

Budget Briefing: Fiscal Year 2024 Request



MARCIA ADAMS, DIRECTOR
PAUL KOCH, CHIEF OF STAFF
SOUTH CAROLINA DEPARTMENT OF ADMINISTRATION

Agenda

- ▶ Statewide Real Estate Strategy
- ▶ Statewide Compensation
- ▶ FY24 Budget Requests

Statewide Real Estate Strategy



Statewide Real Estate Strategy

1. Sell functionally obsolete and surplus real property

- ▶ Sold property at 2221 Devine Street in 2019 which saved the state over \$5M in deferred maintenance and over \$7.8M over 10 years in overall cost of occupancy.
- ▶ Admin is in the process of selling the Rutledge Building which is projected to save the state over \$4M in deferred maintenance and \$27M in upcoming recapitalization costs.
- ▶ Since its establishment in 2015, Admin has brokered, either in-house or through CBRE, the sale of 95 properties for a total of \$115,683,720.74.

Statewide Real Estate Strategy

2. Implement space standards to reduce footprint

- ▶ Through space standards implemented in FY16 for a target density of 210 SF/person, Admin has reduced commercially leased space occupied by state agencies by 75,212 SF for a savings to date of \$3,896,744 over the lease terms.

3. Lease commercial space where appropriate

- ▶ The state currently leases over 3.5 million square feet of commercial space.

4. Invest and maintain buildings remaining in portfolio

Assessment of Existing Facilities

- ▶ For buildings owned and maintained by Admin, 2016 facility condition assessments identified over **\$93 million** in existing deferred maintenance and over **\$516 million** in projected capital costs over the next 30 years.
- ▶ Admin appreciates the non-recurring funds provided by the General Assembly over the past few years, which has reduced existing deferred maintenance by approximately **\$50 million**.
- ▶ While those funds have allowed Admin to begin addressing deferred maintenance, our liability continues to grow because the funding is not sufficient to address all the deferred maintenance and projected capital costs.



Dennis Building (before)



Dennis Building (after)

Shortfall of Funds Needed to Address Facility Conditions

- ▶ The state rental rate of \$11.29/SF has not increased since 1998. Market rates for commercial leases in the Columbia area average \$18-20/SF.
- ▶ After Admin pays for normal maintenance and operations costs, there is approximately \$2.7 million left to address critical deferred maintenance and capital needs each year.
- ▶ Admin needs \$15 million annually to cover capital costs, to address the current deferred maintenance liability, and to cover increased operating costs.
- ▶ There are two options to secure the needed funding:
 - Admin could include rent escalation provisions like commercial leases. This would require each agency to seek appropriations from the General Assembly each year to cover increased rent.
 - The General Assembly could provide a recurring appropriation of \$15 million which would allow Admin to eliminate deferred maintenance and support operational and capital needs in all buildings it maintains for the next 10 years. This avoids any additional incremental funding requests through FY32.

Statewide Compensation



Compensation Studies - Chronology

- ▶ In 2016, Kenning Consulting developed a report recommending changes to South Carolina's classification and compensation system.
- ▶ In the FY21-22 Appropriations Act, the General Assembly appropriated \$500K (Proviso 118.18, Item 67a) to engage an external consultant for a study and expert recommendation to reform the state's Classification and Compensation system. The procurement has been delayed due a lack of responses. Admin is partnering closely with SFAA to post the RFP again.
- ▶ Admin hired additional staff and completed a restructuring to allow more focus on classification and compensation.
 - ▶ Admin is in the process of reviewing/updating more than 400 classifications to make them more job-related.
 - ▶ Examples of ones already reviewed/updated include:
 - ▶ Updating the broad "Human Services" classifications to include specific classifications such as:
 - ▶ Eligibility Specialists
 - ▶ Caseworkers
 - ▶ Mental Health Professionals
 - ▶ Workforce Specialists
 - ▶ Other modifications were made to modernize classification titles such as "Trade Specs" with Electrician, Plumber, HVAC Technician, etc.

