



The Honorable Governor Nikki Haley
SC Office of the Governor
1205 Pendleton Street
Columbia, SC 29201

October 1, 2013

Dear Governor Haley,

Thank you for your leadership for our state's youngest learners. We look forward to working with you to eliminate the achievement gap as we empower families and communities to prepare their children for school success.

As you know, the SC First Steps to School Readiness Board of Trustees remains focused on our vision of "connecting South Carolina's high-risk children to coordinated, individualized interventions designed to improve their educational and developmental trajectories." We are committed to connecting South Carolina's children at greatest risk of early school failure to quality interventions in both the public and private sectors. We respectfully request your consideration of our FY15 budget request, which seeks funds to support communities, preschool choice, and the stabilization of the state's BabyNet early intervention system.

Please do not hesitate contact me at (803) 734-0391 or sdevenny@scfirststeps.org if you would like additional data or clarification of this request. Thank you.

Respectfully,

A handwritten signature in cursive script that reads "Susan W. DeVenny".

Susan W. DeVenny
Director

cc: Josh Baker, Office of the Governor
Les Boles, Office of the State Budget
Lewis Smoak, Vice Chair, South Carolina First Steps to School Readiness Board of Trustees
Judith Aughtry, Finance Chair, South Carolina First Steps to School Readiness Board of Trustees
Russell Brown, South Carolina First Steps to School Readiness
Dan Wuori, South Carolina First Steps to School Readiness

SC First Steps to School Readiness

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AGENCY NAME:	SC FIRST STEPS TO SCHOOL READINESS		
AGENCY CODE:	H630 (Dept. of Education)	SECTION:	XVII



Fiscal Year 2014-15 Agency Budget Plan

FORM A – SUMMARY

RECURRING FUNDS (<i>FORM B DECISION PACKAGES</i>)	My agency is submitting the following recurring decision packages (Form B): 497
	For FY 2014-15, my agency is (mark “X”): <input checked="" type="checkbox"/> Requesting a net increase in recurring General Fund appropriations. <input type="checkbox"/> Not requesting a net increase in recurring General Fund Appropriations.
CAPITAL & NON-RECURRING FUNDS (<i>FORM C DECISION PACKAGES</i>)	My agency is submitting the following one-time decision packages (Form C): 1098
	For FY 2014-15, my agency is (mark “X”): <input checked="" type="checkbox"/> Requesting capital and/or non-recurring funds. <input type="checkbox"/> Not requesting capital and/or non-recurring funds.
PROVISOS	For FY 2014-15, my agency is (mark “X”): <input type="checkbox"/> Requesting a new proviso and/or substantive changes to existing provisos. <input checked="" 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:	Dan Wuori	734-0100	dwuori@scfirststeps.org
SECONDARY CONTACT:	Russell Brown	734-3105	rbrown@scfirststeps.org

I have reviewed and approved the enclosed FY 2014-15 Agency Budget Plan, which is complete and accurate to the extent of my knowledge.

AGENCY DIRECTOR (SIGN/DATE):	
AGENCY DIRECTOR (TYPE/PRINT NAME):	SUSAN W. DEVENNY

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

AGENCY NAME:	South Carolina First Steps to School Readiness		
AGENCY CODE:	H63 (SCDE)	SECTION:	SC First Steps/BabyNet

