



## SUMMARY

# A Review of S.C. First Steps to School Readiness



JUNE 2013

CHILDREN AND FAMILIES IN S.C. HAVE RISK FACTORS THAT INDICATE A CONTINUING NEED FOR EARLY CHILDHOOD EDUCATION SERVICES. ALTHOUGH FIRST STEPS HAS MADE SIGNIFICANT IMPROVEMENTS IN ITS COLLECTION AND ANALYSIS OF DATA, CONTINUED IMPROVEMENT IS NEEDED IN PROGRAM SELECTION, MEASURING SCHOOL READINESS, AND PROGRAM EFFECTIVENESS. IMPROVEMENT IS ALSO NEEDED IN THE TRANSPARENCY OF THE STATE BOARD'S DECISION MAKING PROCESS, THE METHOD OF FUNDING COUNTY PARTNERSHIPS, AND MONITORING OF COUNTY OVERHEAD COSTS.

- The percentages of children at-risk for not being ready to succeed in school have not decreased since 2000. School readiness risk factors impact the need for First Steps services, but reducing their extent is not a short-term goal of First Steps.
- State law does not define "school readiness" and does not give the Department of Education the authority to establish a uniform school readiness test.
- First Steps has made significant improvements in collecting data for measuring the effectiveness of its programs. It has not, however, adequately measured the effectiveness of all of its programs.
- First Steps has reported questionable statistics to the public by stating that the implementation of early childhood development and education programs has coincided with a 48% decrease in the percentage of students who repeat first grade and is saving the state more than \$21 million per year. For these statistics, First Steps did not report the retention rate of students who had participated in early childhood programs versus the retention rate of students who had not. In addition, because there are no statewide criteria for retaining students, the criteria can vary from location to location and across time.
- Trustees of the First Steps board have not adequately attended meetings and have made decisions without a quorum.
- County partnership overhead costs have not been adequately defined or monitored.
- An error in calculating the FY 12-13 county partnership allocation resulted in 32 counties being overfunded and 14 being underfunded. The funding formula has not been promulgated in state regulation, reducing transparency and oversight from the General Assembly. A per-child subsidy of lower-population counties by larger-population counties creates a disincentive for partnerships to merge to benefit from economies of scale.
- There are alternatives to the placement of First Steps within state government, each with advantages and disadvantages.

## INTRODUCTION

Members of the S.C. General Assembly asked the Legislative Audit Council to review the operation of South Carolina First Steps to School Readiness, a state government and private, nonprofit entity focused on early childhood development.

First Steps is a collection of programs that varies from county to county, which can be divided into five categories — family strengthening, early education, quality child care, health care, and school transitioning.

First Steps provides funding, technical assistance, and oversight to a network of 46 independent county partnerships. In FY 11-12, total expenditures by the state office were approximately \$41 million.

## AUDIT RESULTS

### DEMOGRAPHIC DATA ON AT-RISK CHILDREN IN S.C.

The percentages of children at-risk for not being ready to succeed in school have not decreased since 2000. Examples of risk factors include being subjected to abuse and neglect, low birth weight, having a mother with limited education, having a teenage mother, and low family income. While these risk factors impact the number of children in need of First Steps services, reducing the prevalence of these risk factors is not a short-term goal of First Steps.

Annual reports from First Steps are not consistent or complete when citing the percentage of South Carolina children served who are at-risk, making it difficult to ensure that resources are targeted where they are needed.

### EFFECTIVENESS AND PROGRAM SELECTION

State law does not have a statewide definition of “school readiness.” There is not a clear objective for ensuring programs are moving toward a common goal.

The South Carolina Department of Education (SDE) does not have the authority to establish a uniform school readiness test across the state, making it difficult to measure student preparedness across school districts and across time.

First Steps has made significant improvements in collecting data for measuring the effectiveness of its programs. It has not, however, adequately measured the effectiveness of all of its programs.

First Steps has reported questionable statistics to the public by stating the implementation of early childhood development and education programs has coincided with a 48% decrease in the percentage of students who repeat first grade, saving the state more than \$21 million per year. For these statistics, First Steps did not report the retention rate of students who had participated in early childhood programs versus the retention rate of students who had not. In addition, because there are no statewide criteria for retaining students, the criteria can vary from location to location and across time.

State law has not adequately limited the number and types of First Steps programs operated across the state. Therefore, operating and monitoring the programs has become unnecessarily complex. There is also reduced assurance that children are enrolled in programs that most effectively prepare them for school.

### GOVERNANCE BY THE BOARD OF TRUSTEES

An average of 45% of state First Steps board members attended board meetings from January 2009 through June 2012. There was a quorum at only seven of the twenty-five meetings during this period. Without a quorum, the board approved statewide First Steps budgets, county strategies, and operations standards.

State law requires that the Governor and the State Superintendent of Education serve on the state First Steps board, however, neither has attended a meeting during the last four years. State law does not permit these Constitutional officers to send other individuals to the meetings as designees.

Five of the twenty-two board seats are vacant, awaiting new appointments. Eight of the seventeen current trustees have expired terms. The board does not conduct formal, annual evaluations of the First Steps director.

### FORMULA FOR FUNDING COUNTY PARTNERSHIPS

Due to an error in implementing the formula for funding county partnerships in FY 12-13, a total of 32 counties were overfunded while 14 were underfunded. The funding formula has not been promulgated in state regulation, reducing transparency and oversight from the General Assembly.

Partnerships in smaller-population counties have received per-child subsidies, outside the formula, from larger-population counties, creating a disincentive for partnerships to merge operations to benefit from economies of scale.

FOR MORE  
INFORMATION

Our full report, including comments from relevant agencies, is published on the Internet. Copies can also be obtained by contacting our office.

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## STATE OFFICE ADMINISTRATION

Each year from FY 07-08 through FY 10-11, First Steps reported expenditure amounts in its annual report that were significantly different than the amounts reported in the Governor's Detail Base Budget. These variances ranged from \$385,914 (1.0%) to \$6.6 million (19.4%).

The First Steps director earns a higher salary than any employee at the South Carolina Department of Education and a lower salary than directors of larger early childhood agencies in neighboring states.

During our review, the Budget and Control Board indicated that the First Steps director reported zero hours of annual and sick leave during FY 10-11 and FY 11-12. However, First Steps officials indicated that, due to an error, they did not report more than 23 days of annual and sick leave for the director during this period.

The monitoring of county partnership overhead costs has not been adequate. State law establishes a limit of 8%, however, this limit was not based on formal analysis of South Carolina partnership costs. Also, there is no definition of overhead costs in state law or regulation.

## ORGANIZATIONAL STRUCTURE

There are alternatives to the state-level organizational placement of First Steps, each with positive and negative aspects. Currently, First Steps is a quasi-independent entity, with a state board, using some of the administrative resources of SDE. Under this structure, SDE has limited ability to assimilate First Steps into a unified structure. A second alternative would be to place First Steps completely within the SDE, which would allow lower administrative costs but could also reduce collaboration among the various entities that comprise the current First Steps board. A third alternative would divide First Steps between several existing state agencies. As under the second alternative, not having an additional state entity could allow lower administrative costs, but could also reduce collaboration among the entities now represented on the First Steps board.

We found that economies of scale and other benefits could be realized from the voluntary establishment of multi-county First Steps partnerships.

S.C. FIRST STEPS COMMENTS ON THIS REPORT  
CAN BE FOUND AS AN APPENDIX IN THE FULL REPORT.