needed. Ensure each home visitor has access to a Home Visitor Guide and two activity packets (as indicated), a set of story books, and a set of geometric shapes.
- Enroll children at age 3 and use the Age 3 Curriculum. *Children enrolled in the HIPPY AmeriCorps program will enroll at age 4 and use the Age 4 Curriculum.*
- Monitor records at least twice a month to ensure parents are working with their children five days per week and that the average number of minutes worked per day is reasonable for the age of the child.
- If the number of minutes is consistently much less or greater than the average 15-20 minutes per day, determine the cause and if a referral, or other intervention, is needed.
- When monitoring records, Home Visitors must review a minimum of 10% of enrolled families' weekly packets or a minimum of 10 randomly selected files. When completing the review:
 - a. Pull Pages from 10%, or a minimum of 10, randomly selected files, AND/OR
 - b. A note indicates the reason for each missing page
- Role play is used throughout the HIPPY program by all participants based on a cycle that begins with the coordinator and staff.
 - a. The coordinator and home visitors role play the activity packet specified for that week during the weekly training meeting. During role play, the purpose of the activities and the developmental significance for children is explained.
 - b. Each home visitor then engages in the same activities with their child, or with a practice child, in order to gain first-hand experience in how children may react to the activities.
 - c. Finally, the home visitors implement the activities one-on-one with their assigned parents. Note: The home visitor role plays the activities with the parent and does not work directly with the child. The parent is then left with a clean packet containing five days' worth of activities in which to engage with their child.
 - d. Coordinator and home visitors repeat the role play cycle weekly with the activity packet for the week and discuss the previous weeks' activities at the weekly training meeting.
- The first home visits each program year are for interested families, providing them with a comprehensive understanding of the program, and obtaining intake information for the application process.
 - a. When possible, the initial visit will be conducted by the HIPPY coordinator or trained supervisor; the home visitor is encouraged to also join on the first visits with parents.
- The curriculum is delivered through home visits for the first 4-6 weeks before incorporating group meetings with home visits.
- Home visitors meet with parents in their home at least 90% of the time.
- Parents are visited in their home 45-60 minutes by their assigned home visitor. The focus of the home visit is the parent, or primary caregiver, who learns from the home visitor how to use the HIPPY curriculum with his/her child in the home. The child should not be present. If the child is present,

strategies need to be employed to engage the child in independent play so that full attention can be given to the parent.

- a. Role playing the HIPPY curriculum with parents is the main activity during the visit.
 - b. The length of home visits must also accommodate reviewing the past week's work, collecting a sample of the child's work; discussing any challenges the parent and child encountered when completing the previous week's activity, and addressing any other challenges the family may face (i.e., information regarding community services).
 - c. The home visitor leaves the parent with the new weekly materials and a reminder of any upcoming parent meetings or community events.
- The HIPPY Coordinator or trained supervisor will accompany home visitors at least 3 times per year in the home of each participating family to observe the interaction between the home visitor and the family, provide supervision, and support home visitors. This practice also increases rapport between coordinators and parents.

b) Group Meetings:

- Group meetings must begin within four to six weeks after home visits have started.
- Last approximately two hours
- Are held in an accessible facility within the target neighborhood.
- Are held a minimum of six times during the HIPPY program year.
- Group meetings offer educational enrichment, information and activities that meet the needs of the parents.
- Enrichment activities are provided for children during group meetings.

c) Screenings and Referrals:

- Parenting vendors shall document the completion of all developmental screenings within 90 days of enrollment.
- Vendors shall seek to ensure that each participating client family is connected with a pediatric medical home and other community services as appropriate.
- Each client child shall be assessed using the age-appropriate developmental screening tool Ages & Stages 3 and Ages and Stages SE2 within 30 days of enrollment and annually thereafter. In the event that a developmental screening (conducted in association with any First Steps-funded program) indicates a possible developmental delay, the vendor shall collaborate with parents/guardians to seek the consensual provision of these results to: (a) the child's pediatric care provider, *and* (b) the child's zoned school district and Disabilities and Special Needs Board (ages 3-5) for additional diagnostic evaluation. Vendors shall maintain (within the First Steps Data Collection System) referral records to include information on the outcome/disposition of each First Steps-initiated referral.
- In addition, the Vendor will recommend activities to assist with the areas of possible concern, continue monitoring the child's development, and rescreen the child within 60 days post completion of referred intervention.
- If a child scores in the monitoring range on ASQ3 and/or ASQ:SE2 in two or more categories and/or if there is a parental concern on the screening questionnaire, the vendor will recommend activities to assist with the areas of possible concern, continue monitoring the child's development, and rescreen the child within 6 months.
- Developmental screenings must be conducted on at least 80% of eligible clients. Partnerships and their funded vendors shall ensure active collaboration with other parenting and family support services in their communities, refer families to these services as necessary, and follow up as feasible to ensure that appropriate connections have been established. 60% of families that receive at least one personal visit shall be connected to at least one community resource in the program year. Active and sustained efforts to connect client families to pediatric medical homes shall be a priority.

d) Family Assessment and Goal Setting:

- Partnerships or Vendors shall utilize the Survey of Parenting Involvement assessment to refer/ link families to additional interventions as necessary and beneficial – either simultaneously or as part of a planned, multi-year service continuum.
- In addition, Teaching Strategies GOLD®, an authentic, ongoing observational system, is routinely administered to all SCFS 4K students. Assessment results will help guide HIPPY parent educator planning.

e) Integrated Service Delivery and Referrals:

- Partnerships shall utilize formal or informal need assessments to refer/link families to additional interventions as necessary and beneficial. All referrals to other services shall be entered into the First Steps Data System.

f) Staff Qualifications and Training:

- The HIPPY Coordinator has attended preservice training. The Coordinator has at least a Bachelor's degree. If course work has not included child development, the coordinator has obtained 24 contact hours of training in early childhood development.
- A HIPPY Home Visitor are HIPPY parents, former HIPPY parents, or are knowledgeable of the language and culture of the community served.
- HIPPY Home Visitors can read, write and speak well in the language of the curriculum they will use with assigned parents.
- Home Visitor has a professional development plan based on performance evaluations and career goals.

Services provided with AmeriCorps funding have AmeriCorps Parent Educator members providing HIPPY home visits.

g) Ongoing Program Quality Improvement and Professional Development

- The quality assurance process begins with program self-assessment, and subsequently findings are validated by a national trainer. Each site that demonstrates quality programming by meeting all Standards of the HIPPY Model and defined contractual obligations will earn Accreditation status. Accreditation status is awarded with a three-year certification that is valid as long as programming remains fundamentally the same. Detailed information regarding Accreditation is outlined in the HIPPY Model, Guidance, and Accreditation Manual.
- The Coordinator evaluates each home visitor's performance at least three (3) times a year, based on home visits, group and staff meeting observations.
- The Coordinator establishes a weekly schedule to train staff in the curriculum to include child development concepts and terminology utilizing the Coordinator Guide.

3) ASSESSMENT AND DATA SUBMISSION:

- All HIPPY program vendors shall complete, at minimum, the HIPPY Survey of Parenting Involvement Pre-Assessment at time of enrollment, and at the 30 week visit (or sooner if a family leaves the program prior to 30 weeks).
- Adult and child (ages 0-5) information, connections to services, and screening results shall be collected within the cases data First Steps Data Collection System (FSDC). Program sessions and client attendance shall be entered as group meetings within the FSDC. Program assessments containing numerical scores shall be entered in the FSDC (submit request to SC First Steps to add assessment type(s) to the FSDC).

SEE ATTACHMENT # FOR THE HIPPY MODEL, GUIDANCE, AND ACCREDITATION MANUL.

SUMMARY OF FAMILY SERVICES EXPANSION GRANT AWARDS

Parenting Program Expansion:

Bamberg	Expansion - Parents As Teachers (Home Visiting)	\$71,500
Berkeley	New - Nurturing Parenting (Parenting Groups)	\$78,467
Dillon	Expansion - Nurturing Parenting	\$40,000
Dorchester	New – Nurturing Parenting (Home Visiting)	\$50,071
Greenville	Expansion - Triple P Level 4 (Home Visiting)	\$78,000
Newberry	Expansion - Parents As Teachers (Home Visiting)	\$67,075
Orangeburg	Expansion - Early Steps to School Success (Home Visiting)	\$78,000
Pickens	New - Nurse Family Partnership (Home Visiting)	\$78,500
York	Expansion - Parents As Teachers (Home Visiting)	\$78,500
Total:		\$620,113

Parenting Program Expansion Award Summary Statistics:

- 8 out of 12 proposals awarded
- Good geographic distribution across state
- 2 counties awarded are minimum funding level counties (\$200,000)
- 2 grants awarded were to the 2 counties with the largest decrease in state funds this year due to demographic changes impacting funding formula (Dorchester and Pickens)

Brief Summary of Parenting Program Expansion Proposals Awarded:

Bamberg	Expansion- Parents As Teachers (Home Visiting)	\$71,500
----------------	--	----------

The local partnership will increase the number of families in their Blue Ribbon Parents As Teachers program by expanding high quality, evidence-based, comprehensive, wrap-around parenting and early care services to 20 additional children and families. This will increase their baseline capacity and eliminate the current waitlist and expand opportunities for additional child care scholarships and parenting resources.

Berkeley	New- Nurturing Parenting (Parenting Groups)	\$78,467
-----------------	---	----------

The local partnership and the Berkeley Early Education and Care Collective (BEE) will recruit and enroll 40 new families to the Nurturing Parenting program as community partners, including child care and family serving agencies, receive frequent requests from parents seeking services such as

parenting classes, mental health counseling, and support for young children experiencing challenging behaviors.

Dillon New- Nurturing Parenting (Home Visiting) \$40,000

With this grant award, the local partnership will be able implement the Nurturing Parenting program to serve existing families previously enrolled in Parents As Teachers (8 families) as well as new families on their waiting list (12 families). Each family will receive two home visits every month to focus on their individual needs and attend one group meeting every month to connect with peers and community resources. The program is designed to meet the needs of low-income parents who need additional support in gaining the skills of a nurturing parent.

Dorchester New- Nurturing Parenting (Home Visiting) \$50,071

Families who have been served for two years or more in Parents As Teachers will transition to the Nurturing Parenting program. Any remaining program slots will be filled with families from the local partnership's child care scholarship program and the community. The 20 new families entering either Parents As Teachers or Nurturing Parenting will be recruited by the school districts, DSS, and other agencies with a focus on Hispanic/Latino children and children in foster care.

Greenville Expansion- Triple P Level 4 (Home Visiting) \$78,000

The local partnership will expand their partnership with Greenville County additional families with a minimum of 4 visits/sessions but a goal of 6-10 visits/sessions per family. Focus is on dual language learners, foster care participants, and children experiencing homelessness.

Newberry Expansion- Parents As Teachers (Home Visiting) \$67,075

The local partnership will expand and enhance its Parents As Teachers program to 20 additional families by adding bilingual staff, iPads for parents, and a Parenting Connections Portal. Previously, families only qualified if one parent was working toward their GED or attending ESL classes, now more families can be served without restrictions.

Orangeburg Expansion- Early Steps to School Success \$78,000

Expansion of the Early Steps to School Success program to serve 20 additional families including targeting relatives who are raising children 0-3 years old who are not their own and increasing the number of prenatal parents and parents with children 0-3 years of age. There is a strong emphasis on recruiting children who are being raised in kinship care arrangements.

Pickens New- Nurse Family Partnership (Home Visiting) \$78,500

This investment will ensure 20 families in Pickens County continue to be served by a nurse home visitor and extends technology services provided by the Phones for Families program. This

collaboration with Nurse Family Partnership was previously covered in part by the Pay for Success multi-year project (2016-2020).

York	Expansion- Parents As Teachers (Home Visiting)	\$78,500
-------------	--	----------

Based on priorities indicated in the Needs and Resources Assessment, demographic trends, and information from York, Clover, and Rock Hill School districts, current Parents As Teachers program will be expanded to serve 20 additional families with priority given to families in the Hispanic/Latino community.

Family Services Expansion Grants

AmeriCorps Programs

Partnership	Total # of AmeriCorps Slots	AmeriCorps Slot type
Parent Educator (HIPPI program) AmeriCorps		
Barnwell	2	Half Time (900)
Berkeley	1	Half Time (900)
Colleton	1	Half Time (900)
Horry	2	Half Time (900)
Marion	2	Half Time (900)
Newberry	1	Half Time (900)
Orangeburg	1	Half Time (900)
Richland	4	Half Time (900)
Community Education and Outreach AmeriCorps		
Charleston, Berkeley, Dorchester	1	Reduced Full Time (1200)
Charleston	1	Reduced Half Time (675)
Dillon	1	Reduced Half Time (675)
Dorchester	1	Reduced Half Time (675)
Horry	1	Half Time (900)
Lee	1	Reduced Half Time (675)
Richland	1	Half Time (900)
Williamsburg	1	Reduced Half Time (675)
Family Support AmeriCorps		
Barnwell	1	Reduced Full Time (1200)
Berkeley	1	Half Time (900)
Newberry	1	Half Time (900)
Pickens	1	Reduced Half Time (675)
Spartanburg	1	Reduced Half Time (675)
Williamsburg	1	Half Time (900)
Edgefield/ Saluda	1	Half Time (900)



To: SC First Steps Board of Trustees
From: Dr. Amy Williams, Chair
Date: October 22, 2020

Re: Strategic Planning and Evaluation Committee Report

Chairwoman's Report

The Strategic Planning and Evaluation Committee met on September 14, 2020 via Zoom. Dave Morley and myself were present.

Statewide Birth through Five Strategic Plan

We discussed the statewide birth through five strategic plan and some potential overarching measures of success. We discussed having two levels of measures: (1) short term and intermediate term outcomes of birth through five; (2) long term impacts of early childhood investment. Data availability and quality were also discussed.

"Build It Back Better" Survey Report

Chelsea gave updates about the "Build It Back Better" survey report and virtual release that took place on September 1st. The report and summary document were updated to reflect an additional sample exclusion. The full report and summary are available on the ECAC website (<https://earlychildhoodsc.org/what-we-do/build-it-back-better-survey/>).



Strategic Planning and Evaluation Committee Meeting

Monday, September 14, 2020 1-2PM via Zoom

Members in attendance: Dr. Amy Williams (Chair), Dave Morley

Staff in attendance: Chelsea Richard, Georgia Mjartan

Minutes

The meeting began at 1:05PM.

Early Childhood Advisory Council Business

Chelsea reiterated that the Early Childhood Advisory Council is a partner in two federal grants: Statewide Longitudinal Data System Grant (Grantee: Department of Education) and the Preschool Development Grant (Grantee: Department of Social Services). There was some discussion about the statewide birth through five strategic plan and some potential overarching measures of success. We discussed having two levels of measures: (1) short term and intermediate term outcomes of birth through five; (2) long term impacts of early childhood investment. Data availability and quality were also discussed.

Chelsea gave updates about the “Build It Back Better” survey report and virtual release that took place on September 1st. The full report and summary are available here: <https://earlychildhoodsc.org/what-we-do/build-it-back-better-survey/>

First Steps Business

Chelsea reported that First Steps has applied for and had interviews for two grant applications: (1) Listen4Good; (2) Duke Endowment. Chelsea also provided an update on the Parents as Teachers External Evaluation that is due on November 1, 2021. Finally, Chelsea provided a draft of the Agency Accountability Report that gets reported to the Executive Budget Office and General Assembly annually on September 15th.

The meeting adjourned at 1:55PM.

ATTACHMENT: Committee Meeting Packet

2020 COMMITTEE MEETING DATES

2nd Monday in the Odd Month from 1-2PM

November 9



To: SC First Steps Board of Trustees
From: Georgia Mjartan
Date: October 22, 2020

Re: Executive Director's Report

First Steps 4K

Enrollment and Capacity

- Students Enrolled – 45 Day Count (October 20, 2020)
- Centers
- Classrooms
- Remaining Slot Capacity

Development of Child Care / First Steps 4K Capacity in Underserved Communities

- Town of Kershaw – Bill Clyburn First Steps Building Renovation Open House and Celebration

Parent Engagement

- Home Instruction Program for Preschool Youngsters (HIPPY)

Grants

Applications Submitted

- Listen 4 Good - Awarded
- Duke Endowment – Declined to Fund, Assisting with Introductions to Other Funders
- Sisters of Charity – Awaiting Decision

Listen 4 Good

- Customer / Client Satisfaction Process
- Qualitative Evaluation of High Intensity Programs (i.e. home visiting, parenting, child care)
- National Project, Cohort of 45 Organizations

Fundraising and Development

- Raiser's Edge Contact Database Development
- End of Year Campaign

Personnel

New Positions

- 37 AmeriCorps members (FT, PT, QT)
 - o Parent Educator
 - o Family Support
 - o Community Outreach
 - o Member Experience Leader



- Parenting Program Coordinator
- Child Care Quality Coordinator
- Statewide Longitudinal Data System (SLDS) Project Coordinator
- Part-Time Evaluation Coordinator
- Two-Gen Coordinator

Vacancies

- 4K Coach (Greenville)
- Program Officer (Parenting)
- Procurement Specialist

Filled

- AmeriCorps Program Coordinator – Valencia Johnson
- Local Partnership Fiscal Manager – Willa Wingate

Fiscal Year 2019–2020 Accountability Report

SUBMISSION FORM

AGENCY MISSION	<p>07/01/2015-06/30/2020 strategic plan: Collaborating with other entities, First Steps helps South Carolina families and caregivers prepare their children for school success by maximizing public and private community resources to deliver, enhance, and expand high-quality early childhood services.</p> <p>Adopted by SC First Steps Board of Trustees 10/24/19; goes with 07/01/2020-06/30/2025 strategic plan: South Carolina First Steps works collaboratively to ensure that all children start school ready to reach their highest potential with engaged support from their parents, caregivers, and communities.</p>
-----------------------	--

AGENCY VISION	<p>07/01/2015-06/30/2020 strategic plan: Every South Carolina child will be prepared for success in school.</p> <p>Adopted by SC First Steps Board of Trustees 10/24/19 for 07/01/2020-06/30/2025 strategic plan: We will be successful when all children reach their highest potential.</p>
----------------------	--

Does the agency have any major or minor recommendations (internal or external) that would allow the agency to operate more effectively and efficiently?

RESTRUCTURING RECOMMENDATIONS:	Yes	No
	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Is the agency in compliance with S.C. Code Ann. § 2-1-230, which requires submission of certain reports to the Legislative Services Agency for publication online and to the State Library? See also S.C. Code Ann. § 60-2-30.

REPORT SUBMISSION COMPLIANCE:	Yes	No
	<input checked="" type="checkbox"/>	<input type="checkbox"/>

AGENCY NAME:	SC First Steps to School Readiness		
AGENCY CODE:	H620	SECTION:	25

Is the agency in compliance with various requirements to transfer its records, including electronic ones, to the Department of Archives and History? See the Public Records Act (S.C. Code Ann. § 30-1-10 through 30-1-180) and the South Carolina Uniform Electronic Transactions Act (S.C. Code Ann. § 26-6-10 through 26-10-210).

RECORDS MANAGEMENT COMPLIANCE:	Yes	No
	<input checked="" type="checkbox"/>	<input type="checkbox"/>

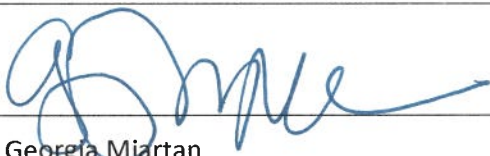

Is the agency in compliance with S.C. Code Ann. § 1-23-120(J), which requires an agency to conduct a formal review of its regulations every five years?