FORM B – PROGRAM REVISION REQUEST

DECISION PACKAGE	497	<i>Provide the decision package number issued by the PBF system ("Governor's Request").</i>	
TITLE	BabyNet Early Intervention Services for Infants and Toddlers		
<i>Provide a brief, descriptive title for this request.</i>			
AMOUNT	\$1,205,453		
<i>What is the net change in requested appropriations for FY 2014-15? This amount should correspond to the decision package's total in PBF across all funding sources.</i>			
ENABLING AUTHORITY	<p>BabyNet is the state's early intervention program (special education) for infants and toddlers under the federal Individuals with Disabilities Education Act (IDEA), Part C.</p> <p>This request will enable First Steps to provide service pursuant to federal law, but is not a result of its revision.</p>		
<i>What state or federal statutory, regulatory, and/or administrative authority established this program? Is this decision package prompted by the establishment of or a revision to that authority?</i>			
FACTORS ASSOCIATED WITH THE REQUEST	<p>Mark "X" for all that apply:</p> <p><input checked="" type="checkbox"/> Change in cost of providing current services to existing program audience.</p> <p><input type="checkbox"/> Non-mandated change in eligibility / enrollment for existing program.</p> <p><input checked="" type="checkbox"/> Change in case load / enrollment under existing program guidelines.</p> <p><input type="checkbox"/> Non-mandated program change in service levels or areas.</p> <p><input checked="" type="checkbox"/> Loss of federal or other external financial support for existing program.</p> <p><input checked="" type="checkbox"/> Exhaustion of fund balances previously used to support program.</p> <p><input type="checkbox"/> Proposed establishment of a new program or initiative.</p>		
RECIPIENTS OF FUNDS	<p>This request will both secure federally mandated intake and eligibility services provided by South Carolina First Steps and be utilized to reimburse vendors providing direct therapy services (speech/language, physical therapy, occupational therapy, etc.) to which disabled and developmentally delayed children are entitled under federal law as part of their Individualized Family Service Plans (IFSP).</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>			

AGENCY NAME:	South Carolina First Steps to School Readiness		
AGENCY CODE:	H63 (SCDE)	SECTION:	SC First Steps/BabyNet

RELATED REQUEST(S): 1098	First Steps has also submitted a non-recurring BabyNet request (Decision Package 1098) for required upgrades to the program's data system recommended by the Legislative Audit Council. <i>Is this decision package associated with other decision packages requested by your agency or other agencies this year? Is it associated with a specific capital or non-recurring request?</i>
MATCHING FUNDS	These funds are not matched, but will enable SC to comply with federal law as a condition of the state's participation in IDEA Part C. <i>Would these funds be matched by federal, institutional, philanthropic, or other resources? If so, identify the source and amount.</i>
FUNDING ALTERNATIVES	Since inheriting the BabyNet system in 2010, SC First Steps has brought direct service expenditures from \$5.6M to \$4.0M. While efficiencies have significantly improved the system's previously unsustainable expenditure levels, First Steps is limited in its ability to further offset reductions in revenue without reducing service to children. <i>What other possible funding sources were considered? Could this request be met in whole or in part with the use of other resources, including fund balances? If so, please comment on the sustainability of such an approach.</i>
SUMMARY	SC First Steps seeks these funds to maintain current service levels to disabled infants and toddlers. We are making this request in recognition of 3 factors: 1) Federal sequester – the BabyNet program's federal revenue has been reduced by \$312,000 as a result of the recent federal sequester. 2) Reduction in Medicaid targeted case management rates by SC DHHS. First Steps' front-line BabyNet services are funded by a combination of state appropriations and Medicaid revenues. Due to a recent rate adjustment by SC DHHS, First Steps' per unit Medicaid billing rate has been reduced from \$25.22 to \$15.00, a reduction of 40.52%. This rate reduction will result in a projected, annual program revenue deficit of \$305,520. 3) In FY11-12, SC First Steps was transferred, via proviso, all frontline DHEC BabyNet staff. Between state appropriations transferred and Medicaid revenues generated by this staff, SCFS was provided only 77% of the total funding necessary to employ, house and equip this staff, creating an unsustainable funding gap of \$587,933. Due to federally mandated functions served by this staff – SCFS is currently unable to reduce staff accordingly. Combined, these amounts total \$1,205,453. We are requesting this amount to avoid loss of direct client services.

Provide a summary of the rationale for the decision package. Why has it been requested? How specifically would the requested funds be used?

