



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 4124 Introduced on March 9, 2023
Author: G.M. Smith
Subject: DHEC Restructuring
Requestor: House Ways and Means
RFA Analyst(s): Griffith
Impact Date: March 29, 2023

Fiscal Impact Summary

This bill restructures the Department of Health and Environmental Control (DHEC) into two separate agencies, the Department of Public Health (DPH) and the Department of Environmental Services (DES), effective July 1, 2024. Immediately upon passage of the bill, the Department of Administration (Admin) must begin the process of determining the best manner to efficiently and effectively restructure and transfer all programs, services, duties, and authority of DHEC to DPH or DES. DHEC shall pay any costs the Admin may incur during the restructuring analysis.

The bill will transfer \$661,248,769 and 3,536.84 in total appropriations and FTEs from DHEC to DPH and DES. Of these amounts, the bill will transfer \$154,208,837 in General Fund appropriations and 1,292.38 General Fund FTEs. We have requested additional information from DHEC regarding the appropriations and FTEs that will be transferred to each new agency.

DHEC has estimated that one-time General Fund expenditures of up to \$21,934,906 may be necessary to duplicate the current system for each of the two new agencies. These costs include IT network and system separation, relocation of certain offices and centers, signage replacement, and moving costs. DHEC also estimates that the bill may increase General Fund expenditures of DPH and DES by \$6,290,868 and \$7,596,448, respectively, beginning in FY 2024-25 for shared IT network and system services, new leadership positions, and new offices. The new agencies, with the assistance of Admin, may be able to reduce and or eliminate some or all of these costs. In state government restructuring in 1993 and 2014, agencies experienced similar restructuring requirements, which were accomplished within existing appropriations.

The expenditure impact of the bill on Admin is pending, contingent upon a response from the agency.

Included in the transfer from DHEC to DPH and DES will be all fines, fees, forfeitures, and other revenues. The total amounts transferred from DHEC to each agency is currently undetermined. We will update this fiscal impact statement if we receive more information from DHEC.

Explanation of Fiscal Impact

Introduced on March 9, 2023

State Expenditure

This bill restructures DHEC into two separate agencies, DPH and DES, effective July 1, 2024. All health-related programs of DHEC will be transferred to DPH, and all environmental-related programs of DHEC will be transferred to DES. The transfers include all programs, services, duties, authority, employees, authorized appropriations, bonded indebtedness if applicable, real and personal property, assets, and liabilities of DHEC. The Director of DHEC will serve as the Director of DPH, and the Director of DES will be appointed by the Governor pursuant Code Section 1-30-10.

Immediately upon passage of the bill, Admin must begin the process of determining the best manner to efficiently and effectively restructure and transfer all programs, services, duties, and authority of DHEC to DPH or DES. The analysis must include the submission of a report to the General Assembly no later than December 31, 2023, with specific recommendations of statutory changes needed through the South Carolina Code of Laws to reflect the restructuring and transfer of DHEC's programs, services, duties, and authority to DPH and DES. To perform the analysis, Admin may procure supplies, services, information technology, and experts, all of which are exempt from the purchasing procedures of the South Carolina Consolidated Procurement Code. DHEC shall pay any costs Admin may incur during the analysis.

Department of Health and Environmental Control. Given the uncertainty and complexity of the transitions that may be required, DHEC indicates that it is difficult to fully assess the potential expenses. In state government restructuring in 1992 and 2014, agencies experienced similar requirements to restructure, but no additional funding was appropriated. However, DHEC developed an initial cost estimate to duplicate the current systems for each of the two new agencies. The new agencies, with the assistance of Admin, may be able to reduce and or eliminate some or all of these costs totaling \$21,934,906. Please see below for DHEC's initial one-time expenditure estimates:

- \$17,555, 906 for IT network and system separation, migration, and duplication,
- \$2,509,000 for the relocation of the Public Health Preparedness and Agency Coordination Center,
- \$850,000 for the relocation of the Vital Records Central Office,
- \$930,000 for the replacement of signage throughout the state that provide information to the public, and
- \$90,000 for moving costs associated with staff in ten co-located facilities.

Assumptions for these estimates are that the new agencies will not be co-located, the new agencies will maintain their own administrative staff, agency IT systems and networks must be separated, any agency paraphernalia will be replaced gradually through routine printing costs, and transitions may not be fully implemented within one year due to IT system development and/or procurement process length.

Additionally, the bill will transfer \$661,248,769 and 3,536.84 in total appropriations and FTEs from DHEC to DPH and DES. Of these amounts, the bill will transfer \$154,208,837 in General Fund appropriations and 1,292.38 FTEs. We have requested additional information from DHEC regarding the appropriations and FTEs that will be transferred to each new agency.

Department of Public Health. DHEC estimates the following recurring costs associated with DPH:

- \$4,175,796 for shared IT network and system services and for upgrades, migrations, etc.,
- \$1,768,072 for new leadership positions (split evenly between the new agencies), and
- \$347,000 for the commercial lease of a new Vital Records Central Office, along with fire suppression system maintenance, system installation, secure moving services, and site upfitting.

In total, DHEC estimates that one-time General Fund expenditures of DPH may increase by \$6,290,868 in FY 2024-25 and in each fiscal year thereafter.

Department of Environmental Services. DHEC estimates the following recurring costs associated with DES:

- \$4,548,509 for shared IT network and system services and for upgrades, migrations, etc.,
- \$1,768,072 for new leadership positions (split evenly between the new agencies), and
- \$1,279,867 for rent and utilities for new Environmental Affairs offices.

In total, DHEC estimates that one-time General Fund expenditures of DES may increase by \$7,596,448 in FY 2024-25 and in each fiscal year thereafter.

Department of Administration. The fiscal impact of the bill on the Admin is pending, contingent upon a response from the agency.

State Revenue

Included in the transfer from DHEC to DPH and DES will be all fines, fees, forfeitures, or revenues. These monies must continue to be used and expended for the purposes provided prior to the effective date of the bill, including for the support, benefit, or expense of personnel transferred. The total amounts shifted from DHEC to each agency is undetermined. We will update this fiscal impact statement if we receive more information.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director