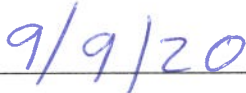
REGULATION REVIEW:	Yes	No
	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Please identify your agency's preferred contacts for this year's accountability report.

	<u>Name</u>	<u>Phone</u>	<u>Email</u>
PRIMARY CONTACT:	Chelsea Richard	(803) 734-1620	crichard@scfirststeps.org
SECONDARY CONTACT:	Mark Barnes	(803) 734-8079	mbarnes@scfirststeps.org

I have reviewed and approved the enclosed FY 2019–2020 Accountability Report, which is complete and accurate to the extent of my knowledge.

AGENCY DIRECTOR (SIGN AND DATE):			
(TYPE/PRINT NAME):	Georgia Mjartan		

BOARD/CMSN CHAIR (SIGN AND DATE):			
(TYPE/PRINT NAME):	David Morley		

AGENCY'S DISCUSSION AND ANALYSIS

SC First Steps: 2020 in Review

FY20 was another year of growth and progress for the state's comprehensive school readiness initiative, as First Steps oversaw the continued success of its 46 local partnerships, continued expanding the state's private four-year-old kindergarten program, and continued to grow the work of the state's Early Childhood Advisory Council. During the COVID-19 pandemic, South Carolina First Steps successfully provided financial support to our local partners, including 217 First Steps 4K centers, while telecommuting and maintaining an in-person presence in our office in downtown Columbia. First Steps 4K centers reopened for full-day, 5 day a week, in-person Pre-K4 on June 1, 2020 and served over 1,000 students during the summer session. First Steps Local Partnerships pivoted to meet the immediate needs of their communities by providing direct services and implementing evidence-based virtual home visiting curriculum within weeks of the COVID-19 "State of Emergency".

During FY20, First Steps:

- Provided \$14.4 million total to 46 local partnerships in formula funded grants to implement parenting programs, child care scholarships, child care quality enhancement, child care teacher training, and other supports to reach over 30,000 children and their adult family members
- Granted \$186,000 to promote literacy and strengthen parent-school connections to initiate Raising a Reader-Enhanced, a lending library and family engagement program, through 10 Local Partnerships and First Steps 4K and to deliver new, high-quality books to children during the COVID-19 pandemic through 13 Local Partnerships
- Provided \$11.9 million in tuition for 3,045 students in 243 classrooms within 217 private, non-profit, and faith-based First Steps 4K providers in 62 school districts
- Provided approximately \$4.0 million in payments/grants to keep First Steps 4K centers from permanently closing during the time they were temporarily closed due to COVID-19, including funding for personal protective equipment and other supplies
- Awarded over \$1.05 million in grants to increase enrollment in First Steps 4K through center expansion grants in four counties (Georgetown, Marion, Richland, and Spartanburg) and renovation grants through public-private partnerships in Lancaster and Spartanburg counties
- Assisted in bringing \$14.3 million in federal funds to the Palmetto State by partnering with the South Carolina Department of Social Services (Preschool Development Grant: \$11 million over 1 year) and the Department of Education (Statewide Longitudinal Data Systems Grant: \$3.3 million over 3 years) to increase access to quality early learning programs and increase coordination and collaboration across the early childhood system, including an early childhood data system that will be integrated with the K-12 longitudinal data system
- Expanded our home grown school transition program, "Countdown to Kindergarten" to 11 new counties in Summer 2019, serving nearly 1,300 children statewide
- Launched a new Profile of the Ready Kindergartner, in partnership with the South Carolina Department of Education
- Hosted over 3,800 hours of professional development for child care providers through on-site technical assistance via local partnerships and annual First Steps 4K Teacher and Leadership academies
- Wrapped up the end of our FY15-20 strategic plan, Vision 2020, and completed a two-year planning process for our new five year strategic plan, "Every Child Ready" (FY21-25)
- Promoted the 2020 Census through sustained marketing campaigns and distribution of 4,600 *We Count* books to teach children about the Census

- Celebrated our 20th anniversary with more than 300 of our supporters from across the state. In our first 20 years, we reached 726,817 children.
- Commissioned an evaluation of our impact over a five year period and found that:
 - First Steps services have a positive impact on kindergarten readiness and absenteeism in kindergarten. Children in general education were 74% more likely to score at the highest level on the Kindergarten Readiness Assessment and 34% less likely to be chronically absent in kindergarten, compared to their like-peers who did not receive First Steps services. Similar results were seen with children in special education.
 - First Steps services increase parent confidence and competence.
 - First Steps has positive effects on child care quality.
 - First Steps Local Partnership services are closing the gap for children in poverty.
- Gained a newly appointed Chair for the Board of Trustees, David Morley, who has been a champion for children and home visitation programs for over 30 years
- Increased the State Office staff by 12 to now include internal capacity for evaluation, research, grant making, and development, filled vacancies throughout the organization, and transitioned staff from hourly to full-time roles

During FY20, the Early Childhood Advisory Council (ECAC):

- Launched PalmettoPreK.org, a new, online portal designed to help families in South Carolina find publicly-funded, preschool options for their 3- and 4-year-old children, which had 22,773 unique visitors (83% first time visitors) and generated 4,736 leads in its first six months of existence
- Hosted the Palmetto Pre-K Fall Jamboree, four regional professional development trainings for 479 four-year-old teachers, administrators, coaches and curriculum support specialists from across federal, state and locally-funded Pre-K programs
- Hosted the 2019 South Carolina Summit on Early Childhood to address “the Economics of Early Childhood” with more than 400 attendees attending twelve breakout sessions over two days
- Engaged more than 5,000 people in a needs assessment and strategic planning process for the South Carolina Early Childhood System, in partnership with the Department of Social Services and other stakeholders
 - 3,114 online survey responses focusing on the priorities of parents and caregivers
 - 1,495+ people participated in 130 focus groups statewide
 - 440 people participated in 15 regional meetings across the state
- Presented to the Early Childhood Study Committee about the ECAC’s activities and recognition as a State Children’s Cabinet by the Forum for Youth Investment

Risk Assessment and Mitigation Strategies

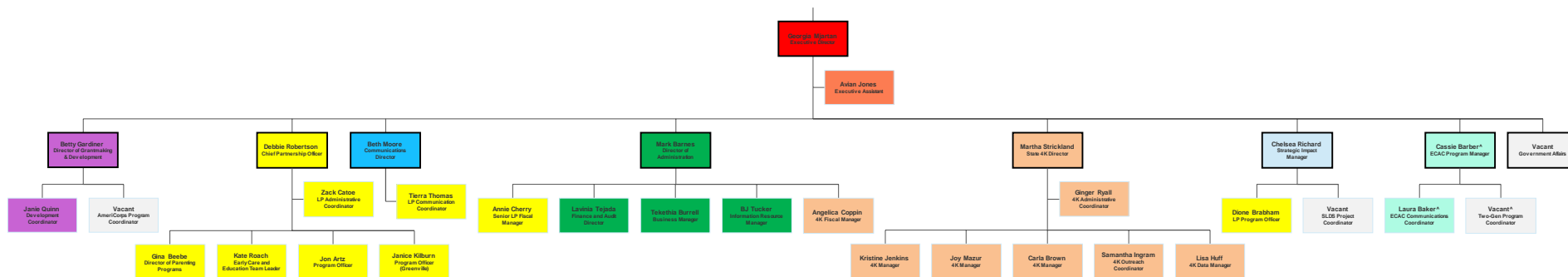
Should First Steps fail to meet its goals and objectives, South Carolina’s young children will be less prepared for success in school and life. But it doesn’t end there. The evidence-based strategies delivered by the initiative are documented by research to help reduce the occurrence of costly negative outcomes, including child abuse and neglect, poor health, special education placements, academic remediation, unemployment, incarceration and more. In this sense, the work of SC First Steps is not only advancing the long-term success and prosperity of its clients, but reducing substantial taxpayer burdens associated with a host of undesirable outcomes.

In order to promote success and mitigate against these negative outcomes, First Steps requires the ongoing support of its public and private partners, Governor McMaster, and the SC General Assembly.

To mitigate against this failure and better ensure the success of the First Steps initiative, policy makers might:

1. Consider expanding the resources made available to local First Steps Partnerships – allowing for the expansion of evidence-based early childhood interventions proven to impact the long-term success and prosperity of their participants.
2. Make the statutory and funding changes necessary to expand the Child Early Reading Development and Education Program (First Steps 4K) – currently limited to 62 school districts – available to all of the Palmetto State’s at-risk four-year-old children, while maintaining the mixed delivery system that provides choice to parents.
3. Support First Steps’ request for additional resources needed to optimally capture and report data on the success of the initiative and its participants.

Organizational Chart of the Top Three Levels (next page)





2020-2025 Measures of Success

Strategies from “Every Child Ready: 2020-2025 First Steps Strategic Plan”

Strategy 1.1.1: Provide parents with access to support and resources that strengthen their families; build their confidence, knowledge and skills; and promote the optimal development of their children.

Measure 1.1.1.1: By 2025, family client feedback will be collected in a standardized way for 100% of high intensity programs delivered by local partnerships and First Steps 4K and used for program improvement.

2021 Target = 1 program

Measure 1.1.1.2: Across high-intensity parenting programs, all clients will improve in parent-child interaction.

2021 Target = 10% gain for adults and children

Strategy 1.1.3: Increase the number of families participating in evidence-based and evidence-informed parenting programs.

Measure 1.1.3.1: By 2025, the percentage of children in need who are directly served by First Steps will increase to 20%.

2021 Target = 19%

Measure 1.1.3.2: By 2025, the percentage of children directly served by First Steps enrolled in high intensity programs will increase to 40%.

2021 Target = 31%

Strategy 1.1.5: Maximize parent and family knowledge, choice and engagement in their child’s early learning and development. Engage in public information campaigns and parent outreach efforts to promote and educate about available options.

Measure 1.1.5.1: Annually distribute 20,000 copies of the Profile of the Ready Kindergartner across early childhood settings (child care centers, schools, libraries, local First Steps partnerships, etc.).

2021 Target = 20,000

Measure 1.1.5.2: Increase SC First Steps, Palmetto Pre-K, and ECAC social media followers by 5% annually.

2021 Target = 5% increase (6,632)

Measure 1.1.5.3: Increase leads generated from Palmetto Pre-K by 5% annually.

2021 Target = 5% increase (4,973)

Strategy 1.2.1: Expand statewide the geographic reach and enrollment in state- funded, full-day 4-year-old Kindergarten available at no charge for eligible children in public schools, private schools and private child care centers.

Measure 1.2.1.1: On Day 45 of the school year, 60% of licensed, approved 4K slots will be filled.

2021 Target = 60%

Measure 1.2.1.2: Expand student enrollment within the First Steps 4K program.
2021 Target = 2% increase (3,106)

Measure 1.2.1.3: The number of First Steps 4K classrooms will increase by 2% annually.
2021 Target = 2% increase (247)

Strategy 1.2.2: Engage early care and education programs and providers in training, quality enhancement, and coaching, equipping them with the skills and resources to promote positive child development.

Measure 1.2.2.1: Increase the availability of high quality early care and education opportunities offered by First Steps: By 2025, the percentage of children under age 6 who benefit from First Steps quality enhancement and training efforts will increase to 15%.
2021 Target = 13%

Measure 1.2.2.2: Provide professional development: The number of hours of professional development for child care providers through on-site technical assistance via local partnerships and annual First Steps 4K Teacher and Leadership academies will increase by 2% annually.
2021 Target = 2% increase (3,932)

Strategy 2.1.3: Expand reach by implementing a service delivery system that includes both programs that are intensive and targeted plus those that are light-touch and have a broader reach.

Measure 2.1.3.1: Of those entities that received discretionary grant funding from SC First Steps to expand service reach in underserved communities, 80% will reach their service targets annually.
2021 Target = 80%

Measure 2.1.3.2: Recruit 37 service-minded adults throughout targeted communities in SC to serve as AmeriCorps Members supporting local and state First Steps programs annually (through life of AmeriCorps grant).
2021 Target = 37

Strategy 2.1.6: Set benchmarks using disaggregated data to track progress in reducing disparities of specific target groups.

Measure 2.1.6.1: Reduce the racial/ethnic gap in kindergarten readiness: By 2025, the gap in the percentage of children who score at the highest level on the Kindergarten Readiness Assessment between white Kindergartners and Black/Hispanic Kindergartners will reduce by 1% each year to 15%.
2021 Target = 18%

Measure 2.1.6.2: More children arrive at kindergarten ready for success: By 2025, the percentage of children who score at the highest level on the Kindergarten Readiness Assessment will increase by 2% each year to 47%.
2021 Target = 41%

Strategy 4.1.2: By strengthening the Early Childhood Advisory Council and better communicating its role, position it to be a trusted source of advice for policymakers including the Governor and legislators.

Measure 4.1.2.1: Create a minimum of six ECAC newsletters per year highlighting news, emerging data and other actions associated with Council members and disseminate to a broad audience.

2021 Target = 6

Measure 4.1.2.2: Increase website traffic to scfirststeps.org and earlychildhoodsc.org by 5% annually.

2021 Target = 5% increase

Strategy 4.1.5: Develop and implement an ongoing process for communicating across the early childhood state system.

Measure 4.1.5.1: Enhance communication and understanding between South Carolina First Steps, its staff, local partnerships, 4K providers, and early childhood system stakeholders. Increase email newsletter audience engagement by 10%.

2021 Target = 10% increase

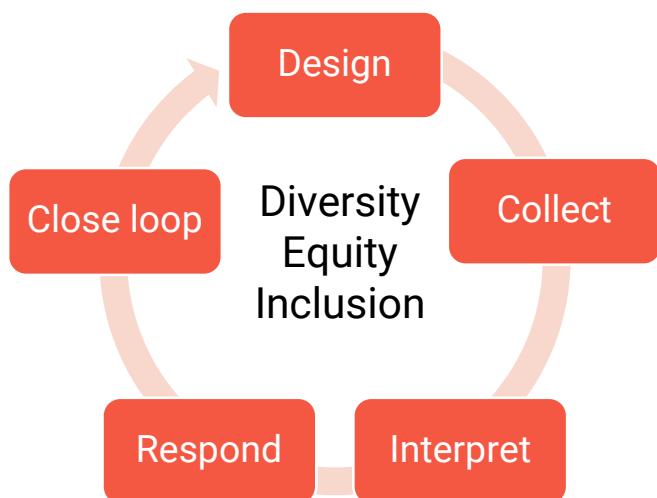
Measure 4.1.5.2: Grow SCFS and ECAC contact lists 10% annually.

2021 Target = 10% increase



INTEGRATING CLIENT FEEDBACK LOOPS INTO OUR CULTURE

L4G LOOP LIFECYCLE



EVERY CHILD READY

Strategy 2.5.1

- Implement a formal process for collecting feedback from program participants using a model piloted in other social service agencies nationally.

Strategy 4.4.1

- Actively and routinely engage families and participants in the early childhood state system in providing ongoing feedback and advise to agencies and policymakers based on their lived experiences and interactions with the system through the development and support of a formal avenues such as a Family Voice Council.

Strategy 4.4.2

- Create feedback loops to continuously inform the statewide early childhood needs assessment and strategic plan in collaboration with local First Steps partnerships through story collection and sharing, focus groups, and surveys of constituents.

OUR TEAM

Board of Trustees
Georgia, Mark, Beth, Betty

L4G Project Management/Administration
Chelsea and Future Part-Time Evaluation Coordinator

Local Partnerships

- Recipients of high-intensity programs
- **Debbie**, Dione, Tierra, Janice

4K

- Parents/ caregivers
- **Martha**, Sam

ECAC

- Family Voice Council
- **Cassie**, Laura, future 2-gen coordinator

10/23 at 2:30PM

Team debrief
[Zoom link](#)

10/26 at 2:00PM

Intro call with
L4G Coach
[Zoom link](#)



Part-time evaluation
coordinator position
[currently open](#)



SUGGESTED PROJECT PLAN AND TIMELINE

Average 6-month cycle

1

**SURVEY
DESIGN**
4-6 WEEKS

2

**SURVEY
ADMINISTRATION**
2-4 WEEKS

3

**INTERPRETING
RESULTS**
2-4 WEEKS

4

**RESPONDING TO
FEEDBACK**
2-6 WEEKS

5

**CLOSING
THE LOOP**
4-6 WEEKS

START

TASKS

6-8 weeks before
survey launch

Sign up for L4G web app

Read Step 1 overview on the L4G web app and plan project milestones

Download and draft survey in [Word](#) or [Google doc](#)

Align on survey goals and questions with key staff & schedule call with L4G coach

Program survey on the L4G web app Survey Builder; translate if needed

2-4 weeks before
survey launch

Read through Step 2 on the L4G web app and develop an [implementation plan](#)

Create survey collectors

Train staff/volunteers; review client talking points

Set up technology, if needed

Figure out response rate calculation plan

Survey Live / Data Collection

1 week after
survey close

Read through Step 3 on the L4G web app

Enter your response rates on the L4G web app

Review means and distributions in SurveyMonkey; compare to benchmarks

Segment data by demographics + site

Code and analyze qualitative data

Identify key themes: areas for celebration and improvement

2-4 weeks after
survey close

Read through Step 4 on the L4G web app

Created a report to share survey results with staff (can use our Report Builder or [PPT template](#))

At internal meetings, review feedback and prioritize areas for improvement

Create an [action plan](#) to start making changes! Start with low hanging fruit

4-8 weeks after
survey close

Read through Step 5 on the L4G web app and review closing the loop examples that might work for your organization

Craft messages for clients – keep it short and relevant

Determine communication channel that works best - leverage existing methods and forums!

Plan for next feedback cycle

DON'T
MOVE ON
UNTIL YOU:

Have spoken with L4G coach on survey design and completed the Survey Builder



Mapped out implementation plan



Scheduled a call with an L4G coach to review results



Have shared your findings internally and created an action plan for making changes



Have closed the loop and discussed next feedback cycle with an L4G coach

Q3 FY21

Q4 FY21

Q1 FY22

Q2 FY22

Q3 FY22

Q4 FY22

Loop 1: Local Partnerships

Loop 2: 4K

Loop 3: ECAC

Loop 4: Local Partnerships

Agency Name:	First Steps		
Agency Code:	H620	Section:	1



Fiscal Year FY 2021-2022

Agency Budget Plan

FORM A - BUDGET PLAN SUMMARY

OPERATING REQUESTS <i>(FORM B1)</i>	For FY 2021-2022, my agency is (mark "X"):	
	<input checked="" type="checkbox"/>	Requesting General Fund Appropriations.
	<input checked="" type="checkbox"/>	Requesting Federal/Other Authorization.
	<input type="checkbox"/>	Not requesting any changes.
NON-RECURRING REQUESTS <i>(FORM B2)</i>	For FY 2021-2022, my agency is (mark "X"):	
	<input type="checkbox"/>	Requesting Non-Recurring Appropriations.
	<input type="checkbox"/>	Requesting Non-Recurring Federal/Other Authorization.
	<input checked="" type="checkbox"/>	Not requesting any changes.
CAPITAL REQUESTS <i>(FORM C)</i>	For FY 2021-2022, my agency is (mark "X"):	
	<input type="checkbox"/>	Requesting funding for Capital Projects.
	<input checked="" type="checkbox"/>	Not requesting any changes.
PROVISOS <i>(FORM D)</i>	For FY 2021-2022, my agency is (mark "X"):	
	<input checked="" type="checkbox"/>	Requesting a new proviso and/or substantive changes to existing provisos.
	<input type="checkbox"/>	Only requesting technical proviso changes (such as date references).
	<input type="checkbox"/>	Not requesting any proviso changes.