AGENCY NAME:	South Carolina First Steps to School Readiness		
AGENCY CODE:	H63 (SCDE)	SECTION:	SC First Steps/BabyNet

METHOD OF CALCULATION	See detail in summary section above.
	<i>How was the amount of the request calculated? What factors could cause deviations between the request and the amount that could ultimately be required in order to perform the underlying work?</i>
FUTURE IMPACT	<p>IDEA Part C has a strict maintenance of effort requirement related to state investments, making this a recurring request.</p> <p>Should implementation of the program's upgraded data system (requested as part of our non-recurring request) and/or other system efficiencies result in planned savings that might subsequently lower the state's maintenance of effort amount, First Steps will pursue this as permitted by federal law.</p>
	<i>Will the state incur any maintenance-of-effort or other obligations by adopting this decision package? What impact will there be on future capital and/or operating budgets if this request is or is not honored? Has a source of any such funds been identified and/or obtained by your agency?</i>
PRIORITIZATION	<p>In the absence of sufficient funding to balance the system's projected revenue shortfalls (see above), First Steps will be forced to re-examine client eligibility and/or provider rates, risking loss of services to needy families. Because of challenges related to the state's diversified method of BabyNet funding, First Steps is only able to redirect savings within its own portion of the interagency system budget.</p>
	<i>If no or insufficient new funds are available in order to meet this need, how would the agency prefer to proceed? By using fund balances, generating new revenue, cutting other programs, or deferring action on this request in FY 2014-15?</i>

AGENCY NAME:	South Carolina First Steps to School Readiness		
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INTENDED IMPACT	As a result of revenue reductions, this request is intended to maintain existing levels of IDEA Part C service provision without the loss of service to clients.
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What impact is this decision package intended to have on service delivery and program outcomes, and over what period of time?

PROGRAM EVALUATION	Each state's Part C system is evaluated annually by the US Department of Education's Office of Special Education Programs – on which the state has ranked below expectations for most of the program's 20 year history. Since its inheritance of system leadership in 2010, First Steps has made significant changes that are paving the way toward improved federal compliance. Pending revenue deficits, however, threaten to weaken this standing if left unaddressed.
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How would the use of these funds be evaluated? What specific outcome or performance measures would be used to assess the effectiveness of this program?

AGENCY NAME:	South Carolina First Steps to School Readiness		
AGENCY CODE:	H63 (Education)	SECTION:	SC First Steps/BabyNet

FORM C – CAPITAL OR NON-RECURRING APPROPRIATION REQUEST

DECISION PACKAGE	1098	<i>Provide the decision package number issued by the PBF system ("Governor's Request").</i>	
TITLE	BabyNet Data System – Required Upgrades		
	<i>Provide a brief, descriptive title for this request.</i>		
AMOUNT	838,100	<i>How much is requested for this project in FY 2014-15?</i>	
BUDGET PROGRAM	BabyNet (First Steps)		
	<i>Identify the associated budget program(s) by name and budget section.</i>		
SUMMARY	<p>First Steps inherited an outdated online data system when BabyNet was transferred from DHEC in 2010. That system, BabyTrac, has been increasingly unable to collect and report data required by the US Department of Education. In its August 2011 audit of the BabyNet system, the SC Legislative Audit Council recommended increased reporting of data beyond that collected by the old system. They recommended procurement of a new data system to generate electronic Individual Family Service Plans and transition conference data required by federal law.</p> <p>The First Steps Board of Trustees is charged via Proviso 117.108 with implementing the LAC recommendations and has procured a new data system for BabyNet, Bridges, currently in development to address these needs. This non-recurring request covers the cost of the development and implementation of the Bridges system.</p>		
	<i>Provide a summary of the project and explain why it is necessary.</i>		

AGENCY NAME:	South Carolina First Steps to School Readiness		
AGENCY CODE:	H63 (Education)	SECTION:	SC First Steps/BabyNet