Compensation Studies - Ongoing Activities

- ▶ In January 2022, the Governor directed Admin to conduct a compensation study of law enforcement officer salaries and make recommendations.
 - ▶ February 2022: published recommendations for increasing the state's minimum salary for certified law enforcement officers to \$43,500 and for higher minimum salaries for officers at PPP, DNR, DPS and SLED.
 - ▶ Represented significant increases in the minimum salaries for law enforcement officers.
 - ▶ Example: minimum for SLED Agent increased by over 32%, Troopers by almost 9% and DNR Officers by over 18%.
- ▶ Additional compensation plans completed by Admin:
 - ▶ SCDC and DJJ Correctional Officers: recommended increases for officers was over 10% for entry level JCOs.
 - ▶ DMH Mental Health Professionals: recommended increasing the starting salary for entry-level professionals from \$36,456 to \$51,039 (unlicensed) and \$55,122 (licensed) to be more competitive with the market. DMH received the report in June 2022.
 - ▶ Forestry Commission: recommended increasing the salary for many classifications by over 20% based on competitiveness; these recommendations were shared with the agency, and the report will be available in two weeks.
 - ▶ Currently working with Department of Probation, Parole and Pardon Services.

Compensation - Strategic Alignment

- ▶ As directed in Proviso 117.158 of the FY21-22 Appropriations Act (Statewide Strategic Personnel Budgeting), DSHR has been working with each state agency to review its personnel-related budget requests. Through this process, the Division has been working with agencies to make data-driven requests designed to increase competitiveness.

FY24 Budget Requests



Budget Requests

Priority #1 - SCEIS High-performance ANalytic Appliance (HANA) Migration (Cloud Computing)

- ▶ \$40M non-recurring General Fund request
- ▶ \$13M recurring General Fund request

Priority #2 - Rent Increase for State-Owned Buildings

- ▶ \$15M recurring General Fund request

Priority #3 - Recruitment and Retention Agency Support

- ▶ \$725K recurring General Fund request

Priority #4 - Shared Services Support

- ▶ \$545K recurring General Fund request

Budget Request - Priority #1

South Carolina Enterprise Information System (SCEIS) HANA Migration:

- \$40M non-recurring General Fund request
 - \$13M recurring General Fund request
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- ▶ Current SAP system reaches end-of-life in 2027, requiring transition to the next generation system.
 - ▶ Upgraded platform provides for advanced cloud infrastructure and updated application security required to protect the state's data.
 - ▶ Deployment of this modern user interface is more in line with the skills of the emerging workforce. Real-time reporting and analytics will be enhanced by the upgraded technology platform.
 - ▶ As a cloud solution, with the core infrastructure managed by a third party, the SCEIS team will be able to focus on providing solution enhancements to continuously improve financial, human resource and procurement processes.

Budget Request - Priority #2

Rent Increase for State-Owned Buildings:

- \$15M recurring General Fund request
- ▶ Admin is requesting a recurring amount of \$15M to supplement rental rates for state agencies.
- ▶ This money will be used to cover capital costs, to address the current deferred maintenance liability, and to cover increased operating costs.
- ▶ Admin projects the approval of this budget request will preclude any further budget requests for this topic through FY32.

Budget Request - Priority #3

E-recruitment and Onboarding Service and Personnel:

- \$725K recurring General Fund request (2 FTEs)
- ▶ This request includes funds to modernize the state's e-recruitment system, which is provided by a contract vendor. The new system, which is in the process of being procured, will provide applicants with modern methods to apply for positions and will provide more rapid and robust information to state agencies. This is strategically important because slower response times result in agencies losing opportunities to hire top-rated job candidates.
- ▶ Additionally, this request includes funding for two FTEs to consult with state agencies as they address a difficult labor market in which to recruit and retain qualified workers.

Budget Request - Priority #4

Shared Services Support:

- \$545,000 recurring General Fund request (Four FTEs)
- ▶ Proviso 117.123 (Statewide Administrative Services) authorizes Admin) to provide **consolidated administrative services** to all agencies to promote cost savings, process integrity and other efficiencies in the form of finance, human resources, procurement and budget.
- ▶ Admin is currently providing administrative support services to over **20** state agencies.
- ▶ Admin is engaged in two special projects to assist other large agencies with their administrative support functions.
- ▶ In addition to assisting agencies that encounter short-term issues resulting from losing key personnel and providing administrative support to agencies on a permanent basis, Admin is often required through legislation to assist agencies with restructuring. Admin is seeking a recurring appropriation of **\$545,000** to fill four new state funded positions in the areas of budget, finance, procurement and human resources.