Please identify your agency's preferred contacts for this year's budget process.

	<u>Name</u>	<u>Phone</u>	<u>Email</u>
PRIMARY CONTACT: SECONDARY CONTACT:	Mark Barnes	(803) 734-8079	MBarnes@scfirststeps.org
	Georgia Mjartan	(803) 734-0391	GMjartan@scfirststeps.org

I have reviewed and approved the enclosed FY 2021-2022 Agency Budget Plan, which is complete and accurate to the extent of my knowledge.

	<u>Agency Director</u>	<u>Board or Commission Chair</u>
SIGN/DATE:		
TYPE/PRINT NAME:		

This form must be signed by the agency head – not a delegate.

Agency Name:	First Steps
Agency Code:	H620
Section:	1

BUDGET REQUESTS			FUNDING					FTES				
Priority	Request Type	Request Title	State	Federal	Earmarked	Restricted	Total	State	Federal	Earmarked	Restricted	Total
1	B1 - Recurring	Full Day 4K (CDEPP)	10,215,935	0	0	0	10,215,935	4.00	0.00	0.00	0.00	4.00
2	B1 - Recurring	First Steps Outcomes and Accountability Data System	142,448	0	0	0	142,448	1.00	0.00	0.00	0.00	1.00
3	B1 - Recurring	Permanent FTE Request	0	0	0	0	0	2.00	0.00	0.00	0.00	2.00
TOTALS			10,358,383	0	0	0	10,358,383	7.00	0.00	0.00	0.00	7.00

Agency Name:	First Steps		
Agency Code:	H620	Section:	1

FORM B1 – RECURRING OPERATING REQUEST

AGENCY PRIORITY	1
----------------------------	---

Provide the Agency Priority Ranking from the Executive Summary.

TITLE	Full Day 4K (CDEPP)
--------------	---------------------

Provide a brief, descriptive title for this request.

AMOUNT	<p>General: \$10,215,935</p> <p>Federal: \$0</p> <p>Other: \$0</p> <p>Total: \$10,215,935</p>
---------------	---

What is the net change in requested appropriations for FY 2021-2022? This amount should correspond to the total for all funding sources on the Executive Summary.

NEW POSITIONS	4.00
----------------------	------

Please provide the total number of new positions needed for this request.

FACTORS ASSOCIATED WITH THE REQUEST	<p>Mark "X" for all that apply:</p> <table style="width: 100%;"> <tr><td style="width: 5%; text-align: center;"><input checked="" type="checkbox"/></td><td>Change in cost of providing current services to existing program audience</td></tr> <tr><td style="text-align: center;"><input checked="" type="checkbox"/></td><td>Change in case load/enrollment under existing program guidelines</td></tr> <tr><td style="text-align: center;"><input checked="" type="checkbox"/></td><td>Non-mandated change in eligibility/enrollment for existing program</td></tr> <tr><td style="text-align: center;"><input type="checkbox"/></td><td>Non-mandated program change in service levels or areas</td></tr> <tr><td style="text-align: center;"><input type="checkbox"/></td><td>Proposed establishment of a new program or initiative</td></tr> <tr><td style="text-align: center;"><input type="checkbox"/></td><td>Loss of federal or other external financial support for existing program</td></tr> <tr><td style="text-align: center;"><input checked="" type="checkbox"/></td><td>Exhaustion of fund balances previously used to support program</td></tr> <tr><td style="text-align: center;"><input type="checkbox"/></td><td>IT Technology/Security related</td></tr> <tr><td style="text-align: center;"><input type="checkbox"/></td><td>Consulted DTO during development</td></tr> <tr><td style="text-align: center;"><input type="checkbox"/></td><td>Related to a Non-Recurring request – If so, Priority #</td></tr> </table>	<input checked="" type="checkbox"/>	Change in cost of providing current services to existing program audience	<input checked="" type="checkbox"/>	Change in case load/enrollment under existing program guidelines	<input checked="" type="checkbox"/>	Non-mandated change in eligibility/enrollment for existing program	<input type="checkbox"/>	Non-mandated program change in service levels or areas	<input type="checkbox"/>	Proposed establishment of a new program or initiative	<input type="checkbox"/>	Loss of federal or other external financial support for existing program	<input checked="" type="checkbox"/>	Exhaustion of fund balances previously used to support program	<input type="checkbox"/>	IT Technology/Security related	<input type="checkbox"/>	Consulted DTO during development	<input type="checkbox"/>	Related to a Non-Recurring request – If so, Priority #
<input checked="" type="checkbox"/>	Change in cost of providing current services to existing program audience																				
<input checked="" type="checkbox"/>	Change in case load/enrollment under existing program guidelines																				
<input checked="" type="checkbox"/>	Non-mandated change in eligibility/enrollment for existing program																				
<input type="checkbox"/>	Non-mandated program change in service levels or areas																				
<input type="checkbox"/>	Proposed establishment of a new program or initiative																				
<input type="checkbox"/>	Loss of federal or other external financial support for existing program																				
<input checked="" type="checkbox"/>	Exhaustion of fund balances previously used to support program																				
<input type="checkbox"/>	IT Technology/Security related																				
<input type="checkbox"/>	Consulted DTO during development																				
<input type="checkbox"/>	Related to a Non-Recurring request – If so, Priority #																				

STATEWIDE ENTERPRISE STRATEGIC OBJECTIVES	<p>Mark "X" for primary applicable Statewide Enterprise Strategic Objective:</p> <table style="width: 100%;"> <tr><td style="width: 5%; text-align: center;"><input checked="" type="checkbox"/></td><td>Education, Training, and Human Development</td></tr> <tr><td style="text-align: center;"><input type="checkbox"/></td><td>Healthy and Safe Families</td></tr> <tr><td style="text-align: center;"><input type="checkbox"/></td><td>Maintaining Safety, Integrity, and Security</td></tr> <tr><td style="text-align: center;"><input type="checkbox"/></td><td>Public Infrastructure and Economic Development</td></tr> <tr><td style="text-align: center;"><input type="checkbox"/></td><td>Government and Citizens</td></tr> </table>	<input checked="" type="checkbox"/>	Education, Training, and Human Development	<input type="checkbox"/>	Healthy and Safe Families	<input type="checkbox"/>	Maintaining Safety, Integrity, and Security	<input type="checkbox"/>	Public Infrastructure and Economic Development	<input type="checkbox"/>	Government and Citizens
<input checked="" type="checkbox"/>	Education, Training, and Human Development										
<input type="checkbox"/>	Healthy and Safe Families										
<input type="checkbox"/>	Maintaining Safety, Integrity, and Security										
<input type="checkbox"/>	Public Infrastructure and Economic Development										
<input type="checkbox"/>	Government and Citizens										

ACCOUNTABILITY OF FUNDS	<p>This funding supports the following strategies: 1.1.1, 1.2.1 (all), 1.3.1, 2.1 (all), 2.2 (all), 3.1.2, 3.1.2, 3.1.3, 3.2 (all), 4.1.1. The first part of Funding would cover the cost of providing the number of students we served in the FY2019-20 fiscal year. These funds would cover the cost of tuition for the children to be served and would ensure that we are not required to reduce the number of children served. These services are evaluated annually by multiple assessments including pre and post services, as well as the Kindergarten Readiness Assessment, annual Education Oversight Committee evaluations, and regular 3rd party independent program evaluations.</p>
------------------------------------	---

What specific strategy, as outlined in the most recent Strategic Planning and Performance Measurement template of agency's accountability report, does this funding request support? How would this request advance that strategy? How would the use of these funds be evaluated?

RECIPIENTS OF	<p>Funds would be distributed based on current statutes and provisos as well as SC First Steps 4K operating policies. Rates are established in proviso and paid to Child Care contractors that meet the SC First Steps program operating policies and quality</p>
----------------------	---

FUNDS

standards. SC First Steps would need 3 additional Education Associates and 1 Administrative Coordinator in order to support, train, monitor and develop the additional contractors and teachers necessary to meet the objectives in this request.

What individuals or entities would receive these funds (contractors, vendors, grantees, individual beneficiaries, etc.)? How would these funds be allocated – using an existing formula, through a competitive process, based upon predetermined eligibility criteria?

JUSTIFICATION OF REQUEST

SC First Steps, through the CERDEP Program, provides eligible children with free, quality, curriculum-based, full day 4-year-old kindergarten in licensed child care centers. \$4,388,383 in additional funds are needed to ensure that current (2019 – 2020) enrollment numbers are not cut, as now-depleted carry-forward funds had previously covered a significant share of student enrollment. SC First Steps has grown the First Steps 4K CERDEP program significantly over the last several years to over 2,600 students using recurring and one-time funding. If these recurring funds are not appropriated, the agency will be forced to reduce services by 700 children. Our program cash carryforward was reduced to approximately \$300,000 on June 30, 2020, after adjusting for carry-forward commitments.

\$678,800 is requested to increase the tuition reimbursement rate from its current \$4,600 per child to \$4,800 per child. A 2018 Rand Corporation Study commissioned by the EOC reported that child care centers' "true cost" for providing First Steps 4K is \$7000, but only \$4600 per student is reimbursed by the state. The child care centers that provide Full Day 4K are financially struggling to survive now more than ever, having experienced lower enrollment during COVID and years of reimbursement rates that are insufficient to cover their true costs. They can no longer "float" this difference, and as a result, centers are closings or declining to take First Steps 4K students. It is critical to increase the reimbursement amount from \$4,600 to \$4,800 per student per year to help the centers come closer to getting the full cost of providing this program in their center.

\$5,148,752 is requested to implement the first of a three-year effort to expand the Full-Day 4K Program statewide. This would allow SC First Steps to start statewide expansion to 33% of the remaining parts of the state and cover the costs of almost 600 of the remaining estimated 1,778 students in the state. This would include funding for all operational categories of expenses necessary to accomplish the expansion. \$4 million would be paid in tuition, \$38,000 in transportation, \$536,775 in classroom grants for fixtures and supplies, with the remainder going to other operating costs.

This brings the total requested to \$10,215,935.

Please thoroughly explain the request to include the justification for funds, potential offsets, matching funds, and method of calculation. Please include any explanation of impact if funds are not received. If new positions have been requested, explain why existing vacancies are not sufficient.

Agency Name:	First Steps		
Agency Code:	H620	Section:	1

FORM B1 – RECURRING OPERATING REQUEST

AGENCY PRIORITY	2
----------------------------	---

Provide the Agency Priority Ranking from the Executive Summary.

TITLE	First Steps Outcomes and Accountability Data System
--------------	---

Provide a brief, descriptive title for this request.

AMOUNT	General: \$142,448 Federal: \$0 Other: \$0 Total: \$142,448
---------------	--

What is the net change in requested appropriations for FY 2021-2022? This amount should correspond to the total for all funding sources on the Executive Summary.

NEW POSITIONS	1.00
----------------------	------

Please provide the total number of new positions needed for this request.

FACTORS ASSOCIATED WITH THE REQUEST	Mark “X” for all that apply:	
	<input checked="" type="checkbox"/>	Change in cost of providing current services to existing program audience
	<input type="checkbox"/>	Change in case load/enrollment under existing program guidelines
	<input type="checkbox"/>	Non-mandated change in eligibility/enrollment for existing program
	<input type="checkbox"/>	Non-mandated program change in service levels or areas
	<input type="checkbox"/>	Proposed establishment of a new program or initiative
	<input type="checkbox"/>	Loss of federal or other external financial support for existing program
	<input type="checkbox"/>	Exhaustion of fund balances previously used to support program
	<input checked="" type="checkbox"/>	IT Technology/Security related
	<input type="checkbox"/>	Consulted DTO during development
<input type="checkbox"/>	Related to a Non-Recurring request – If so, Priority #	

STATEWIDE ENTERPRISE STRATEGIC OBJECTIVES	Mark “X” for primary applicable Statewide Enterprise Strategic Objective:	
	<input checked="" type="checkbox"/>	Education, Training, and Human Development
	<input type="checkbox"/>	Healthy and Safe Families
	<input type="checkbox"/>	Maintaining Safety, Integrity, and Security
	<input type="checkbox"/>	Public Infrastructure and Economic Development
	<input type="checkbox"/>	Government and Citizens

ACCOUNTABILITY OF FUNDS	<p>All agency strategies. This request would help meet all of the objectives in our accountability report. First Steps currently makes use of multiple data collection platforms, the most prominent of which is badly outdated and not well-suited meet the agency’s own accountability goals. An updated accountability data system will allow us to comprehensively capture and report critical data including unduplicated clients served and outcomes and will create the capacity for SC First Steps data to be integrated with other data sets for longitudinal tracking. It will also support First Steps in meeting significant new reporting requirements established in statute.</p>
------------------------------------	---

What specific strategy, as outlined in the most recent Strategic Planning and Performance Measurement template of agency’s accountability report, does this funding request support? How would this request advance that strategy? How would the use of these funds be evaluated?

RECIPIENTS OF	<p>These recurring funds would be used to contract for the ongoing maintenance and license fees associated with the new data system (to be procured through a competitive state procurement process). They would also be used to fund 1 FTE</p>
----------------------	---

FUNDS	<p>charged with managing and monitoring the system and associated data needs.</p>
	<p><i>What individuals or entities would receive these funds (contractors, vendors, grantees, individual beneficiaries, etc.)? How would these funds be allocated – using an existing formula, through a competitive process, based upon predetermined eligibility criteria?</i></p>
JUSTIFICATION OF REQUEST	<p>This request is for the recurring cost of maintaining/licensing and utilizing a comprehensive accountability data system. First Steps’ current partnership data system was originally created 19 years ago and is in urgent need of updating. During the last year, SC First Steps, in conjunction with the Department of Social Services, has obtained federal funding to begin the procurement of the new data system. These recurring costs were not included in the federal funding.</p> <p>This request will support First Steps in meeting multiple statutory requirements, including Section 59-152-50, item 7, which requires the agency to provide for ongoing data collection and Section 59-125-160, which requires First Steps to provide evaluations of each prevalent program investment using valid and reliable measures.</p> <p>This data system will support First Steps in documenting, monitoring, and reporting across its broad spectrum of program investments. During the 2017 legislative session, the General Assembly passed H.3969 which would require a new longitudinal data system for children and education. This system is necessary to collect the data needed for the state system.</p> <p>The funds being requested would cover the cost of recurring maintenance, licensing fees, and 1 FTE – a Research and Planning Administrator, \$65,000 plus fringe, for this joint system to be used by multiple SC First Steps programs. We are working with DTO and DIS with all of our data systems and they are currently under contract with SC First Steps. This was included in the request for our IT Plan for 2020-21. Currently, the organization has no position that can meet this need.</p>
	<p><i>Please thoroughly explain the request to include the justification for funds, potential offsets, matching funds, and method of calculation. Please include any explanation of impact if funds are not received. If new positions have been requested, explain why existing vacancies are not sufficient.</i></p>

Agency Name:	First Steps		
Agency Code:	H620	Section:	1

FORM B1 – RECURRING OPERATING REQUEST

AGENCY PRIORITY	3
----------------------------	----------

Provide the Agency Priority Ranking from the Executive Summary.

TITLE	Permanent FTE Request
--------------	------------------------------

Provide a brief, descriptive title for this request.

AMOUNT	General: \$0 Federal: \$0 Other: \$0 Total: \$0
---------------	--

What is the net change in requested appropriations for FY 2021-2022? This amount should correspond to the total for all funding sources on the Executive Summary.

NEW POSITIONS	2.00
----------------------	-------------

Please provide the total number of new positions needed for this request.

FACTORS ASSOCIATED WITH THE REQUEST	Mark “X” for all that apply: <table style="width: 100%;"> <tr><td><input type="checkbox"/></td><td>Change in cost of providing current services to existing program audience</td></tr> <tr><td><input checked="" type="checkbox"/></td><td>Change in case load/enrollment under existing program guidelines</td></tr> <tr><td><input type="checkbox"/></td><td>Non-mandated change in eligibility/enrollment for existing program</td></tr> <tr><td><input type="checkbox"/></td><td>Non-mandated program change in service levels or areas</td></tr> <tr><td><input type="checkbox"/></td><td>Proposed establishment of a new program or initiative</td></tr> <tr><td><input type="checkbox"/></td><td>Loss of federal or other external financial support for existing program</td></tr> <tr><td><input type="checkbox"/></td><td>Exhaustion of fund balances previously used to support program</td></tr> <tr><td><input type="checkbox"/></td><td>IT Technology/Security related</td></tr> <tr><td><input type="checkbox"/></td><td>Consulted DTO during development</td></tr> <tr><td><input type="checkbox"/></td><td>Related to a Non-Recurring request – If so, Priority #</td></tr> </table>	<input type="checkbox"/>	Change in cost of providing current services to existing program audience	<input checked="" type="checkbox"/>	Change in case load/enrollment under existing program guidelines	<input type="checkbox"/>	Non-mandated change in eligibility/enrollment for existing program	<input type="checkbox"/>	Non-mandated program change in service levels or areas	<input type="checkbox"/>	Proposed establishment of a new program or initiative	<input type="checkbox"/>	Loss of federal or other external financial support for existing program	<input type="checkbox"/>	Exhaustion of fund balances previously used to support program	<input type="checkbox"/>	IT Technology/Security related	<input type="checkbox"/>	Consulted DTO during development	<input type="checkbox"/>	Related to a Non-Recurring request – If so, Priority #
<input type="checkbox"/>	Change in cost of providing current services to existing program audience																				
<input checked="" type="checkbox"/>	Change in case load/enrollment under existing program guidelines																				
<input type="checkbox"/>	Non-mandated change in eligibility/enrollment for existing program																				
<input type="checkbox"/>	Non-mandated program change in service levels or areas																				
<input type="checkbox"/>	Proposed establishment of a new program or initiative																				
<input type="checkbox"/>	Loss of federal or other external financial support for existing program																				
<input type="checkbox"/>	Exhaustion of fund balances previously used to support program																				
<input type="checkbox"/>	IT Technology/Security related																				
<input type="checkbox"/>	Consulted DTO during development																				
<input type="checkbox"/>	Related to a Non-Recurring request – If so, Priority #																				

STATEWIDE ENTERPRISE STRATEGIC OBJECTIVES	Mark “X” for primary applicable Statewide Enterprise Strategic Objective: <table style="width: 100%;"> <tr><td><input checked="" type="checkbox"/></td><td>Education, Training, and Human Development</td></tr> <tr><td><input type="checkbox"/></td><td>Healthy and Safe Families</td></tr> <tr><td><input type="checkbox"/></td><td>Maintaining Safety, Integrity, and Security</td></tr> <tr><td><input type="checkbox"/></td><td>Public Infrastructure and Economic Development</td></tr> <tr><td><input type="checkbox"/></td><td>Government and Citizens</td></tr> </table>	<input checked="" type="checkbox"/>	Education, Training, and Human Development	<input type="checkbox"/>	Healthy and Safe Families	<input type="checkbox"/>	Maintaining Safety, Integrity, and Security	<input type="checkbox"/>	Public Infrastructure and Economic Development	<input type="checkbox"/>	Government and Citizens
<input checked="" type="checkbox"/>	Education, Training, and Human Development										
<input type="checkbox"/>	Healthy and Safe Families										
<input type="checkbox"/>	Maintaining Safety, Integrity, and Security										
<input type="checkbox"/>	Public Infrastructure and Economic Development										
<input type="checkbox"/>	Government and Citizens										

ACCOUNTABILITY OF FUNDS	No funds are requested.
------------------------------------	--------------------------------

What specific strategy, as outlined in the most recent Strategic Planning and Performance Measurement template of agency’s accountability report, does this funding request support? How would this request advance that strategy? How would the use of these funds be evaluated?

