

South Carolina First Steps Board of Trustees
June 16, 2017
The Inn at USC
DRAFT MINUTES

Members Present (15):

Ken Wingate, Chairman
Julie Hussey, Vice-Chair
Tim Holt
Mary-Lynne Diggs
Amy Williams
Sue Williams
Judith Aughtry
Deirdre Singleton
Rep. Rita Allison
Rep. Jerry Govan
Dr. Beverly Buscemi
Alexia Newman
Catherine Heigel
Jennifer McConnell
Roger Pryor

Members Absent (8):

Rick Noble
Susan Alford
Superintendent Molly Spearman
Sen. Gerald Malloy
Sen. Greg Hembree
Evelyn Patterson
Walter Fleming
Tracy Lamb

Others Present:

Julia-Ellen Davis
Dr. Dan Wuori
Mark Barnes
Debbie Robertson
Betty Gardiner
Carletta Isreal
David Lisk
Candi Lalonde
Dave Wilson
Pierce McNair
Sally Cauthen
Travis Evans
Bridget Sheally
Dorothy Priester
Darnell McPherson

Quorum Call/Chairman's Report:

Mr. Wingate called the meeting to order at 11:15am, noting the absence of an initial quorum in the room. He proceeded to give his Chairman's report, during which he welcomed Deirdre Singleton, the Interim Director of SCDHHS, who replaces Christian Soura on the Board.

Ms. Singleton expressed her appreciation and shared that, as a DHHS employee in 1999, she was one of many agency partners involved in supporting the creation of First Steps during its earliest phases.

Mr. Wingate offered his thanks to the Executive Director Leadership Council, which has met extensively with staff and trustees over the past two months to develop consensus recommendations for consideration by the Board.

Mr. Wingate called on Sue Williams, who provided a brief overview of the latest Kids Count rankings in which South Carolina has moved from 42nd to 39th place.

At 11:25am, Mr. Wingate declared a quorum present and called trustees' attention to the minutes of March 17, 2017 and April 26, 2017. **Upon a motion by Ms. Aughtry and a second by Mr. Holt, both sets of minutes were adopted unanimously.**

Mr. Wingate then called the Board's attention to the Consent Agenda containing:

1. A recommendation from the Program and Grants Committee to approve 203 local partnership grant renewal strategies for FY18 and grant conditional approval to the remaining 14.
2. A recommendation from the Finance and Administration Committee to approve Lee County First Steps' purchase of a replace building using proceeds from an insurance settlement stemming from a weather related loss of a previous property.
3. A recommendation from the Finance and Administration Committee to approve a 4K grant application process pursuant to Proviso 1.86 of the General Appropriations Act for FY18.

As recommendations from committees, the Consent Agenda action items did not require a second and were unanimously passed.

Legislative Committee:

Representatives Allison and Govan provided brief recaps of the 2017 legislative session, noting that H.3591 had been met with much bipartisan support in the House and requires only a floor vote in the Senate before passage to Governor McMaster for signature.

Finance and Administration Committee:

Ms. Aughtry reminded the Board of its legal charge to undertake a review of the initiative's 8% administrative cap under Section 59-152-70(B) – which requires the Board to have this rate reviewed by an independent cost accountant who must report to the board before July 1, 2017. The study was completed by Scott and Company.

Ms. Aughtry introduced Mr. Mark Barnes who provided an overview of several existing budgeting/rules and categories reviewed by Scott and Company and introduced Mr. Michael Slapnik, who conducted the review.

Mr. Slapnik reviewed his process, which included feedback from 9 local First Steps partnerships and presented his key recommendations, which included a) adopting either a tiered administrative

rate which differentiated by partnership size, or a flat rate of somewhere between 12-15%, 2) eliminating the indirect programmatic budget category (and coding all programmatic costs as such), and 3) replacing an existing rule requiring that at least 25% of each executive director's salary be recorded as an administrative cost with a cost allocation model reflecting actual time spent – which in the case of many directors may be less than 25%.