RELATED REQUEST(S)	This request is related to recurring Decision Package 497, though independent of it.
<i>Is this decision package associated with other decision packages requested by your agency or other agencies this year? Is it associated with a specific capital or non-recurring request?</i>	
MATCHING FUNDS	These funds are not matched, but will enable SC to comply with federal law as a condition of the state's participation in IDEA Part C.
<i>Would these funds be matched by federal, institutional, philanthropic, or other resources? If so, identify the source and amount.</i>	
FUNDING ALTERNATIVES	Since inheriting the BabyNet system in 2010, SC First Steps has brought direct service expenditures from \$5.6M to \$4.0M. While efficiencies have significantly improved the system's previously unsustainable expenditure levels, First Steps is limited in its ability to further offset reductions in revenue without reducing service to children. <i>What other possible funding sources were considered?</i>
LONG-TERM PLANNING AND SUSTAINABILITY	The continuing license associated with this one-time system build will be covered as part of the state's annual Part C grant from the US Department of Education. This cost will replace an existing cost dedicated to maintenance and hosting of the program's existing system which will go offline. <i>What other funds have already been invested in this project (source/type, amount, timeframe)? Will other capital and/or operating funds for this project be requested in the future? If so, how much, and in which fiscal years? Has a source for those funds been identified/secured?</i>
OTHER APPROVALS	System is currently under development and was obtained in compliance with state procurement code. <i>What approvals have already been obtained? Are there additional approvals that must be secured in order for the project to succeed? (Institutional board, JBRC, BCB, etc.)</i>

AGENCY NAME:	South Carolina First Steps to School Readiness		
AGENCY CODE:	H63 – Education	SECTION:	First Steps

FORM D – PROVISO REVISION REQUEST

NUMBER	117.108
<p><i>Cite the proviso according to the State Budget Division's renumbered list for FY 2014-15 (or mark "NEW").</i></p>	
TITLE	GP: First Steps Reauthorization
<p><i>Provide the title from the FY 2013-14 Appropriations Act or suggest a short title for any new request.</i></p>	
BUDGET PROGRAM	First Steps
<p><i>Identify the associated budget program(s) by name and budget section.</i></p>	
DECISION PACKAGE	
<p><i>Is this request associated with a decision package you have submitted for FY 2014-15? If so, cite it here.</i></p>	
REQUESTED ACTION	Amend
<p><i>Choose from: Add, Delete, Amend, or Codify.</i></p>	
OTHER AGENCIES AFFECTED	N/A
<p><i>Which other agencies would be affected by the recommended action? How?</i></p>	
SUMMARY	<p>This proviso was included in the FY14 budget as a method of reauthorizing the South Carolina First Steps to School Readiness Act for FY14.</p>
<p><i>Summarize the existing proviso. If requesting a new proviso, describe the current state of affairs without it.</i></p>	

AGENCY NAME:	South Carolina First Steps to School Readiness		
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EXPLANATION	A pair of active bills, S.291 and H.3428, are designed to address the reauthorization of SC First Steps in statute. Passage of either during the 2014 session would negate the need for this proviso language. Until such time, however, SC First Steps requests amendment of Proviso 117.108 to ensure the program's legal operation during FY15.
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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 new fiscal impact to the state as a result of this proviso.
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Provide estimates of any fiscal impacts associated with this proviso, whether for state, federal, or other funds. Explain the method of calculation.

AGENCY NAME:	South Carolina First Steps to School Readiness		
AGENCY CODE:	H63 – Education	SECTION:	First Steps

117.108.(GP: First Steps Reauthorization) Act 99 of 1999, the South Carolina First Steps to School Readiness Act, is reauthorized for the duration of Fiscal Year 2013-14 **2014-15**.

**PROPOSED
PROVISO TEXT**

Paste FY 2013-14 text above, then bold and underline insertions and strikethrough deletions. For new proviso requests, enter requested text above.