RECIPIENTS OF	No Funds are requested. This request is for two permanent FTE's to be funded from existing SC First Steps funds.
----------------------	---

FUNDS

What individuals or entities would receive these funds (contractors, vendors, grantees, individual beneficiaries, etc.)? How would these funds be allocated – using an existing formula, through a competitive process, based upon predetermined eligibility criteria?

**JUSTIFICATION OF
REQUEST**

Request is for two FTE's. SC First Steps received over \$4 million in annual additional federal and private funds in the last few months, which has enabled the agency to greatly expand existing programs and serve more children and families. This has created a internal capacity challenge for the agency that would be addressed with the additional FTE's. Both of which would be classified as Accountant Fiscal Analyst III. One would be to support the increase in activity for the Local Partnerships, and the second would be to provide Grant Accounting and Reporting for the agency. The agency has recurring funds to support these costs.

Please thoroughly explain the request to include the justification for funds, potential offsets, matching funds, and method of calculation. Please include any explanation of impact if funds are not received. If new positions have been requested, explain why existing vacancies are not sufficient.

Agency Name:	First Steps		
Agency Code:	H620	Section:	1

FORM D – PROVISO REVISION REQUEST

NUMBER	1.56&1A.29
---------------	------------

Cite the proviso according to the renumbered list (or mark "NEW").

TITLE	SDE: Full-Day 4K & SDE-EIA: Full-Day 4K
--------------	---

Provide the title from the renumbered list or suggest a short title for any new request.

BUDGET PROGRAM	Sec. 1, VIII. Education Improvement Act, I. First Steps to School Readiness, Sec. 1, XII First Steps to School Readiness, Sec. 1, XIII Employee Benefits
-----------------------	--

Identify the associated budget program(s) by name and budget section.

RELATED BUDGET REQUEST	Yes, Full Day 4K (CDEPP)
-------------------------------	--------------------------

Is this request associated with a budget request you have submitted for FY 2021-2022? If so, cite it here.

REQUESTED ACTION	Amend
-------------------------	-------

Choose from: Add, Delete, Amend, or Codify.

OTHER AGENCIES AFFECTED	State Department of Education
--------------------------------	-------------------------------

Which other agencies would be affected by the recommended action? How?

SUMMARY & EXPLANATION	<p>These two provisos provide annual funding levels and geography for the CDEPP program, the proviso is contained in both General Funds and Education Improvement Act Funding sections of the budget bill and they should contain the same wording.</p> <p>The statutes require an annual increase in the tuition amount based on an inflation factor but there is no expected increase in inflation for FY 2021-21.</p> <p>This proviso change would increase the tuition reimbursement rate from its current \$4,600 per child to \$4,800 per child. A 2018 Rand Corporation Study commissioned by the EOC reported that child care centers' "true cost" for providing First Steps 4K is \$7000, but only \$4600 per student is reimbursed by the state. The child care centers that provide Full Day 4K are financially struggling to survive now more than ever, having experienced lower enrollment during COVID and years of reimbursement rates that are insufficient to cover their true costs. They can no longer "float" this difference, and as a result, centers are closings or declining to take First Steps 4K students. It is critical to increase the reimbursement amount from \$4,600 to \$4,800 per student per year to help the centers come closer to getting the full cost of providing this program in their center. The amount paid to centers has been increased four times since the inception of the program in 2006, contrary to state statutes which call for an annual increase.</p> <p>In addition, the language related to the prior school year is amended to say the current school year.</p>
----------------------------------	--

Summarize the existing proviso. If requesting a new proviso, describe the current state of affairs without it. Explain the need for your requested action. For deletion requests due to recent codification, please identify SC Code section where language now appears.

FISCAL IMPACT

The \$200 in additional cost per child for the tuition reimbursements for SC First Steps would be \$678,800 based on the total cost of tuition for 2019-20 and for the number of children participating in the program for that most recent full year.

Provide estimates of any fiscal impacts associated with this proviso, whether for state, federal, or other funds. Explain the method of calculation.

PROPOSED PROVISO TEXT

(SDE: Full-Day 4K) Eligible students residing in a school district that met the poverty level for participation in the ~~prior~~ current school year are eligible to participate in the South Carolina Early Reading Development and Education Program ~~in the current school year~~. Public and private providers shall be funded for instructional costs at a rate of ~~\$4,600~~ **\$4,800** per student enrolled. Eligible students enrolling during the school year or withdrawing during the school year shall be funded on a pro rata basis determined by the length of their enrollment. Private providers transporting eligible children to and from school shall also be eligible for a reimbursement of \$574 per eligible child transported. All providers who are reimbursed are required to retain records as required by their fiscal agent. New providers participating for the first time in the current fiscal year and enrolling between one and six eligible children shall be eligible to receive up to \$1,000 per child in materials and equipment funding, with providers enrolling seven or more such children eligible for funding not to exceed \$10,000. Providers receiving equipment funding are expected to participate in the program and provide high-quality, center-based programs as defined herein for a minimum of three years. Failure to participate for three years will require the provider to return a portion of the equipment allocation at a level determined by the Department of Education and the Office of First Steps to School Readiness. Funding to providers is contingent upon receipt of data as requested by the Department of Education and the Office of First Steps. The Department of Education shall only provide funding for public school students whose complete records have been entered into PowerSchool based on the one hundred and thirty-five day student average daily membership. For the current fiscal year, providers may enroll pay-lunch children who score at or below the twenty-fifth national percentile on two of the three DIAL-3 subscales by July 1 if at least seventy-five percent of the total number of children eligible or the Child Early Reading Development and Education Program in a district or county are projected to be enrolled in that program, Head Start, or ABC Child Care Program as determined by the Department of Education and the Office of First Steps, Child Early Reading Development and Education Program. Providers may receive reimbursement for these children if funds are available.

Annually, the Department of Education is directed to audit the annual allocations to public providers to ensure that allocations are accurate and aligned to the appropriate pro rata per student allocation, materials, and equipment funding. In the event the department, during the audit process determines that the annual allocations of the prior fiscal year are not accurate, the department must adjust the allocations for the current fiscal year to account for the audit findings. The department must provide the results of the annual audit findings to the General Assembly no later than December first. Likewise, in the event the Office of First Steps determines that the annual allocations of the prior fiscal year to private providers are not accurate, the Office of First Steps must adjust the allocations for the current fiscal year to account for the findings.

Of the funds appropriated, \$300,000 shall be allocated to the Education Oversight Committee to conduct an annual evaluation of the South Carolina Child Development Education Pilot Program and to issue findings in a report to the General Assembly by January fifteenth of each year. To aid in this evaluation, the Education Oversight Committee shall determine the data necessary and both public and private providers are required to submit the necessary ⁷²data as a condition of continued participation in and funding of the program. This data shall include developmentally appropriate measures of student progress. Additionally, the Department of Education shall issue a unique student identifier for each child receiving services from a private provider. The Department of

Education shall be responsible for the collection and maintenance of data on the public state funded full day and half-day four-year-old kindergarten programs. The Office of First Steps to School Readiness shall be responsible for the collection and maintenance of data on the state funded programs provided through private providers. The Education Oversight Committee shall use this data and all other collected and maintained data necessary to conduct a research based review of the program's implementation and assessment of student success in the early elementary grades along with information, recommendations, and a timeline for how the state can increase the number of students served in high-quality programs.

Paste existing text above, then bold and underline insertions and strikethrough deletions. For new proviso requests, enter requested text above.

Agency Name:	First Steps		
Agency Code:	H620	Section:	1

FORM D – PROVISO REVISION REQUEST

NUMBER	1.68&1A.56 <i>Cite the proviso according to the renumbered list (or mark "NEW").</i>
---------------	---

TITLE	SDE: CDEPP Unexpended Funds & SDE EIA: CDEPP Unexpended Funds <i>Provide the title from the renumbered list or suggest a short title for any new request.</i>
--------------	--

BUDGET PROGRAM	Sec. 1, VIII. Education Improvement Act, I. First Steps to School Readiness, Sec. 1, XII First Steps to School Readiness, Sec. 1, XIII Employee Benefits <i>Identify the associated budget program(s) by name and budget section.</i>
-----------------------	--

RELATED BUDGET REQUEST	Yes: Full-Day 4K (CDEPP) <i>Is this request associated with a budget request you have submitted for FY 2021-2022? If so, cite it here.</i>
-------------------------------	---

REQUESTED ACTION	Amend <i>Choose from: Add, Delete, Amend, or Codify.</i>
-------------------------	---

OTHER AGENCIES AFFECTED	State Department of Education <i>Which other agencies would be affected by the recommended action? How?</i>
--------------------------------	--

SUMMARY & EXPLANATION	<p>These two Provisos direct the use of 4K unexpended funds at SC First Steps and should contain the same wording.</p> <p>Requested changes include an elimination of \$1 million to be transferred to the Education Oversight Committee. SC First Steps eliminated its cash carry forward in the 4K Program at the end of SFY 2019-20 due to additional services to children and their related expenditures. The EOC supports this request.</p> <p>Requested change replaces a fiscal year reference with "the current fiscal year" to prevent the need to amend this proviso annually.</p> <p>In addition, the SC First Steps requested changes will allow us to continue to improve the quality of services to eligible children, based on its level of funding, by increasing the payment to high quality centers. In addition to centers rated high quality by the ABC Quality System, national accreditation by the National Association for the Education of Young Children will also be used as an indicator for high quality.</p> <p>The limitation of \$1 million is being increased to \$1.4 million for high quality centers. In addition, SC First Steps can use any source of funds, not just carryforward, if they are available, to cover these costs. This will be important as SC First Steps increases the number of children served in these centers.</p>
----------------------------------	---

Summarize the existing proviso. If requesting a new proviso, describe the current state of affairs without it. Explain the need for your requested action. For deletion requests due to recent codification, please identify SC Code section where language now appears.

FISCAL IMPACT

The initial Fiscal Impact would include a reduction of \$1 million in transfers to the Education Oversight Committee. The increase in Fiscal impact may be as much as \$400,000 for Quality Improvement. This request is associated with the recurring increase for Full-Day 4K requested in this budget packet. The net effect of these changes should result in a decrease in expenditures of \$600,000.

Provide estimates of any fiscal impacts associated with this proviso, whether for state, federal, or other funds. Explain the method of calculation.

PROPOSED PROVISO TEXT

1.68. (SDE: CDEPP Unexpended Funds) For the current Fiscal Year ~~2019-20~~, the Office of First Steps to School Readiness is permitted to use ~~retain the first \$1,000,000~~ \$1,400,000 of ~~any unexpended~~ CDEPP funds of the prior fiscal year and expend these funds to enhance the quality of the full-day 4K program in private centers and provide professional development opportunities. ~~By August first, the Office of First Steps is directed to allocate any additional unexpended CDEPP funds from the prior fiscal year and any CDEPP funds carried forward from prior fiscal years that were transferred to the restricted account for the following purpose: Education Oversight Committee - \$1,000,000 for the South Carolina Community Block Grants for Education Pilot Program.~~

~~If carry forward funds are less than the amounts appropriated, funding for the items listed herein shall be reduced on a pro rata basis.~~

If by August first, the Department of Education or the Office of First Steps determines there will be funds available, funds shall be allocated on a per pupil basis for districts eligible for participation first, who have a documented waiting list, and funded an extended program per this proviso in the prior school year, then to districts to increase the length of the program to a maximum of eight and a half hours per day or two hundred and twenty days per year or to fund summer programs. The department and the Office of First Steps are authorized to target funds to ensure that the schools in which more than one third of third graders scored "Does Not Meet Expectations" on the state English/language arts assessment are serving all eligible four year olds. By August 1, the Department of Education and the Office of First Steps must collect the documented waiting lists and determine a process to notify parents of eligible students of available slots in all approved providers. If a district chooses to fund summer enrollment the program funding shall conform to the funding in this act for full year programs, however shall be reduced on a pro rata basis to conform with the length of the program. A summer program shall be no more than eight and a half hours per day and shall be not more than ten weeks in length. The per pupil allocation and classroom grant must conform with the appropriated amount contained in this Act and end of year adjustments shall be based on the one hundred and thirty five day student average daily membership or later student average daily membership for districts choosing to extend the program past one hundred and eighty days. Funds may also be used to provide parent engagement, professional development and quality evaluations of programs.

For the current Fiscal Year ~~2019-20~~, the Office of First Steps may pilot a program to provide higher reimbursement rates to high quality centers in order to increase the numbers of First Steps participants. ~~Utilizing up to \$1,000,000 of carry forward funding, t~~ The reimbursement rate for students enrolled by private providers rated B or higher in the ABC Quality System operated by the Department of Social Services or has National Association for the Education of Young Children (NAEYC) Accreditation may be increased by up to 10% of the per-student base following guidelines developed by the Office of First Steps.

No later than April first, the Department of Education and the Office of First Steps must report to the Chairman of the Senate Finance Committee and the Chairman of the House Ways and Means Committee on the expenditure of these funds to include the following information: the amount of money used and specific steps and measures taken to enhance the quality of the 4K program and the amount of money used for professional development as well as the types of professional development offered and the number of

participants.

Paste existing text above, then bold and underline insertions and strikethrough deletions. For new proviso requests, enter requested text above.

Agency Name:	First Steps		
Agency Code:	H620	Section:	1

FORM D – PROVISO REVISION REQUEST

NUMBER	1.73
---------------	------

Cite the proviso according to the renumbered list (or mark "NEW").

TITLE	SDE: Military Child Care Centers
--------------	----------------------------------

Provide the title from the renumbered list or suggest a short title for any new request.

BUDGET PROGRAM	Sec. 1, VIII. Education Improvement Act, I. First Steps to School Readiness, Sec. 1, XII First Steps to School Readiness
-----------------------	--

Identify the associated budget program(s) by name and budget section.

RELATED BUDGET REQUEST	No
-------------------------------	----

Is this request associated with a budget request you have submitted for FY 2021-2022? If so, cite it here.

REQUESTED ACTION	Amend
-------------------------	-------

Choose from: Add, Delete, Amend, or Codify.

OTHER AGENCIES AFFECTED	None
--------------------------------	------

Which other agencies would be affected by the recommended action? How?

SUMMARY & EXPLANATION	<p>Proviso allows SC First Steps to reimburse child care centers in military child care settings for CERDEP eligible children. Funds do not supplant federal funds. The requested change would allow facilities in school districts that are approved for the current year, not the previous year.</p>
----------------------------------	--

Summarize the existing proviso. If requesting a new proviso, describe the current state of affairs without it. Explain the need for your requested action. For deletion requests due to recent codification, please identify SC Code section where language now appears.

FISCAL IMPACT

Proviso allows for current CERDEP eligible children to receive instruction at military child care centers. There would be no increase in cost nor would these funds supplant any federal fund expenditures.

Provide estimates of any fiscal impacts associated with this proviso, whether for state, federal, or other funds. Explain the method of calculation.

PROPOSED PROVISO TEXT

1.73. (SDE: Military Child Care Centers) 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. State funds appropriated for use in military child care facilities must be used to expand service to CERDEP eligible children residing in school districts approved for participation ~~during the prior fiscal year~~ and may not be used to supplant any existing federal child care investment.

Paste existing text above, then bold and underline insertions and strikethrough deletions. For new proviso requests, enter requested text above.

Agency Name:	First Steps		
Agency Code:	H620	Section:	1

FORM D – PROVISO REVISION REQUEST

NUMBER	1.74
---------------	------

Cite the proviso according to the renumbered list (or mark "NEW").

TITLE	SDE: First Steps 4K Underserved Communities
--------------	---

Provide the title from the renumbered list or suggest a short title for any new request.

BUDGET PROGRAM	Sec. 1, VIII. Education Improvement Act, I. First Steps to School Readiness, Sec. 1, XII First Steps to School Readiness
-----------------------	--

Identify the associated budget program(s) by name and budget section.

RELATED BUDGET REQUEST	Yes: Full-Day 4K (CDEPP)
-------------------------------	--------------------------

Is this request associated with a budget request you have submitted for FY 2021-2022? If so, cite it here.

REQUESTED ACTION	Amend
-------------------------	-------

Choose from: Add, Delete, Amend, or Codify.

OTHER AGENCIES AFFECTED	None
--------------------------------	------

Which other agencies would be affected by the recommended action? How?

SUMMARY & EXPLANATION	<p>Proviso allows private providers to apply for up to \$30,000 in one-time supplemental funds to increase the number of children served by bringing themselves into compliance with licensing regulations, materials and staffing so they can provide 4K for children in underserved areas. In addition, the proviso allows services to be offered if providers provide services to multi-districts, and multi counties.</p> <p>Date of reporting needs to be changed to reflect the new budget year.</p> <p>One change is being requested to eliminate the words "Newly created or newly approved". This change would allow any child care center, whether currently a provider or not, to add additional classrooms, which in turn will increase the number of children served. This creates a fair opportunity for any provider to increase children served.</p> <p>We are also requesting to delete the words "during the most recent fiscal year." This will ensure that any currently eligible community or center can participate.</p> <p>In addition, we are requesting to remove the \$1 million in carryforward funds for private grants for public private partnerships. The carryforward balance for the 4K program has essentially been eliminated as of July 1, 2020.</p>
----------------------------------	--

Summarize the existing proviso. If requesting a new proviso, describe the current state of affairs without it. Explain the need for your requested action. For deletion requests due to recent codification, please identify SC Code section where language now appears.

FISCAL IMPACT

There is no fiscal impact with the change to this proviso.

Provide estimates of any fiscal impacts associated with this proviso, whether for state, federal, or other funds. Explain the method of calculation.

PROPOSED PROVISO TEXT

1.74. (SDE: First Steps 4K 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 eligible for participation ~~during the most recent fiscal year.~~ ~~Newly created and/or newly approved~~ Private providers proposing to expand service to ten or more CERDEP eligible children in communities unable to enroll all of eligible students in a public, private, or Head Start setting during the prior fiscal year, may apply for up to \$30,000 in one-time supplemental, needs-based incentives designed to address building renovations, documented as necessary to bring proposed classrooms into compliance with licensing regulations, materials and staffing costs, and/or other obstacles currently preventing their participation in the First Steps 4K program. The First Steps Board of Trustees shall develop and approve an application process that incorporates formal review and fiscal safeguards designed to ensure grant funds are used solely to address documented barriers to program participation. Providers receiving this one-time supplement are expected to participate in the program and provide high-quality, center-based programs as defined herein for a minimum of three years. Failure to participate for three years will require the provider to return a portion of the supplemental allocation at a level determined by the Office of First Steps to School Readiness. First Steps shall submit a report detailing its process, expenditures and expanded enrollment to the Chairman of the House Ways and Means Committee and the Chairman of the Senate Finance Committee by March 15, 2022.

For the current fiscal year ~~Fiscal Year 2019-20~~, the Office of First Steps may pilot a program to provide CERDEP services in underserved communities serving multi counties and multi-districts. 4K centers served by this pilot may provide CERDEP-funded services to eligible children from non-CERDEP districts but must also offer services to students from at least one school district eligible to participate in the CERDEP program. ~~Utilizing up to \$1,000,000 of carry-forward funding, First Steps may provide grants to participants in this pilot if they are public-private partnerships to address building renovations and designs necessary to get the building and classrooms into compliance with licensing regulations and other obstacles that prevent participation in the CERDEP program following guidelines developed by SC First Steps. Providers participating in this pilot are expected to participate in the program and provide high quality, center based programs as defined herein for a minimum of three years. Failure to participate for three years will require the provider to return a portion of the supplemental allocation at a level determined by the Office of First Steps to School Readiness.~~

Paste existing text above, then bold and underline insertions and strikethrough deletions. For new proviso requests, enter requested text above.