Consistent with Scott and Company's recommendations, Mr. David Lisk of York County First Steps presented the recommendations of the staff and ED Leadership Council, subsequently adopted as the recommendation of the Finance and Administration Committee of the Board. These are:

- *First Steps should replace the 8% cap with a fixed administrative rate of 13% of state funds.*
- *First Steps should eliminate its existing requirement that at least 25% of an Executive Director's salary be coded to administrative costs. This will be replaced by a true cost allocation model in which this figure reflects actual time documented on administrative functions.*
- *First Steps should eliminate its existing "indirect programmatic" budget code. Consistent with the auditor's recommendation, all costs associated with programs and administration will be allocated accordingly.*
- *Consistent with the current recommendation of the Program and Grants Committee, First Steps should establish a "Core Services" budget category (and associated codes) designed to capture statutorily authorized/mandated expenditures that are neither administrative, nor strictly programmatic.*

Ms. Hussey moved that the first recommendation be amended to reflect a "fixed administrative 13% cap" to clarify that 13% was the maximum rate (as opposed to the desired rate). The board unanimously adopted the recommendations as amended.

Mr. Barnes reviewed the monthly financial statement. Chairman Wingate requested that the Board be provided with a year-end statement as soon as FY17 books are closed.

Strategic Planning and Evaluation:

Ms. Newman provided a short committee update, noting that the Compass Evaluation of Parents as Teachers is nearing completion and that staff are beginning work on RFPs to evaluate child care programs and the initiative's next comprehensive evaluation.

Program and Grants:

Ms. McConnell offered her thanks to staff, committee members and the Executive Director Leadership Council, who have met for three recent work sessions designed to develop consensus recommendations around the implementation of the evidence-based program requirement in 59-152-100(B). She asked Dr. Wuori to lead a presentation of the joint recommendations of the committee/ED Leadership Council, which included discussion of feedback provided by Save the Children USA regarding the limitations of randomized control trial research designs, particularly in rural communities.

Dr. Wuori reviewed the following four recommendations, providing background information for each:

Recommendation 1: Expand the Board's draft definition of evidence-based to include quasi-experimental research designs.

Recommendation 2: Classify Training/Professional Development as Evidence-Based, consistent with the practice of North Carolina Smart Start, in conjunction with strengthened standards language as appropriate.

Recommendation 3: Classify child care scholarships as a permissible expenditure only in support of a related evidence-based program.

Recommendation 4: Creation of a Core Services budget category. This category would be used to underwrite costs related to:

- 1) Community mobilization and education strategies under SECTIONS 59-152-30 (5) and 59-152-70 (a)*
- 2) Early screening and referral strategies under SECTION 59-152-30 (4)*
- 3) Expenditures related to the partnerships required status as community portals under SECTION 59-152-70 (a)*
- 4) Support of state-level priorities identified by the State Board under 59-152-70 (c).*
- 5) Nutrition services under SECTION 59-152-30(4)*
- 6) Transportation services under SECTION 59-152-160(c)*

It is proposed that FY18 serve as a baseline data collection year, during which no specified limits for will be established for core service or program funds – both of which are required by law. This will, by default, define “funds appropriated for programs” as those not expended for core services or administrative overhead and provide the Board the opportunity to collect a year's worth of data before considering any further restriction.

At the conclusion of Dr. Wuori's presentation, Ms. Sue Williams requested that the Board undertake review of each recommendation individually, noting that she had specific concerns with #1. Mr. Wingate agreed to do so.

Ms. Sue Williams expressed concern over expanding the Board's definition of evidence-based to include quasi experimental designs, suggesting her desire to limit this definition to the randomized control trial designs originally suggested by the University of SC. Ms. Hussey spoke in favor of the recommendation, noting that the committee had spent much time in debate of the issue and that the information provided to the committee by Save the Children/University of Nebraska made what she considers a compelling case to add quasi-experimental designs. Mr. Lisk noted that the federal What Works Clearinghouse accepts both randomized and quasi-experimental designs in their review process.

Ms. Sue Williams made a motion to table Recommendation 1. The motion failed by a vote of 5-4. After additional discussion, Rep. Govan suggested that debate on Recommendation 1 be adjourned until the August meeting so additional feedback could be gathered. With the consent of committee chair Ms. McConnell, the Board adjourned debate on Recommendation 1 until August 18, 2017.

The Board then undertook Recommendation #2. Ms. Diggs suggested that the references to North Carolina Smart Start be removed by the Board. Rep. Govan agreed. Dr. Wuori stated that this was an acceptable change, noting that the justification for Recommendation 2 was not related specifically to Smart Start, but rather to the literature review through which they classified training and professional development as evidence-based. The Board unanimously adopted Recommendation #2 as thus amended:

Recommendation 2: Classify Training/Professional Development as Evidence-Based in conjunction with strengthened standards language as appropriate.

The Board then undertook Recommendation #3. Rep. Govan expressed concern that the committee language as proposed might limit partnerships in their ability to serve high-risk children in the case that there was not an additional evidence-based strategy to which to link scholarships. He suggested adding wording suggesting that partnerships would make these links “as possible.” Dr. Wuori expressed concern that the addition of this language would serve to contradict the remainder of the recommendation. He suggested the following alternate wording:

Recommendation 3: Expenditures on child care scholarships shall be considered evidence-based when formally linked with one or more additional evidence-based programs. Stand-alone scholarships, without formal connections to evidence-base companion strategies, shall be considered “evidence-informed.”

Upon a motion by Mr. Holt and a second by Ms. Aughtry, the Board unanimously adopted Recommendation #3 as amended.

The Board then undertook Recommendation #4. Rep. Govan called on Mr. McNair, who expressed concern that committee wording regarding a “lack of specified” limits on the expenditure of core service or program funds might be misconstrued by readers as waiving the requirement in 59-152-100(B) requiring partnerships to spend “75% of state funds appropriated for programs” on evidence-based programs. Dr. Wuori explained that the committee’s intent was not to do so – but rather to operationally define which funds were “appropriated for programs” under 59-152-100(B) and to distinguish these from core service expenditures also required by law. He noted that statute does not place limitations around service related expenditures, but suggested that this may be a supplemental restriction that the Board would wish to enact in the future.

Mr. McNair suggested that misinterpretation could be avoided by clarifying language in Recommendation #4 to state clearly that the recommendation was not waiving any obligation under law. **The Board unanimously adopted Recommendation #4 with this caveat, directing staff to develop consensus language with House and Senate Education staff and have it reviewed by agency counsel.**

Early Head Start Governance Council:

Mr. Pryor reviewed a recommendation by staff and the Early Head Start Policy Council to expend a \$36,389 cost of living adjustment granted to First Steps by the Office of Head Start as follows:

- \$18,789 to cover the additional retirement benefits and health insurance costs for the Early Head Start Program Staff for next year. These costs include a .5 % increase in the Retirement Costs and an estimated 4.5% in Health Insurance cost.
- \$17,600 to provide a 1% salary increase for all of the teachers that work for the child care partners. This amount would be included in next year's contract and used only for teacher salaries.

Should a second cost of living adjustment be awarded for First Steps Round 2 grant, the committee proposes using this same model.

Upon a motion by Ms. Aughtry and a second by Mr. Holt, the Board unanimously adopted the recommendation.

Interim Director's Report:

Ms. Davis reviewed her written director's report and introduced a new staff member, Bridget Shealy. She reviewed key dates and upcoming events.

At approximately 2:20pm, the Board entered Executive Session to discuss a personnel matter. The Board exited Executive Session at 3:15pm and took no action. **There being no further business, the Board adjourned at 3:15pm.**