Agency Name:	First Steps		
Agency Code:	H620	Section:	1

FORM E – AGENCY COST SAVINGS AND GENERAL FUND REDUCTION CONTINGENCY PLAN

TITLE	Agency Cost Savings and General Fund Reduction Contingency Plan
--------------	---

AMOUNT	<p>\$195,868</p> <p><i>What is the General Fund 3% reduction amount? This amount should correspond to the reduction spreadsheet prepared by EBO.</i></p>
---------------	--

ASSOCIATED FTE REDUCTIONS	<p>No FTE's would be reduced. Any general fund reductions for staffing would be covered by other sources of funds.</p> <p><i>How many FTEs would be reduced in association with this General Fund reduction?</i></p>
----------------------------------	--

PROGRAM / ACTIVITY IMPACT	<p>The CDEPP (4K) Program would be the only program impacted by a potential 3% general fund reduction. The total amount would be \$195,646. This program provides full day funding for 4 year old kindergarten at private providers for children in low income families.</p> <p><i>What programs or activities are supported by the General Funds identified?</i></p>
--------------------------------------	---

SUMMARY	<p>3% of the total amount of General Funds received by the organization in SFY 2019-20 would be $\\$6,522,877 \times .03 = \\$195,686$. This consists of the following:</p> <p>Classified Positions \$ 2,029</p> <p>Employer Contrib. \$ 891</p> <p>CDEPP \$192,766</p> <p>Total \$195,686</p> <p>These funds are allocated for the CDEPP Program for children. This could reduce the number of children that are served in the program and could affect up to 42 children.</p>
----------------	--

Please provide a detailed summary of service delivery impact caused by a reduction in General Fund Appropriations and provide the method of calculation for anticipated reductions. Agencies should prioritize reduction in expenditures that have the least significant impact on service delivery.

AGENCY COST SAVINGS PLANS

The agency is constantly evaluating ways to be more efficient and provide greater benefit to the people we serve. This includes working on quality of services, and working to keep costs as low as possible, while accomplishing our mission. In addition, during 2019-20 the agency added a Strategic Impact Manager to help us to collect and evaluate data that will make our services more effective and more efficient.

What measures does the agency plan to implement to reduce its costs and operating expenses by more than \$50,000? Provide a summary of the measures taken and the estimated amount of savings. How does the agency plan to repurpose the savings?

Agency Name:	First Steps		
Agency Code:	H620	Section:	1

FORM F – REDUCING COST AND BURDEN TO BUSINESSES AND CITIZENS

TITLE	SC First Steps
--------------	----------------

Provide a brief, descriptive title for this request.

EXPECTED SAVINGS TO BUSINESSES AND CITIZENS	SC First Steps does not assess fines for fees associated with its services. First Steps has no regulations on businesses or members of the public.
--	---

What is the expected savings to South Carolina's businesses and citizens that is generated by this proposal? The savings could be related to time or money.

FACTORS ASSOCIATED WITH THE REQUEST	Mark "X" for all that apply:
	<input type="checkbox"/> Repeal or revision of regulations.
	<input type="checkbox"/> Reduction of agency fees or fines to businesses or citizens.
	<input type="checkbox"/> Greater efficiency in agency services or reduction in compliance burden.
	<input type="checkbox"/> Other

METHOD OF CALCULATION	N/A
------------------------------	-----

Describe the method of calculation for determining the expected cost or time savings to businesses or citizens.

REDUCTION OF FEES OR FINES	N/A
-----------------------------------	-----

Which fees or fines does the agency intend to reduce? What was the fine or fee revenue for the previous fiscal year? What was the associated program expenditure for the previous fiscal year? What is the enabling authority for the issuance of the fee or fine?

REDUCTION OF REGULATION	N/A
--------------------------------	-----

Which regulations does the agency intend to amend or delete? What is the enabling authority for the regulation?

SUMMARY	N/A
----------------	-----

Provide an explanation of the proposal and its positive results on businesses or citizens. How will the request affect agency operations?



Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

September 17, 2020

Mr. George L. Kennedy, CPA
State Auditor
Office of the State Auditor
Columbia, South Carolina
and
Members of the Board of Trustees
South Carolina First Steps to School Readiness
Columbia, South Carolina

We have audited the financial statements of the governmental activities and each major fund of South Carolina First Steps to School Readiness ("First Steps") for the year ended June 30, 2020 ("2020"). Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 8, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by First Steps are described in Note 1 to the financial statements.

No new significant accounting policies were adopted and the application of existing policies was not significantly changed during 2020. We noted no transactions entered into by First Steps during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant sensitive estimates affecting First Steps' financial statements were:

Management's estimate of the useful lives of capital assets and the resulting depreciation expense is based on historical data and industry standards. Management's estimates of the other postemployment benefit and pension balances are based on actuarial valuations (the assumptions used in the actuarial valuations are based on accounting requirements, actuarial standards, historical data, and industry trends) prepared and certified by independent actuaries. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

GREENEFINNEY.COM · INFO@GREENEFINNEY.COM

MAULDIN, SC
864.232.5204

CHARLESTON, SC
843.735.5805

SPARTANBURG, SC
864.232.5204

ASHEVILLE, NC
828.771.0847
OPEN BY APPOINTMENT ONLY

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. For purposes of this communication, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on First Steps' financial reporting process (that may or may not cause future financial statements to be materially misstated). We did not propose any significant audit adjustments.

In our judgment, there were no material known unrecorded and uncorrected misstatements, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 17, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to First Steps' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as First Steps' auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison schedules, schedule of proportionate share of the net pension liability – South Carolina Retirement System, schedule of contributions – South Carolina Retirement System, schedule of proportionate share of the net OPEB liability – South Carolina Health Insurance Trust Fund, and schedule of contributions – South Carolina Health Insurance Trust Fund, which are required supplementary information ("RSI") that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information, as listed in the table of contents, which accompanies the financial statements but is not RSI. With respect to this information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled this information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Office of the State Auditor, Board of Trustees, and management of First Steps and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Greene Finney, LLP".

Greene Finney, LLP
Certified Public Accountants

South Carolina First Steps to School Readiness

Financial Statements

For the Year Ended June 30, 2020



SOUTH CAROLINA OFFICE OF THE STATE AUDITOR
1401 Main Street, Suite 1200 • Columbia, SC 29201

September 17, 2020

Members of the Board of Trustees
South Carolina First Steps to School Readiness
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina First Steps to School Readiness for the year ended June 30, 2020, was issued by Greene Finney, LLP, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

George L. Kennedy, III, CPA
State Auditor

GLKIII/cmw

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Balance Sheet-Governmental Funds	11
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Change in Fund Balance- Governmental Fund	13
Reconciliation of the Statement of Revenues, Expenditures, and Change In Fund Balance of the Governmental Funds to the Statement of Activities.....	14
Notes to the Financial Statements	15-40
Required Supplementary Information – Budgetary Comparison Schedules.....	41-42
Notes to Required Supplementary Information – Budgetary Comparison Schedules	43-45
Required Supplementary Information – Schedule of the South Carolina First Steps to School Readiness' Proportionate Share of the Net Pension Liability – South Carolina Retirement System.....	46
Required Supplementary Information – Schedule of the South Carolina First Steps to School Readiness' Contributions – South Carolina Retirement System	47
Required Supplementary Information – Schedule of the South Carolina First Steps to School Readiness' Proportionate Share of the Net OPEB Liability – South Carolina Health Insurance Trust Fund.....	48
Required Supplementary Information – Schedule of the South Carolina First Steps to School Readiness' Contributions – South Carolina Health Insurance Trust Fund	49
Supplementary Information – Schedule of Private 4K Program Expenditures.....	50
Independent Auditor's Report – Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51-52



Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

Mr. George L. Kennedy, CPA
State Auditor
Office of the State Auditor
Columbia, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of South Carolina First Steps to School Readiness ("First Steps"), a nonmajor discretely presented component unit of the State of South Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise First Steps' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of South Carolina First Steps to School Readiness as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

GREENEFINNEY.COM · INFO@GREENEFINNEY.COM

MAULDIN, SC
864.232.5204

CHARLESTON, SC
843.735.5805

SPARTANBURG, SC
864.232.5204

ASHEVILLE, NC
828.771.0847
OPEN BY APPOINTMENT ONLY

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, schedule of proportionate share of the net pension liability – South Carolina Retirement System, schedule of contributions – South Carolina Retirement System, schedule of proportionate share of the net OPEB liability – South Carolina Health Insurance Trust Fund, and schedule of contributions – South Carolina Health Insurance Trust Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the First Steps' basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2020 on our consideration of First Steps' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering First Steps' internal control over financial reporting and compliance.

Greene Finney, LLP

Greene Finney, LLP
Mauldin, South Carolina
September 17, 2020

**South Carolina First Steps to School Readiness
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

The Management's Discussion and Analysis ("MD&A") of the South Carolina First Steps to School Readiness Board of Trustees provides an overview of the financial activities for the year ended June 30, 2020.

FINANCIAL HIGHLIGHTS

The South Carolina First Steps to School Readiness ("First Steps") prepared its financial statements in accordance with Generally Accepted Accounting Principles ("GAAP") and follows pronouncements from the Governmental Accounting Standards Board ("GASB").

As of and for the year ended June 30, 2020:

- First Steps' total net position decreased by \$3,043,655 and its liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources (net position) by \$5,142,390, which includes \$1,275,795 in net position restricted for the 4K pre-school program and early childhood services.
- First Steps received \$35,925,654 in appropriations from the State of South Carolina, the significant majority of which was disbursed for funding the county partnerships and the 4K programs throughout the state.
- First Steps received state, local, and private grants totaling \$1,006,890.

USING THESE AUDITED FINANCIAL STATEMENTS

The audited financial statements presented in this document include both government-wide and fund financial statements.

Government-wide Statements:

Government-wide statements include a Statement of Net Position and a Statement of Activities. These statements display information about First Steps as a whole. The government-wide financial statements of First Steps are presented on the accrual basis of accounting and provide short-term and long-term information about First Steps.

Fund Statements:

The fund financial statements include the governmental funds' Balance Sheet and Statement of Revenue, Expenditures, and Change in Fund Balances. The governmental fund financial statements are presented on the modified accrual basis of accounting which focus on the near term inflows and outflows of resources available for expenditure for the fiscal year.

First Steps was created specifically to carry out the objectives of The South Carolina First Steps to School Readiness Act and to lessen the burdens on government by overseeing the initiative for improving early childhood development of the Act.

**South Carolina First Steps to School Readiness
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Statements of Net Position –The Statements of Net Position provides a summary of First Steps' financial condition at the end of the 2020 and 2019 fiscal years; the statement reports all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting.

**SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
STATEMENTS OF NET POSITION**

	2020	2019
Current assets	\$ 10,542,491	\$ 15,272,350
Capital assets, net	45,511	71,235
Total assets	<u>10,588,002</u>	<u>15,343,585</u>
Deferred outflows of resources	<u>1,725,456</u>	<u>2,509,703</u>
Current liabilities	847,870	1,768,423
Net pension liability	5,500,745	7,063,997
Net OPEB liability	4,170,259	4,812,069
Other noncurrent liabilities	120,827	89,558
Total liabilities	<u>10,639,701</u>	<u>13,734,047</u>
Deferred inflows of resources	<u>6,816,147</u>	<u>6,217,976</u>
Net investment in capital assets	45,511	71,235
Restricted	1,275,795	6,768,572
Unrestricted	<u>(6,463,696)</u>	<u>(8,938,542)</u>
Total net position, as restated	<u>\$ (5,142,390)</u>	<u>\$ (2,098,735)</u>

Current assets have decreased from \$15,272,350 at June 30, 2019 to \$10,542,491 at June 30, 2020 which is a decrease of \$4,729,859. This is primarily due to a decrease in cash which resulted from First Steps expending all State appropriations it received during the year and drawing upon carried over cash reserves for its program mission. First Steps also continued to pay its 4K providers through the COVID-19 pandemic rather than suspending payments in order to assist these providers in maintaining their operations and as a result, the First Steps 4K network for future children. Total liabilities decreased from \$13,734,047 at June 30, 2019 to \$10,639,701 at June 30, 2020, which is a decrease of \$3,094,346. The primary cause of the decrease is related to First Steps' proportionate share of the State's net pension liability which was substantially reduced in correlation with a prior year reduction in First Steps' staffing. The reduction in staffing was due to the transition of the BabyNet and Early Head Start programs to another agency.

First Steps reported negative unrestricted net position of \$(6,463,696) which is due primarily to its proportionate share of the net pension and OPEB liabilities of \$9,671,004. First Steps does not anticipate funding these liabilities and will continue to contribute to the respective plans at State required contribution rates.

**South Carolina First Steps to School Readiness
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Statements of Activities – The Statements of Activities reports the revenues and expenses during the 2020 and 2019 fiscal years.

**SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
STATEMENTS OF ACTIVITIES**

	<u>2020</u>	<u>2019</u>
Program Revenues		
State, local and private grants	\$ 1,006,890	\$ 1,134,003
Total program revenues	1,006,890	1,134,003
General Revenues		
State appropriations	35,925,654	34,918,237
Interest income	199,470	345,195
Total general revenues	36,125,124	35,263,432
Total revenues	37,132,014	36,397,435
Expenses		
Allocations to other entities	15,806,686	13,620,688
Private 4K provider costs	17,366,735	15,247,943
Contractual services	2,025,824	2,174,818
Salaries	2,946,857	2,399,279
Employer fringe benefits	340,789	848,645
Rent and leases	239,637	252,043
Materials	1,144,769	1,512,977
Travel	278,648	308,702
Loss on disposal of capital assets	—	197,867
Depreciation	25,724	81,273
Total expenses	40,175,669	36,644,235
(Decrease) increase in net position	(3,043,655)	(246,800)
Net position beginning balance	(2,098,735)	(1,851,935)
Net position ending balance	<u>\$ (5,142,390)</u>	<u>\$ (2,098,735)</u>

**South Carolina First Steps to School Readiness
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Operating revenues of First Steps are largely dependent upon appropriations from the State of South Carolina as well as grants from the state government and private or local donors. The decrease in net position is primarily attributed to State budget funds being fully expended and First Steps' spending carried over cash from prior years, resulting in a decrease in net position. First Steps' total expenses increased from \$36,644,235 for the year ended June 30, 2019 to \$40,175,669 for the year ended June 30, 2020 which was an increase of \$3,531,434. First Steps had made substantial efforts to expand the reach and capacity of its programs throughout the prior and current years and as a result, expenses have increased to support the increased demand. This is most evident in the increase in Private 4K provider costs, which increased from \$15,247,943 for the year ended June 30, 2019 to \$17,366,735 for the year ended June 30, 2020, and in allocations to other entities which increased from \$13,620,688 for the year ended June 30, 2019 to \$15,806,686 for the year ended June 30, 2020.

Total program revenues decreased by \$127,113 primarily due to a temporary decrease in grant revenues during the year ended June 30, 2020 as compared to the year ended June 30, 2019. Total general revenues increased by \$861,692. This increase was due primarily to the underlying funding appropriated by the State. First Steps realized a decrease in net position from the prior year in the amount of \$3,043,655 as a result of all of these factors.

Funds Highlights:

Governmental Funds:

The focus of First Steps' governmental funds is to provide information regarding actual inflows and outflows of spendable resources. The General Fund is the primary operating fund of First Steps, while the Private 4K special revenue fund accounts for the private activities of the 4K program administered by First Steps.

The General Fund's operating revenues are primarily appropriations from the State of South Carolina and previously, federal grants. For state appropriations, revenues are not budgeted by First Steps, therefore, expenditures are typically matched with appropriations so long as expenditures do not exceed budget. State appropriations and other revenues exceeded First Steps' program expenses resulting in expenditures exceeding revenues by \$4,684,877 for the year ended June 30, 2020. This resulted in a decrease in fund balance from the beginning fund balance amount of \$13,598,697 to \$8,913,820, which includes \$358,653 in fund balance restricted for the 4K pre-school program, and \$615,887 committed for cash reserve revolving loans to local partnerships, and \$7,939,280 in unassigned fund balance.

The Private 4K special revenue fund's operating revenues are primarily appropriations from the State of South Carolina. The Private 4K special revenue fund received total revenues of \$18,277,656 and expended \$17,366,735 during the year ended June 30, 2020, resulting in an increase in fund balance of \$910,921. The significant portion of the remaining fund balance has been restricted for funding a portion of the construction of two 4K learning centers. All of the special revenue fund's fund balance is restricted.

**South Carolina First Steps to School Readiness
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Noncurrent Liabilities:

First Steps' noncurrent liabilities consist of compensated absences and its proportionate share of the State of South Carolina's net pension and net OPEB liabilities related to the South Carolina Retirement System ("SCRS"). The compensated absences liability includes accrued annual leave earned for which the employees are entitled to paid time off or payment at termination. Compensated absences used or transferred to another agency during the fiscal year were \$170,855 while another \$237,474 were accrued. See note 5 to the financial statements for additional information regarding First Steps' noncurrent liabilities.

First Steps' net pension liability has been recorded in accordance with GASB Statement No. 68 and represents First Steps' share of the State's net pension liability related to the SCRS. The net pension liability as of June 30, 2019 was \$7,063,997 and at June 30, 2020, it had decreased to \$5,500,745. The decrease is due to a reduction in participants applicable to First Steps. GASB Statement No. 68 does not affect First Steps' required contributions to the net pension liability. See note 6 to the financial statements for additional information regarding First Steps' pension plan.

First Steps is also required to record its proportionate share of the net OPEB liability in accordance with GASB Statement No. 75 and represents First Steps' share of the State's net OPEB liability related to the State's Retiree Health Insurance Trust Fund. The net OPEB liability as of June 30, 2019 was \$4,812,069 and decreased to \$4,170,259 at June 30, 2020, also due to a decrease in participants applicable to First Steps. See note 7 to the financial statements for additional information regarding First Steps' OPEB plan.

Budget Highlights:

First Steps budgets State appropriations and other funds (earmark, restricted and federal) as they are received during the year. First Steps' original and final budget for the General Fund was \$6,522,877 and \$6,589,427, respectively, for the year ended June 30, 2020. Actual expenditures, on the budgetary basis, totaled \$6,573,416. These amounts were spent primarily on the CDEPP program (4K). The total other funds original and final budget was \$35,519,369 and \$34,140,217, respectively. There was a reduction of budgeted operating expenditures of \$4,547,669 that primarily drove the change in original and final budgets. Actual expenditures, on the budgetary basis, totaled \$34,005,510. These amounts were spent primarily on allocations to First Steps local county partnerships and the CDEPP program.

Current Conditions that are expected to have a Significant Effect on First Steps' Financial Position:

Due to the continually increasing costs of services central to First Steps' mission and operations, First Steps does intend to request additional budgetary funding from the State of South Carolina General Assembly in future fiscal years to help ensure that these programs continue for the benefit of the State. The South Carolina General Assembly and the Governor reauthorized First Steps with its Legislative Bill H3591 effective July 1, 2018. Bill H3591 extended SC First Steps authorization from July 1, 2018 (FY 19) thru June 30, 2025 (FY 25).

**South Carolina First Steps to School Readiness
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

As discussed more fully in Note 11 to the financial statements, the coronavirus disease ("COVID-19") has had a direct impact on First Steps' operations. During the first and second quarters of 2020, many of First Steps' contracted 4K learning providers temporarily closed. First Steps continued to pay its contracted 4K learning providers at amounts similar to that prior to the COVID-19 pandemic through May 2020. Approximately \$4.2 million of expenditures, including \$4.0 million in direct payments to 4K providers, were incurred and paid by June 30, 2020. First Steps returned to only paying contracted 4K learning providers for services rendered in June 2020. The State of South Carolina has established a fund through the federally funded Coronavirus Relief Fund of the CARES ACT to assist many of its agencies through the economic impacts of the COVID-19 pandemic and First Steps management believes it will be reimbursed the entire amount of expenditures it incurred in continuing to pay the 4K providers.

This discussion and analysis is designed to provide a general overview of the South Carolina First Steps to School Readiness' finances for all of South Carolina's citizens, taxpayers, customers, investors and creditors. This financial report seeks to demonstrate First Steps' accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

South Carolina First Steps to School Readiness
1300 Sumter Street, Suite 100
Columbia, South Carolina 29201

**South Carolina First Steps to School Readiness
Statement of Net Position
June 30, 2020**

ASSETS

Current assets:

Cash and cash equivalents	\$ 10,439,564
Due from local partnerships	102,927
Total current assets	<u>10,542,491</u>

Noncurrent assets:

Capital assets, net	45,511
Total noncurrent assets	<u>45,511</u>
Total assets	<u>10,588,002</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pensions	1,225,206
Deferred outflows of resources related to OPEB	500,250
Total deferred outflows of resources	<u>1,725,456</u>

LIABILITIES

Current liabilities:

Accounts payable	178,683
Accrued salaries and benefits	357,118
Unearned revenues	175,728
Compensated absences	136,341
Total current liabilities	<u>847,870</u>

Noncurrent liabilities:

Compensated absences	120,827
Net OPEB liability	4,170,259
Net pension liability	5,500,745
Total noncurrent liabilities	<u>9,791,831</u>
Total liabilities	<u>10,639,701</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to OPEB	3,613,645
Deferred inflows of resources related to pensions	3,202,502
Total deferred inflows of resources	<u>6,816,147</u>

NET POSITION

Net investment in capital assets	45,511
Restricted for the 4K pre-school program and early childhood services	1,275,795
Unrestricted	<u>(6,463,696)</u>
Total Net Position	<u>\$ (5,142,390)</u>

The notes to the financial statements are an integral part of these financial statements. See accompanying independent auditor's report.

**South Carolina First Steps to School Readiness
Statement of Activities
For the Year Ended June 30, 2020**

Expenses

Governmental Activities – General Government

Allocations to other entities	\$ 15,806,686
Private 4K provider costs	17,366,735
Contractual services	2,025,824
Salaries	2,946,857
Employer fringe benefits	340,789
Rent and leases	239,637
Materials	1,144,769
Travel	278,648
Depreciation	25,724
Total expenses	<u>40,175,669</u>

Program Revenues – Operating Grants and Contributions

State, local, and private grants	<u>1,006,890</u>
Total program revenues	<u>1,006,890</u>
Net expenses	<u>(39,168,779)</u>

General Revenues

State appropriations	35,925,654
Interest income	199,470
Total general revenues	<u>36,125,124</u>

Change in net position	(3,043,655)
Net position, July 1, 2019	<u>(2,098,735)</u>
Net position, June 30, 2020	<u>\$ (5,142,390)</u>

The notes to the financial statements are an integral part of these financial statements. See accompanying independent auditor's report.

**South Carolina First Steps to School Readiness
Balance Sheet -
Governmental Funds
June 30, 2020**

	<u>General Fund</u>	<u>Private 4K Special Revenue Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 9,405,494	\$ 1,034,070	\$ 10,439,564
Due from local partnerships	102,927	—	102,927
Total Assets	<u>\$ 9,508,421</u>	<u>\$ 1,034,070</u>	<u>\$ 10,542,491</u>
LIABILITIES			
Accounts payable	\$ 61,755	\$ 116,928	\$ 178,683
Unearned revenues	175,728	—	175,728
Accrued salaries and benefits	357,118	—	357,118
Total liabilities	<u>594,601</u>	<u>116,928</u>	<u>711,529</u>
FUND BALANCE			
Restricted for the 4K pre-school program and early childhood services	358,653	917,142	1,275,795
Committed for cash reserve revolving loans	615,887	—	615,887
Unassigned	7,939,280	—	7,939,280
Total fund balance	<u>8,913,820</u>	<u>917,142</u>	<u>9,830,962</u>
Total liabilities and fund balance	<u>\$ 9,508,421</u>	<u>\$ 1,034,070</u>	<u>\$ 10,542,491</u>

The notes to the financial statements are an integral part of these financial statements. See accompanying independent auditor's report.

**South Carolina First Steps to School Readiness
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
June 30, 2020**

Total fund balance, governmental funds	\$ 9,830,962
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in governmental activities in the Statement of Net Position. This amount reflects gross capital assets of \$124,735 net of accumulated depreciation of \$79,224.	45,511
The net pension and net OPEB liabilities and related deferred inflows and outflows of resources are not due and payable in the current year and are not included in the fund financial statements, but are included in governmental activities in the Statement of Net Position.	
Net pension liability	(5,500,745)
Net OPEB liability	(4,170,259)
Deferred outflows of resources related to pensions	1,225,206
Deferred inflows of resources related to pensions	(3,202,502)
Deferred outflows of resources related to OPEB	500,250
Deferred inflows of resources related to OPEB	(3,613,645)
Compensated absences are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities in the Statement of Net Position	<u>(257,168)</u>
Net position of governmental activities in the Statement of Net Position	<u>\$ (5,142,390)</u>

The notes to the financial statements are an integral part of these financial statements. See accompanying independent auditor's report.

**South Carolina First Steps to School Readiness
Statement of Revenues, Expenditures, and Change in Fund Balance -
Governmental Funds
For the Year Ended June 30, 2020**

	<u>General Fund</u>	<u>Private 4K Special Revenue Fund</u>	<u>Total</u>
Revenues			
State appropriations	\$ 17,648,454	\$ 18,277,200	\$ 35,925,654
State, local, and private grants	959,210	—	959,210
Interest income	199,014	456	199,470
Total revenues	<u>18,806,678</u>	<u>18,277,656</u>	<u>37,084,334</u>
Expenditures			
Allocations to other entities	15,806,686	—	15,806,686
Private 4K provider costs	—	17,366,735	17,366,735
Contractual services	2,025,824	—	2,025,824
Salaries	2,880,238	—	2,880,238
Employer fringe benefits	1,115,753	—	1,115,753
Materials	1,144,769	—	1,144,769
Travel	278,648	—	278,648
Rent and leases	239,637	—	239,637
Total expenditures	<u>23,491,555</u>	<u>17,366,735</u>	<u>40,858,290</u>
Change in fund balance	(4,684,877)	910,921	(3,773,956)
Fund balance, July 1, 2019	13,598,697	6,221	13,604,918
Fund balance, June 30, 2020	<u>\$ 8,913,820</u>	<u>\$ 917,142</u>	<u>\$ 9,830,962</u>

The notes to the financial statements are an integral part of these financial statements. See accompanying independent auditor's report.

**South Carolina First Steps to School Readiness
Reconciliation of the Statement of Revenues, Expenditures,
and Change in Fund Balance of the Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2020**

Net change in fund balance, governmental funds	\$ (3,773,956)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Current year retirement plan contributions are considered a deferred outflow of resources rather than a current year expense in the Statement of Activities	424,022
Current year OPEB contributions are considered a deferred outflow of resources rather than a current year expense in the Statement of Activities	170,317
Nonemployer contributions to the OPEB and pension plan are recognized in the Statement of Activities as revenues	47,680
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund:	
Depreciation	(25,724)
Increase in pension expense due to changes in First Steps' portion of collective pension expense	(164,850)
Decrease in OPEB expense due to changes in First Steps' portion of collective OPEB expense	345,475
Compensated absences	<u>(66,619)</u>
Decrease in net position, governmental activities	<u>\$ (3,043,655)</u>

The notes to the financial statements are an integral part of these financial statements. See accompanying independent auditor's report.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Significant Accounting Policies

A. Reporting Entity

The South Carolina First Steps to School Readiness (“First Steps”) is a non-profit, tax-exempt public charity created specifically to carry out the objectives of The South Carolina First Steps to School Readiness Act and to lessen the burdens on government by overseeing the initiative for improving early childhood development of the Act. First Steps was created through enabling legislation recorded in June of 1999 in Section 59-152-10 of the South Carolina Code of Laws. First Steps is financially accountable to and dependent on the State and is subject to various State procurement, budget, personnel, and other regulations. First Steps is reported as a discretely presented component unit of the State of South Carolina and included in the State's Comprehensive Annual Financial Report.

Operationally, the SC First Steps Executive Director reports to a State Board of Trustees, consisting of 25 voting members and the heads of all South Carolina child-serving agencies. The board is chaired by the Governor of the State of South Carolina (the “Governor”). The Board’s voting members include the Governor or the Governor’s designee, State Superintendent of Education or the State Superintendent of Education’s designee, seven Governor appointees, four members appointed by the President Pro Tempore of the Senate, four members appointed by the Speaker of the House of Representatives, the Chairman of the Senate Education Committee, the Chairman of the House Education and Public Works Committee, and the Chief Executive Officers of the Department of Social Services, Department of Health and Environmental Control, Department of Health and Human Services, Department of Disabilities and Special Needs, State Head Start Collaboration Officer, and Children’s Trust of South Carolina. First Steps accomplishes its directives through the use of 46 county partnerships which cover all counties within the state of South Carolina. Each local partnership has its own governing board based on the enabling law, and employs staff as determined by the local board.

First Steps was enacted to help improve school readiness outcomes for the state’s youngest learners and to create public-private partnerships to strengthen the system of early education and care statewide. First Steps implements specific and targeted programs through five broad categories in communities across the state: 1) Family Strengthening, 2) Childcare, 3) Early Education, 4) School Transition, and 5) Health. Each South Carolina county has a First Steps Partnership (with Internal Revenue Service not-for-profit 501(c)3 status), comprised of business and community leaders, early education professionals, parents, faith-based and agency partners. Local First Steps partnerships examine unmet needs in their communities to help local young children and their families. Through its Internal Revenue Service not-for-profit 501(c)3 status, First Steps mobilizes resources beyond state appropriated dollars, leveraging local private and public funds, planned gifts, in-kind contributions, and volunteer hours.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

First Steps also co-administers the state's 4-K pre-school program known as the Child Development Education Pilot Program which provides full-day pre-kindergarten to eligible children in both public and private settings. The private portion of this program is included in the Private 4K special revenue fund. South Carolina First Steps serves as the state coordinator for Nurse-Family Partnership and Parents as Teachers. Finally, by Executive Order, First Steps serves as South Carolina's Early Childhood Advisory Council under the federal Head Start reauthorization of 2007.

B. Basis of Presentation, Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are presented in accordance with Generally Accepted Accounting Principles ("GAAP") using the accrual basis of accounting and following pronouncements issued by the Governmental Accounting Standards Board ("GASB").

All of the functions available to finance First Steps are presented together as general government activities. Financial information for funds that are not available to finance these activities are not included; consequently, the government-wide financial statements exclude fiduciary assets and liabilities, when applicable.

Fund Financial Statements

The fund financial statements are used to report First Steps' financial position and results of operations as well as to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The governmental fund statements are presented on the modified accrual basis. These methods of accounting are described below.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or for non-exchange transactions, when all eligibility requirements have been met, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay obligations of the current period. For this purpose, First Steps considers major sources of revenues to be available if they are collected within sixty days of the end of the current fiscal year.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (continued)

Governmental Fund Types

General Fund – The General Fund, a major fund, is the operating fund of First Steps and is used to account for all financial transactions and resources with the exception of the revenues and expenditures for the private 4K program providers.

Private 4K Special Revenue Fund – The Private 4K Special Revenue Fund is a major special revenue fund of First Steps. The fund accounts for revenues and expenditures related to the providers of the private 4K program, which offers families choices of pre-kindergarten within both public-school districts and eligible private settings. Private 4K Programs focus on the developmental and learning supports that children must have in order to be ready for school and incorporate evidence-based practices, ongoing assessment and parenting education.

Cash and Cash Equivalents

The amounts shown in the accompanying financial statements as *cash and cash equivalents* represent petty cash, cash on deposit in banks, cash equivalents on deposit with external parties, and cash invested in various instruments as a part of the State’s cash management pool, an internal investment pool. The internal investment pool is not registered with the Securities and Exchange Commission and does not have other regulatory oversight. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of domestic corporations, certificates of deposit, and collateralized repurchase agreements.

Cash Management Pool – Allocation of Interest

The State of South Carolina cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund’s equity interest in the general deposit account. All earnings on that account are recorded in the General Fund of the State of South Carolina. In contrast, each special deposit account retains its own earnings.

Investment Holdings and Basis

The South Carolina State Treasurer’s Office (the “Office”) is authorized by statute to invest all State funds. The Office’s investment objectives are preservation of capital, maintenance of adequate liquidity, and obtaining the best yield possible within prescribed parameters. To meet those objectives, the Office uses various resources including an investment advisory service, electronic financial quotation and information services, various economic reports, and daily communication with brokers and financial institution investment officers.

To ensure safety of principal, the Office’s policy is to limit liquid investments (i.e., those with maturities not exceeding one year) to cash, repurchase agreements (when collateralized by United States Treasury, federal agency or other federally guaranteed obligations with a market value in excess of 100.0% of funds advanced), United States Treasury bills, federal agency discount notes, and commercial paper.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (continued)

Investment Holdings and Basis (continued)

The Office further preserves principal by investing in only the highest investment grade securities. In order to diversify investment holdings, asset allocation policies are utilized for investments having more than one year to maturity. Overall credit exposure is managed by asset allocation policies and by additional constraints controlling risk exposure to individual corporate issuers. Substantially all of the State's investments are presented at fair value; securities are valued at the last reported sales price as provided by an independent pricing service.

More information pertaining to the carrying amounts, fair value, credit and other risks of the cash management pool that First Steps participates in as required under GASB Statement No. 40, *Deposits and Investments – Risk Disclosures* and GASB Statement No. 72, *Fair Value Measurement and Application*, are disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

Due from Local Partnerships

Amounts reported as due from local partnerships represent previously allocated amounts that have not been spent by the local partnerships. First Steps' is requiring the return of these funds from the local partnerships to be distributed in the future. These amounts will be collected during the fiscal year ending June 30, 2021.

Capital Assets

First Steps reports its capital assets in the governmental activities in the government-wide financial statements.

First Steps' capital assets are valued at historical cost or at estimated historical cost if actual historical cost data is not available. Donated capital assets are recorded at estimated acquisition value on the donation date. The costs of normal maintenance and repairs that do not significantly add to the value of an asset or materially extend an asset's useful life are not capitalized.

An individual asset is capitalized and reported if it has an estimated useful life of at least two years and a historical cost of more than \$5,000 for buildings, machinery, vehicles, and equipment. All land and non-depreciable land improvements are capitalized and reported, regardless of cost. Once First Steps places a depreciable capital asset in service, depreciation is recorded using the straight-line method over the following useful lives:

<u>Asset Category</u>	<u>Years</u>
Equipment and computer software	5
Vehicles	5

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (continued)

Unearned Revenue

Unearned revenue consists of funds provided to First Steps under grant agreements for which eligible expenditures had not been made as of June 30, 2020. These amounts will be recognized as grant revenue as eligible expenditures are made by First Steps during the fiscal year ending June 30, 2021.

Compensated Absences

Generally, all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of First Steps' work month are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and 45 days annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave earned for which the employees are entitled to paid time off or payment at termination. The entire unpaid liability for which First Steps expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments, is recorded as a liability.

Fund Balance and Net Position

Fund Balance

First Steps reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

The following categories of fund balance are being used in the fund level financial statement of the governmental fund:

Nonspendable fund balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as other assets. As of June 30, 2020, First Steps' did not report any nonspendable fund balance.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (continued)

Fund Balance and Net Position (continued)

Fund Balance (continued)

Restricted fund balance

The restricted fund balance classification includes amounts that are either restricted externally by creditors, grantors, contributors, or laws or regulations of other governments or restricted by law through constitutional provisions or enabling legislation. As of June 30, 2020, First Steps' restricted fund balance consisted of state appropriations restricted for the 4K pre-school program and early childhood services. Of the amount restricted, \$900,000 has been contractually obligated to partially fund the construction of two 4K program facilities as discussed in note 11.

Committed fund balance

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of First Steps' highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless First Steps removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. As of June 30, 2020, First Steps reported \$615,887 of committed fund balance which had been committed for cash reserve revolving loans for the county partnerships.

Assigned fund balance

The assigned fund balance classification includes amounts that are constrained by First Steps' intent to be used for specific purposes but are not restricted or committed. The authority for making an assignment is not required to be First Steps' highest level of decision-making authority and as such, the nature of the actions necessary to remove or modify an assignment does not require First Steps' highest level of authority. As of June 30, 2020, First Steps did not have any assigned fund balance.

Unassigned fund balance

The unassigned fund balance classification includes amounts that have not been assigned to other funds and has not been restricted, committed, or assigned for specific purposes within the General Fund.

Based on First Steps' policies regarding fund balance classifications as noted above, First Steps considers amounts that are restricted, committed, or assigned to be spent when the corresponding expenditure that has been designated by the State or donors has been made. After these fund balances have been depleted, unassigned fund balance will be considered to have been spent.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (continued)

Fund Balance and Net Position (continued)

Net Position

First Steps reports net position in accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

The following categories of net position are used in the Statement of Net Position:

Restricted net position

Restricted net position consists of assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation. In all cases, if individual restricted net position categories are negative, the negative balance is eliminated and reclassified against unrestricted net position. As of June 30, 2020, First Steps' restricted net position consisted of state appropriations restricted for the 4K program and early childhood services.

Net Investment in Capital Assets

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by any outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted Net Position

The unrestricted component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

First Steps' policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Deficit Net Position

First Steps reported negative unrestricted net position of \$6,463,696 which is due primarily to its proportionate share of the net pension liability and OPEB liability of \$5,500,745 and \$4,170,259, respectively (see notes 6 and 7 for more details). First Steps will not be required to fully fund these liabilities in any given year, however, they will continue to contribute to the pension plan at State required contribution rates.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

2. Budget Policy

First Steps is granted an annual appropriation for operating purposes by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for First Steps' general fund. The Private 4K special revenue fund does not have a legally adopted budget. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds. The "Total Funds" column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenue budget is not adopted for individual budgetary funds. Budgetary control is maintained at the line-item level of the budgetary entity. Agencies may process disbursement vouchers in the State's budgetary accounting system only if enough cash and appropriation authorization exist.

Transfers of funds may be approved by the State Fiscal Accountability Authority, previously known as the State Budget and Control Board, under its authority or by the agency as set forth in Appropriation Act Proviso 117.9 as follows: Agencies and institutions shall be authorized to transfer appropriations within programs and within the agency with notification to the Executive Budget Office. No such transfer may exceed twenty percent of the program budget. Upon request, details of such transfers may be provided to members of the General Assembly on an agency by agency basis. Transfers of appropriations from personal service accounts to other operating accounts or from other operating accounts to personal service accounts may be restricted to any established standard levels set by the State Fiscal Accountability Authority upon formal approval by a majority of the members of the State Fiscal Accountability Authority.

During the fiscal year-end closeout period in July, agencies may continue to charge vendor, interagency, and interfund payments for the fiscal year to that fiscal year's appropriations. Any unexpended State General Fund monies as of June 30 automatically lapse to the General Fund of the State on July 1 unless authorization is received from the General Assembly to carry over the funds to the ensuing fiscal year. State law does not require the use of encumbrance accounting.

3. Deposits and Investments

By law, all deposits and investments are under the control of the South Carolina State Treasurer's Office (the "Office") except for those that, by specific authority, are under the control of other agencies or component units. The deposit and investment policies of those entities may differ from those of the Office. Typically, these agencies follow the deposit and investment policies of the Office in an effort to minimize deposit and investment risks.

The balances held by First Steps presented in these financial statements act as a demand deposit account with the Office and are therefore treated as cash and cash equivalents. The disclosures under GASB Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Statement No. 72, *Fair Value Measurement and Application*, are not required for cash and cash equivalents. However, as the First Steps deposits are generally invested in the State of South Carolina investment pool, information can be obtained from the State of South Carolina Comprehensive Annual Financial Report which can be found at www.cg.sc.gov.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

4. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, for First Steps was as follows:

	Beginning Balance July 1, 2019	Additions	Disposals	Ending Balance June 30, 2020
Governmental activities				
Capital assets being depreciated:				
Equipment and computer software	\$ 6,010	\$ —	\$ —	\$ 6,010
Vehicles	118,725	—	—	118,725
	<u>124,735</u>	<u>—</u>	<u>—</u>	<u>124,735</u>
Less accumulated depreciation for:				
Equipment and computer software	(6,010)	—	—	(6,010)
Vehicles	(47,490)	(25,724)	—	(73,214)
	<u>(53,500)</u>	<u>(25,724)</u>	<u>—</u>	<u>(79,224)</u>
Capital assets for governmental activities, net	<u>\$ 71,235</u>	<u>\$ (25,724)</u>	<u>\$ —</u>	<u>\$ 45,511</u>

Depreciation expense for the year ended June 30, 2020 was \$25,724.

5. Long-term Liabilities

Long-term liabilities consist of compensated absences. Compensated absence activity for the fiscal year ended June 30, 2020, for First Steps was as follows:

	Beginning Balance July 1, 2019	Increases	Decreases	Ending Balance June 30, 2020	Current Portion
Compensated absences	\$ 190,549	\$ 237,474	\$ (170,855)	\$ 257,168	\$ 136,341
Total	<u>\$ 190,549</u>	<u>\$ 237,474</u>	<u>\$ (170,855)</u>	<u>\$ 257,168</u>	<u>\$ 136,341</u>

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

6. Pension Plan

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

- The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

6. Pension Plan (continued)

Plan Descriptions (continued)

- The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the S.C. General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- State ORP - As an alternative to membership in SCRS, certain newly hired state, public school, and higher education employees and individuals first elected to the S.C. General Assembly at or after the November 2012 general election have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of the benefit terms for each system is presented below.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

6. Pension Plan (continued)

Plan Descriptions (continued)

Benefits (continued)

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

- PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

6. Pension Plan (continued)

Plan Descriptions (continued)

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

6. Pension Plan (continued)

Plan Descriptions (continued)

Contributions (continued)

Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2019</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP		
Employee	9.00%	9.00%

Required employer contribution rates¹ are as follows:

	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2019</u>
SCRS		
Employer Class Two	15.41%	14.41%
Employer Class Three	15.41%	14.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution ²	15.41%	14.41%
Employer Incidental Death Benefit	0.15%	0.15%

¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of laws.

² Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2015.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

6. Pension Plan (continued)

Actuarial Assumptions and Methods (continued)

The June 30, 2019, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2018. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2019, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2019.

	SCRS
Actuarial cost method	Entry age normal
Investment rate of return ¹	7.25%
Projected salary increases ¹	3.0% to 12.5% (varies by service)
Benefit adjustments	lesser of 1% or \$500 annually
¹ Includes inflation at 2.25%	

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2019, TPL are as follows.

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

6. Pension Plan (continued)

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2019, for SCRS is presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 50,073,060,256	\$ 27,238,916,138	\$ 22,834,144,118	54.4%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

First Steps' proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the year ending June 30, 2018, First Steps' percentage of the SCRS net pension liability was 0.03153%. For the year ending June 30, 2019, First Steps' percentage of the SCRS net pension liability was 0.02409%. First Steps' proportionate share is determined by its percentage of total contributions to SCRS during the respective fiscal year. The change in percentage resulted in First Steps' recognizing a change in its proportionate share of the SCRS net pension liability at related deferred outflows and inflows of resources.

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

6. Pension Plan (continued)

Net Pension Liability (continued)

Long-term Expected Rate of Return (continued)

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2019 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Global Equity	51.0		
Global Public Equity ^{1,2}	35.0%	7.29%	2.55%
Private Equity ^{2,3}	9.0%	7.67%	0.69%
Equity Options Strategies ¹	7.0%	5.23%	0.37%
Real Assets	12.0		
Real Estate (Private) ^{2,3}	8.0%	5.59%	0.45%
Real Estate (REITs) ²	1.0%	8.16%	0.08%
Infrastructure (Private) ^{2,3}	2.0%	5.03%	0.10%
Infrastructure (Public) ²	1.0%	6.12%	0.06%
Opportunistic	8.0%		
Global Tactical Asset Allocation ¹	7.0%	3.09%	0.22%
Other Opportunistic Strategies	1.0%	3.82%	0.04%
Credit	15.0		
High Yield Bonds/ Bank Loans ^{1,2}	4.0%	3.14%	0.13%
Emerging Markets Debt	4.0%	3.31%	0.13%
Private Debt ^{2,3}	7.0%	5.49%	0.38%
Rate Sensitive	14.0		
Core Fixed Income ¹	13.0%	1.62%	0.21%
Cash and Short Duration (Net)	1.0%	0.31%	0.00%
Total Expected Real Return ⁴	<u>100.0%</u>		<u>5.41%</u>
Inflation for Actuarial			<u>2.25%</u>
Total Expected Nominal			<u>7.66%</u>

¹ Portable Alpha Strategies will be capped at 12% of total assets; Hedge funds (including all hedge funds used in portable alpha implementation) capped at 20% of total assets.

² The target weights to Private Equity, Private Debt, Private Infrastructure and Private Real Estate will be equal to their actual weights as of prior month end. Private Equity and Public Equity combine for 44 percent of entire portfolio. Private Debt and High Yield/Bank Loans combine for 11 percent of the entire portfolio. Private Infrastructure and Public Infrastructure combine for 3 percent of the entire portfolio. Private Real Estate and Real Estate (REITs) combine for 9 percent of entire portfolio.

³ RSIC staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.

⁴ The expected return for each of the Portable Alpha asset classes includes the expected return attributed to the Overlay Program. For benchmarking purposes there is a 10% weight assigned to Portable Alpha Hedge Funds in the Policy Benchmark.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

6. Pension Plan (continued)

Sensitivity Analysis

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Sensitivity of the Proportional Share of Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 6,930,226	\$ 5,500,745	\$ 4,308,399

Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2020, First Steps recognized pension expense of \$164,850 which is included in employer fringe benefits in the accompanying financial statements. At June 30, 2020, the First Steps reported deferred outflows (inflows) of resources related to pensions from the following sources and will be amortized to pension expense as noted in following schedules. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2019 was 4.073 years for SCRS:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 424,022	\$ —
Differences in actual and expected plan experience	3,781	39,516
Change in proportionate share and differences between First Steps' contributions and proportionate share of contributions	637,855	3,162,986
Changes in assumptions	110,848	—
Net differences between projected and actual earnings on plan investments	48,700	—
	<u>\$ 1,225,206</u>	<u>\$ 3,202,502</u>

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRS
2020	2021	\$ (596,408)
2021	2022	(1,348,602)
2022	2023	(464,788)
2023	2024	8,480

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

6. Pension Plan (continued)

Deferred Outflows (Inflows) of Resources (continued)

First Steps reported \$424,022 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

7. Post-Employment Benefits Other than Pensions

PEBA is a state agency responsible for the administration and management of the state's employee insurance programs, other post-employment benefits trusts. By law, the SFFA, which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and other post-employment benefits (OPEB). See Note 6 for more details on PEBA and the SFAA.

PEBA, Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trust Fund. This information is publicly available through the Insurance Benefits' link on PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB Trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

The Other Post-Employment Benefits Trust Fund (OPEB Trust), refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) established by the State of South Carolina as Act 195, which became effective on May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans.

In accordance with Act 195, the OPEB Trust is administered by the PEBA, Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

The OPEB Trust is a cost-sharing multiple-employer defined benefit plan. Article 5 of the State Code of Laws defines the plan and authorizes the Trustee to at any time adjust the plan, including its benefits and contributions, as necessary to insure the fiscal stability of the plan. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental benefits to retired State and school district employees and their covered dependents.

Benefits

The SCRHITF is a healthcare plan that covers retired employees of the State of South Carolina, including all agencies, and public-school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

7. Post-Employment Benefits Other than Pensions (continued)

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires the postemployment and long-term disability benefits to be funded through non-employer and employer contributions for active employees and retirees to the PEBA – Insurance Benefits. Non-employer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA – Insurance Benefits reserves.

The SCRHITF is funded through participating employers that are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll. The covered payroll surcharge for the year ended June 30, 2019 was 6.05 percent. The South Carolina Retirement System collects the monthly covered payroll surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs. Non-employer contributions include the mandatory transfer of accumulated PEBA – Insurance Benefits' reserves and the annual appropriation budgeted by the General Assembly. It is also funded through investment income.

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trust, and additions to and deductions from the OPEB Trust fiduciary net position have been determined on the same basis as they were reported by the OPEB Trust. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

7. Post-Employment Benefits Other than Pensions (continued)

Actuarial Assumptions and Methods (continued)

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2018
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	2.75%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	3.13% as of June 30, 2019
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 14 years
Retiree Participation:	79% for retirees who are eligible for funded premiums 59% participation for retirees who are eligible for Partial Funded Premiums 20% participation for retirees who are eligible for Non-Funded Premiums
Notes:	There were no benefit changes during the current year; the discount rate changed from 3.62% as of June 30, 2018 to 3.13% as of June 30, 2019; minor updates were made to the healthcare trend rate assumption

Roll Forward Disclosures

The actuarial valuation was performed as of June 30, 2018. Update procedures were used to roll forward the total OPEB liability to June 30, 2019.

Net OPEB Liability

The Net OPEB Liability (NOL) is calculated separately for each OPEB Trust Fund and represents that particular Trust's Total OPEB Liability (TOL) determined in accordance with GASB No. 74 less that Trust's fiduciary net position. The allocation of each employer's proportionate share of the collective Net OPEB Liability and collective OPEB Expense was determined using the employer's payroll-related contributions over the measurement period.

The following table represents the components of the net OPEB liability as of June 30, 2019:

OPEB Trust	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as a % of Total OPEB Liability
SCRHITF	\$ 16,516,264,617	\$ 1,394,740,049	\$ 15,121,524,568	8.44%

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

7. Post-Employment Benefits Other than Pensions (continued)

Net OPEB Liability (continued)

The TOL is calculated by the Trusts' actuary, and each Trust's fiduciary net position is reported in the Trust's financial statements. The NOL is disclosed in accordance with the requirements of GASB No. 74 in the Trusts' notes to the financial statements and required supplementary information. Liability calculations performed by the Trusts' actuary for the purpose of satisfying the requirements of GASB Nos. 74 and 75 and are not applicable for other purposes, such as determining the Trusts' funding requirements.

At June 30, 2020, First Steps reported a liability of \$4,170,259 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward to June 30, 2019. First Steps' proportion of the net OPEB liability was based on a projection of First Steps' long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019 and 2018, First Steps' proportion was 0.027578% and 0.033958%, respectively.

Single Discount Rate

The Single Discount Rate of 3.13% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

Long-term Expected Rate of Return

The long-term expected rate of return represents assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Allocation Weighted Long Term Expected Portfolio Real Rate of Return</u>
US Domestic Fixed Income	80.00%	0.60%	0.48%
Cash	20.00%	0.10%	0.02%
Total Expected Real Return	100.0%		0.50%
Expected Inflation			2.25%
Total Return			2.75%
Investment Return Assumption			2.75%

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

7. Post-Employment Benefits Other than Pensions (continued)

Net OPEB Liability (continued)

Sensitivity Analysis

The following table represents First Steps' proportionate share of the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.13%, as well as what First Steps' proportionate share of the net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

Sensitivity of the Proportional Share of Net OPEB Liability to Changes in the Single Discount Rate			
OPEB Trust	1.00% Decrease (2.13%)	Current Discount Rate (3.13%)	1.00% Increase (4.13%)
SCRHITF	\$ 4,943,790	\$ 4,170,259	\$ 3,549,467

Regarding the sensitivity of First Steps' proportionate share of SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents First Steps' proportionate share of the net OPEB liability, calculated using the assumed trend rates as well as what First Steps' proportionate share of the net OPEB liability would be if were calculated using a trend rate that is one percent lower or one percent higher:

Sensitivity of the Proportional Share of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
OPEB Trust	1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
SCRHITF	\$ 3,403,376	\$ 4,170,259	\$ 5,168,965

OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2020, First Steps recognized OPEB benefit of \$345,475. At June 30, 2020, First Steps reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 170,317	\$ —
Differences in actual and expected plan experience	49,106	135,555
Changes in assumptions	275,949	258,245
Change in proportionate share and differences between First Steps' contributions and proportionate share of contributions	—	3,219,845
Net differences between projected and actual earnings on plan investments	4,878	—
	<u>\$ 500,250</u>	<u>\$ 3,613,645</u>

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

7. Post-Employment Benefits Other than Pensions (continued)

OPEB Expense and Deferred Outflows and Inflows of Resources (continued)

Contributions subsequent to the measurement date of \$170,317 were reported as deferred outflows of resources related to OPEB and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows. Average remaining services lives of all employees provided with OPEB through the June 30, 2018 was 7.203 years for SCRHITF:

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRHITF
2020	2021	\$ (620,284)
2021	2022	(620,284)
2022	2023	(621,889)
2023	2024	(624,431)
2024	2025	(580,321)
Thereafter		(216,503)

8. Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in First Steps' financial statements. Compensation deferred under the plans is placed in trust for the contributing employee. First Steps has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan. First Steps made no contributions for the fiscal year ending June 30, 2020.

9. Risk Management

First Steps is exposed to various risks of loss including theft of, damage to, or destruction of assets, and general torts and maintains state insurance coverage for non-owned motor vehicles and general torts. First Steps did not incur any losses during the past three years.

First Steps has not transferred the risk of loss for employee theft or misappropriation of assets and the portion of the risks of loss related to insurance policy deductibles for non-owned motor vehicles and torts to a state or commercial insurer.

10. Transactions with State Entities / Related Parties

First Steps had significant transactions with the State and various State agencies. First Steps purchases goods and services from various State agencies. Total purchases from State agencies were approximately \$574,990 for the year ended June 30, 2020, including approximately \$2,476 in insurance premiums described below.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

10. Transactions with State Entities / Related Parties (continued)

First Steps provided no material services free of charge to other State agencies during the fiscal year. First Steps participates in the statewide dual employment program. Workers' compensation and other insurance premiums for the fiscal year ended June 30, 2020 of \$2,476 were paid to the State Accident Fund.

11. Commitments and Contingencies

Leases

First Steps has entered into non-cancellable leases, considered operating leases, for a facility used to house operations critical to First Steps' mission and for equipment. Rent expense related to the facility lease was approximately \$121,000. The facility lease expires in November 2020 at which time First Steps will have negotiated a new lease at its current location or will move to an alternative location. Total lease and rental expense was \$239,637, for the year ended June 30, 2020. Future base rental payments under non-cancellable leases, which are for equipment, are as follows:

Fiscal year ending June 30:

2021	\$ 37,200
2022	37,200
2023	<u>37,200</u>
Total	<u>\$ 111,600</u>

Grants

First Steps receives financial assistance from various state and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of First Steps at June 30, 2020.

County Partnership Regional Finance Managers

During 2018, First Steps entered into a contract with a single Regional Finance Manager for its County Partnerships. The contract has a five-year term with estimated remaining payments as follows:

Fiscal year ending June 30:

2021	\$ 392,500
2022	<u>392,500</u>
	<u>\$ 785,000</u>

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

11. Commitments and Contingencies (continued)

Local Partnership Accounting Software Development

During the year ended June 30, 2019, First Steps entered into an agreement for the development and implementation of a new accounting software for the local partnerships. The contract is for an initial three-year term with two one-year extensions, and required an initial \$125,000 expenditure for design and implementation. The contract requires annual payments of approximately \$61,000 for licensing and user rights.

4K Program Facilities

During the year ended June 30, 2020, First Steps entered into two separate contracts committing to the funding of a portion of the construction of two 4K program facilities. The first contract was for \$600,000 for a facility in Kershaw, South Carolina. The second was for \$300,000 for a facility in Spartanburg, South Carolina. The total commitment from First Steps is limited to the contract amount. The facilities will be constructed during the fiscal year ending June 30, 2021. The fund balance and net position associated with the cash held for these two contracts has been presented as restricted in both the governmental funds balance sheet and statement of net position.

COVID-19 Pandemic

In December 2019, a novel strain of coronavirus disease (“COVID-19”) was first reported in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The extent of COVID-19’s effect on First Steps will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. During the fiscal year ended June 30, 2020, First Steps continued to pay its contracted 4K learning providers at amounts similar to that prior to the COVID-19 pandemic. Approximately \$4.2 million of expenditures, including \$4.0 million in direct payments to 4K providers, were incurred and paid by June 30, 2020. The State of South Carolina has established a fund through the federally funded Coronavirus Relief Fund of the CARES ACT to assist many of its agencies through the economic impacts of the COVID-19 pandemic and First Steps management believes it will be reimbursed the entire amount of expenditures it incurred in continuing to pay the 4K providers. However, as of the date of these financial statements, reimbursement requests have not been approved by the State and as such, the reimbursements are being accounted for as a gain contingency and will be recognized when received during the fiscal year ending June 30, 2021.

**South Carolina First Steps to School Readiness
Required Supplementary Information -
Budgetary Comparison Schedule – Budgetary General Funds
(Non-GAAP Budgetary Basis – Unaudited)
For the Year Ended June 30, 2020**

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Expenditures:				
First Steps to School Readiness				
Personal Services				
Classified Positions	\$ 67,621	\$ 67,021	\$ 58,455	\$ 8,566
Other Personal Services	—	600	600	—
Special Items				
Teacher Supplies	—	66,550	66,550	—
CDEPP	6,424,200	6,424,200	6,424,200	—
Employer Contributions	31,056	31,056	23,611	7,445
Total First Steps to School Readiness	<u>\$ 6,522,877</u>	<u>\$ 6,589,427</u>	<u>\$ 6,573,416</u>	<u>\$ 16,011</u>

**South Carolina First Steps to School Readiness
Required Supplementary Information -
Budgetary Comparison Schedule – Other Budgeted Funds
(Non-GAAP Budgetary Basis – Unaudited)
For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Expenditures:				
First Steps to School Readiness				
Personal Services				
Classified Positions	\$ 2,873,885	\$ 1,273,881	\$ 1,273,881	\$ —
Unclassified Positions	121,540	131,092	131,092	—
Other Personal Services	420,000	149,373	149,373	—
Other Operating Expenses	6,914,617	2,366,948	2,237,241	129,707
Special Items				
County Partnerships	14,435,228	14,590,581	14,585,581	5,000
CDEPP	9,767,864	15,082,430	15,082,430	—
Employer Contributions	986,235	545,912	545,912	—
Total First Steps to School Readiness	<u>\$ 35,519,369</u>	<u>\$ 34,140,217</u>	<u>\$ 34,005,510</u>	<u>\$ 134,707</u>

**SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2020**

1. Budgetary Funds

South Carolina's Annual Appropriation Act, the State's legally adopted budget, does not present budgets by GAAP fund. Instead, it presents program-level budgets for the following two funds:

General Funds – These funds are general operating funds. The resources in the funds are primarily taxes. The State expends General Funds to provide traditional State government services.

Total Funds – The Total Funds column in the Appropriations Act includes all budgeted resources. Amounts in this column include General Funds as well as most, but not all, federal and department-generated resources. Total funds include portions of certain proprietary and capital project fund activities as well as most special revenue activities but exclude the pension trust funds and some other fiduciary fund activities.

Amounts presented as *Other Budgeted Funds* are obtained by subtracting the General Funds column in the Appropriations Act from the Total Funds columns. Revenue is not presented in the budgetary schedule because it is budgeted at the Statewide level.

As operating conditions change, First Steps may transfer appropriations between programs and classifications within programs. However, limits are placed on increasing/decreasing authorizations for personal services without State Fiscal Accountability Authority approval. Also, a revision of budgeted amounts over and above the total revenues appropriated requires approval of the State Fiscal Accountability Authority.

Both the funds appropriated by the State and other budgeted funds are included within the General Fund for financial statement presentation under GAAP.

2. Original and Final Budgeted Amounts; Basis of Presentation

The original appropriations presented in the accompanying schedule for the General Funds include amounts in the Appropriations Act as well as any appropriation reductions specifically authorized by law to prevent duplicate appropriations. The terminology, classification, and format of the appropriations section of the accompanying schedules are substantively the same as for the legally adopted budget. The State allows First Steps to transfer its appropriated funds to restricted accounts to allow for the opportunity for interest to be earned on these appropriated amounts. However, expenditures have been presented in accordance with the classifications provided for in the legally adopted budget.

The State's General Assembly does not approve estimated revenue or fund balance amounts for Other Budgeted Funds which include First Steps' General Fund. However, Section 115 (*Recapitulations*) of the Appropriation Act includes net source of funds amounts (i.e. estimated cash brought forward from the previous fiscal year plus estimated revenue for the current fiscal year minus estimated cash to be carried forward to the following fiscal year) for three categories of Other Budgeted Funds: Federal, Earmarked, and Restricted. A budget versus actual comparison for First Steps' General Funds and Other Budgeted Funds are presented as required supplementary information.

**SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2020**

3. Legal Level of Budgetary Control

First Steps maintains budgetary control at the level of summary objective category of expenditure within each program of each department or agency which is the level of detail presented in the accompanying schedules.

4. Basis of Budgeting

Current legislation states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. Unexpended appropriations lapse on July 31 unless the department or agency is given specific authorization to carry them forward to the next fiscal year. First Steps has such authorization to carry forward its funds. Cash-basis accounting for payroll expenditures is used, while the accrual basis is used for other expenditures.

State law does not precisely define the State's budgetary basis of budgeting. In practice, however, it is the cash basis with the following exceptions:

- Departments and agencies shall charge certain vendor and interfund payments against the preceding fiscal year's appropriations through July 14.
- All revenues are recorded only when the State receives the related cash with the exception of certain tax amounts, such as motor fuel taxes and gas taxes, which are not received by First Steps' General Funds.

5. Budget to GAAP Reporting Differences

Budgetary accounting principles differ significantly from GAAP accounting principles. Basis differences arise because the basis of budgeting differs from the GAAP basis used to prepare the statement of revenues, expenditures, and changes in fund balance. In the current year, there are funds that are received by First Steps that are not legally budgeted and therefore, the amounts reported as actual expenditures on the budgetary basis do not agree to the actual expenditures reported in the governmental fund Statement of Revenue, Expenditure, and Changes in Fund Balance and the Statement of Activities. The differences between the budgetary comparison schedules for the General Funds and Other Budgeted Funds as compared to the Statement of Revenues, Expenditures, and Changes in Fund Balance are related strictly to the modified accrual basis of accounting which include accounts receivable and accounts payable as revenues and expenditures in the current year while the budgetary basis would include those amounts in the year that payments were actually received or paid. A reconciliation of the budgetary basis expenditures to the GAAP basis expenditures is below:

**SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2020**

5. Budget to GAAP Reporting Differences (continued)

Reconciliation of Budget Basis to GAAP Basis Expenditures
For the Year Ended June 30, 2020

	General Fund	Other Budgeted Funds	Total
Total expenditures, budgetary basis	\$ 6,573,416	\$ 34,005,510	\$ 40,578,926
Perspective differences:			
All expenditures are reported in the General Fund for GAAP	34,005,510	(34,005,510)	—
Basis of accounting differences:			
Change in accrued salaries	80,662	—	80,662
Change in accounts payable	(30,842)	—	(30,842)
Amounts grossed up for GAAP basis that represent a transfer of appropriations on the budgetary basis	1,105,000	—	1,105,000
Revenues in the special revenue fund are considered expenditures in the General Fund for budgetary purposes	(18,277,200)	—	(18,277,200)
Payments made after prior year end applied to prior year budgetary basis but apply to current year under GAAP	170,000	—	170,000
Other basis differences	(134,991)	—	(134,991)
Total expenditures, GAAP basis	\$ 23,491,555	\$ —	\$ 23,491,555

**South Carolina First Steps to School Readiness
Required Supplementary Information -
Schedule of the South Carolina First Steps
to School Readiness' Proportionate Share of the Net
Pension Liability – South Carolina Retirement System
As of June 30, 2020
Last Seven Fiscal Years**

	2020	2019	2018	2017	2016
First Steps' proportion of the net pension liability	0.02409%	0.03153%	0.050291%	0.038504%	0.031435
First Steps' proportionate share of the net pension liability	\$ 5,500,745	\$ 7,063,997	\$ 11,321,231	\$ 8,224,476	\$ 5,961,706
First Steps' covered payroll	\$ 2,411,951	\$ 3,039,003	\$ 5,074,161	\$ 3,728,634	\$ 2,947,293
First Steps' proportionate share of the net pension liability as percentage of covered payroll	228.06%	232.44%	223.12%	220.58%	202.28%
Plan fiduciary net position as a percentage of the total pension liability	54.4%	54.1%	53.3%	52.9%	57.0%
First Steps' proportion of the net pension liability	0.031390%	0.031390%			
First Steps' proportionate share of the net pension liability	\$ 5,404,384	\$ 5,630,315			
First Steps' covered payroll	\$ 2,849,840	\$ 2,889,764			
First Steps' proportionate share of the net pension liability as percentage of covered payroll	189.64%	194.84%			
Plan fiduciary net position as a percentage of the total pension liability	59.9%	56.4%			

Note: The amounts presented above were determined as of June 30th of the preceding year.

Note: Only seven years of data were available; thus, only seven years were presented.

**South Carolina First Steps to School Readiness
Required Supplementary Information -
Schedule of the South Carolina First Steps
to School Readiness' Contributions -
South Carolina Retirement System
As of June 30, 2020
Last Ten Fiscal Years**

	2020	2019	2018	2017	2016
Contractually required contribution	\$ 424,022	\$ 351,180	\$ 412,089	\$ 586,573	\$ 412,387
Contributions in relation to the					
contractually required contribution	424,022	351,180	412,089	586,573	412,387
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
First Steps covered payroll					
Contributions as a percentage of	\$ 2,725,077	\$ 2,411,951	\$ 3,039,003	\$ 5,074,161	\$ 3,728,634
covered payroll	15.56%	14.56%	13.56%	11.56%	11.06%
Contractually required contribution					
Contributions in relation to the	2015	2014	2013	2012	2011
contractually required contribution	\$ 321,255	\$ 302,083	\$ 306,315	\$ 219,508	\$ 189,512
Contribution deficiency (excess)	321,255	302,083	306,315	219,508	189,512
	\$ -	\$ -	\$ -	\$ -	\$ -
First Steps covered payroll					
Contributions as a percentage of	\$ 2,947,293	\$ 2,849,840	\$ 2,889,764	\$ 2,302,129	\$ 2,018,232
covered payroll	10.90%	10.60%	10.60%	9.54%	9.39%

**South Carolina First Steps to School Readiness
Required Supplementary Information -
Schedule of the South Carolina First Steps
to School Readiness' Proportionate Share of the Net
OPEB Liability – South Carolina Health Insurance Trust Fund
As of June 30, 2020
Last Four Fiscal Years**

	2020	2019	2018	2017
First Steps' proportion of the net OPEB liability	0.027578%	0.033958%	0.056381%	0.056381%
First Steps' proportionate share of the net OPEB liability	\$ 4,170,259	\$ 4,812,069	\$ 7,645,667	\$ 8,157,559
First Steps' covered payroll	\$ 2,411,951	\$ 2,928,455	\$ 4,760,094	\$ 3,728,634
First Steps' proportionate share of the net OPEB liability as percentage of covered payroll	172.90%	164.32%	160.62%	218.78%
Plan fiduciary net position as a percentage of the total OPEB liability	8.44%	7.91%	7.60%	6.62%

Note: The amounts presented above were determined as of June 30th of the preceding year.

Note: Only four years of data was available; thus, only four years are presented.

**South Carolina First Steps to School Readiness
Required Supplementary Information -
Schedule of the South Carolina First Steps
to School Readiness' Contributions –
South Carolina Health Insurance Trust Fund
As of June 30, 2020
Last Four Fiscal Years**

	2020	2019	2018	2017
Contractually required contribution	\$ 170,317	\$ 145,923	\$ 161,065	\$ 232,315
Contributions in relation to the				
contractually required contribution	170,317	145,923	161,065	232,315
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
First Steps covered payroll	\$ 2,725,077	\$ 2,411,951	\$ 2,928,455	\$ 4,760,094
Contributions as a percentage of				
Covered payroll	6.25%	6.05%	5.50%	4.88%

Note: Only four years of data were available; thus, only four years are presented.

**SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
SUPPLEMENTARY INFORMATION -
SCHEDULE OF PRIVATE 4K PROGRAM EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>General Fund</u>	<u>Private 4K Special Revenue Fund</u>	<u>Total</u>
Expenditures			
Private 4K provider costs	\$ —	\$ 17,366,735	\$ 17,366,735
Allocations to other entities	1,105,000	—	1,105,000
Contractual services	613,088	—	613,088
Salaries	1,294,036	—	1,294,036
Employer fringe benefits	500,005	—	500,005
Materials	727,720	—	727,720
Travel	75,961	—	75,961
Rent and leases	100,729	—	100,729
Total expenditures	<u>\$ 4,416,539</u>	<u>\$ 17,366,735</u>	<u>\$ 21,783,274</u>



Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Mr. George L. Kennedy, CPA
State Auditor
Office of the State Auditor
Columbia, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of South Carolina First Steps to School Readiness ("First Steps") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise First Steps' basic financial statements, and have issued our report thereon dated September 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered First Steps' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of First Steps' internal control. Accordingly, we do not express an opinion on the effectiveness of First Steps' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether First Steps' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

GREENEFINNEY.COM · INFO@GREENEFINNEY.COM

MAULDIN, SC
864.232.5204

CHARLESTON, SC
843.735.5805

SPARTANBURG, SC
864.232.5204

ASHEVILLE, NC
828.771.0847
OPEN BY APPOINTMENT ONLY

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Greene Finney, LLP".

Greene Finney, LLP
Mauldin, South Carolina
September 17, 2020

AGREEMENT

THIS AGREEMENT is made by and between Greenville County First Steps to School Readiness Partnership, a South Carolina Nonprofit Corporation (“Greenville County First Steps”) and South Carolina First Steps Board to School Readiness Board of Trustees, a South Carolina Nonprofit Corporation (“South Carolina First Steps Board”).

Preamble:

A. Greenville County First Steps is a South Carolina nonprofit corporation and a county partnership within the meaning of the First Steps Act (as defined below).

B. Greenville County First Steps desires to invest certain privately donated funds in an investment management account.

C. South Carolina Code Sections 59-152-10 et seq. and Sections 63-11-1710 et seq. (collectively “First Steps Act”) govern the First Steps initiative. South Carolina Code § 59-152-150(C) provides as follows:

All private and nonstate funds sought by local partnerships must be used exclusively for meeting the goals and purpose of First Steps as specified in Section 59-152-20 and Section 59-152-30. Private funds received by a First Steps partnership must be deposited in a separate fund subject to review by the Office of First Steps and the State Board.

D. Greenville County First Steps and South Carolina First Steps Board desire to agree to certain conditions to ensure that the Investment Account (as defined below) is used exclusively to meet the purposes of the First Steps Act; the Investment Account is subject to appropriate review by South Carolina First Steps Board; and the Fund Account otherwise complies with South Carolina law.

E. The Office of South Carolina First Steps to School Readiness (“Office of First Steps”) exists under the supervision of South Carolina First Steps Board to carry out certain statutorily defined purposes.

NOW, THEREFORE, in consideration of the premises, the mutual covenants made herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties agree as follows:

1. Greenville County First Steps may invest an initial amount of up to \$400,000 in an investment management account with Wells Fargo (“Investment Account”) on the terms and conditions provided on this Agreement. Greenville County First Steps also may invest the following amounts in the Investment Account to the extent that contributions are received by Greenville County First Steps from private donors, specifically donated for the purpose of this fund, of additional private matching funds for up to \$250,000 per year for the next 5 years.

DRAFT

Amounts in addition to the above-specified amounts may be invested in the Investment Account only with the advance written approval of South Carolina First Steps Board.

2. Greenville County First Steps hereby represents to South Carolina First Steps Board as follows:

(a) All amounts contributed to the Investment Account will consist of amounts donated to Greenville County First Steps by private donors, and no State or other government grants have been or will be used to pay for any fundraising costs. Any funds deposited into the account after it is created will be donations specifically donated for that purpose.

(b) No amounts contributed to the Investment Account are subject to donor-imposed restrictions that may be violated as a result of their contribution, investment, management or distribution pursuant to the arrangement described in this Agreement.

(c) The execution and delivery by Greenville County First Steps of this Agreement, the performance by Greenville County First Steps of its obligations hereunder, and the consummation by Greenville County First Steps of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of Greenville County First Steps. This Agreement constitutes the legal, valid and binding obligation of Greenville County First Steps enforceable against Greenville County First Steps in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, arrangement, moratorium or other similar laws relating to or affecting the rights of creditors generally, or by general equitable principles.

(d) The execution and delivery by Greenville County First Steps of this Agreement do not, and the performance by Greenville County First Steps of its obligations under this Agreement does not, (i) violate or result in a breach of the organizational documents of Greenville County First Steps; (ii) violate or result in a default under any material contract to which Greenville County First Steps is a party; (iii) violate or result in a breach of any law applicable to Greenville County First Steps; or (iv) require any consent or approval of any governmental authority under any law applicable to Greenville County First Steps (other than South Carolina First Steps Board).

(e) Greenville County First Steps is satisfied with its investigation of Wells Fargo as a suitable investment manager for the purposes of the arrangement described in this Agreement.

South Carolina First Steps Board is relying on the accuracy of these representations in entering into this Agreement.

3. Funds may not be withdrawn from the Investment Account except with approval from the Greenville County First Steps Executive Director and the Greenville County First Steps Board Chair. Any amounts withdrawn or distributed from the Investment Account shall be used only for meeting the goals and purpose of First Steps as specified in South Carolina Code Section 59-152-20 and Section 59-152-30. Any withdrawals or distributions from the Investment Account shall be

DRAFT

deposited into Greenville County First Steps account in accordance with Office of First Steps private fund receipting processes. All funds shall be included in Office of First Steps mandated Budget Spending Plans, and would be spent through existing Office of First Steps mandated Regional Financial Manager processes. In addition, once the total balance of the investment fund reaches the most recent annual 5 year average of annual expenses for Greenville County First Steps, all investment gains for the year are required to be expended on services to children and families in accordance to the SC First Steps mission in the following fiscal year.

4. South Carolina First Steps Board has not performed due diligence investigations with respect to Wells Fargo. Greenville County First Steps acknowledges that South Carolina First Steps Board is not providing any investment advice with respect to the Investment Account or any other funds of Greenville County First Steps. All investment decisions with respect to the Investment Account shall be the exclusive responsibility of Greenville County First Steps. Greenville County First Steps agrees to indemnify and hold harmless South Carolina First Steps Board for any loss in value in the Investment Account, any expenses incurred and any other loss, claim or obligation incurred with respect to the Investment Account.

5. Greenville County First Steps agrees to provide to South Carolina First Steps Board all information with respect to the Investment Account (including contributions to, and distributions from, the Investment Account) that South Carolina First Steps Board may request from time to time. Greenville County First Steps agrees to provide such information as expeditiously as possible. Without limiting the generality of the foregoing provisions of this paragraph, Greenville County First Steps agrees to provide to South Carolina First Steps Board, upon receipt from Wells Fargo, all information that Greenville County First Steps receives from Wells Fargo related to the Investment Account (including without limitation any periodic account statements), and to the extent that Wells Fargo can accommodate such request, Greenville County First Steps agrees to cause South Carolina First Steps Board to be a duplicate notice party so that Wells Fargo may send such information directly to South Carolina First Steps Board. Greenville County First Steps agrees to provide to South Carolina First Steps Board any information that Greenville County First Steps receives (regardless of source) that may materially and adversely affect the Investment Account.

6. Greenville County First Steps agrees to maintain its contractual relationship with Wells Fargo regarding the Investment Account such that Greenville County First Steps agrees may terminate the Investment Account (and cause the assets in the Investment Account to be returned to Greenville County First Steps in accordance with paragraph 3) upon notice to Wells Fargo. Greenville County First Steps agrees to terminate the Investment Account if Greenville County First Steps or South Carolina First Steps Board determines that the Investment Account or the arrangement described in this Agreement is in any manner inconsistent with the First Steps Act or violates any applicable law.

7. Greenville County First Steps agrees that at no time shall any funds from a grant provided by the State of South Carolina, South Carolina First Steps Board or any other governmental entity be placed in this Investment Account.

DRAFT

8. All notices, requests, consents, claims, demands, waivers and other communications hereunder ("Notice") shall be in writing and shall be deemed to have been given: (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); or (c) on the fifth day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Any Notice must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section):

If to Greenville County First Steps:

700 N. Pleasantburg Drive
Greenville, SC 29607
Attn: Executive Director

If to South Carolina First Steps Board:

1300 Sumter Street, Suite 100
Columbia, SC 29201
Attn: Director of Administration

Any information sent by Greenville County First Steps pursuant to paragraph 5 may be sent in accordance with the foregoing provisions of this paragraph or via electronic mail to the then-serving Director of Administration of South Carolina First Steps Board.

9. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each party hereto. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

DRAFT

The parties have executed this Agreement as of the latest date set forth below.

**Greenville County First Steps to School Readiness Partnership,
a South Carolina Nonprofit Corporation**

By: DRAFT
Derek Lewis, Executive Director

Date: _____, 2020

By: DRAFT
Lauren Briles, Board Chairman

Date: _____, 2020

**South Carolina First Steps Board to School Readiness Board of Trustees,
a South Carolina Nonprofit Corporation**

By: DRAFT
Georgia Mjartan, Executive Director

Date: _____, 2020