



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S. 0399	Amended by House Ways and Means on May 9, 2023
Author:	Peeler	
Subject:	Department of Behavioral and Public Health	
Requestor:	House Ways and Means	
RFA Analyst(s):	Griffith, Boggs, Miller, and Tipton	
Impact Date:	May 9, 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 analyzing and determining the best manner to efficiently and effectively restructure and transfer all programs, services, duties, and authority of DHEC to DPH or DES. Subject to sufficient appropriations, Admin must also procure the services of independent, third-party experts, consultants, or advisors to analyze the mission and delivery models of all state agencies concerned with the overall public health of the state. DHEC shall pay any costs Admin may incur during the restructuring analyses, and the Department of Health and Human Services (DHHS) shall give support to Admin in fulfilling the analysis of public health-related state agencies. Additionally, the State Fiscal Accountability Authority (SFAA) may assign personnel to assist Admin in any required procurements as requested by the agency.

The bill will transfer \$665,427,327 and 3,536.84 in total appropriations and FTEs from DHEC to DPH and DES. Of these amounts, the bill will transfer \$158,387,395 in General Fund appropriations and 1,292.38 General Fund FTEs. DHEC estimates that \$42,261,131 of the General Fund appropriations and 405.50 FTEs will transfer to DES, and \$116,126,264 of the General Fund appropriations and 886.88 FTEs will transfer to DPH. Further, \$115,401,062 of Federal and Other Funds and 707.55 FTEs will transfer to DES, and \$391,638,870 of Federal and Other Funds and 1,536.91 FTEs will transfer to DPH.

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 and SFAA is pending, contingent upon responses from the agencies.

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 are currently undetermined. We will update this fiscal impact statement if we receive more information from DHEC.

Explanation of Fiscal Impact

Amended by House Ways and Means on May 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, real and personal property, assets and liabilities, and bonded indebtedness if applicable, of DHEC. The Directors of both DPH and DES will be appointed by the Governor.

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. Admin shall also analyze and make recommendations regarding the regulation of water conducted by the Department of Natural Resources to determine whether such regulation would be more efficiently conducted by DES.

Further, subject to sufficient appropriations, Admin must identify, select, retain, and procure the services of independent, third-party experts, consultants, or advisors to analyze the mission and delivery models of all state agencies concerned with the overall public health of the state. Any agencies identified by Admin as being subject to this analysis shall provide Admin with any and all information requested and shall fully participate as requested and required. The analysis shall consider whether structural changes are necessary to improve health services delivery in the state, recognize operational efficiencies, and maximize resource utilization. A final report must be submitted by April 1, 2024, and DHHS shall give support to Admin in fulfilling this analysis.

To perform the analyses, Admin may procure supplies, services, information technology, experts, consultants, and advisors, all of which are exempt from the purchasing procedures of the South Carolina Consolidated Procurement Code. Additionally, SFAA may assign personnel to assist Admin in any required procurements as requested by the agency. DHEC shall pay any costs Admin may incur during the analyses.

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 1993 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 \$665,427,327 and 3,536.84 in total appropriations and FTEs from DHEC to DPH and DES. Of these amounts, the bill will transfer \$158,387,395 in General Fund appropriations and 1,292.38 FTEs. DHEC estimates that \$42,261,131 of the General Fund appropriations and 405.50 FTEs will transfer to DES, and \$116,126,264 of the General Fund appropriations and 886.88 FTEs will transfer to DPH. Further, \$115,401,062 of Federal and Other Funds and 707.55 FTEs will transfer to DES, and \$391,638,870 of Federal and Other Funds and 1,536.91 FTEs will transfer to DPH.

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 Health and Human Services. DHHS houses Healthy Connections, the state's Medicaid program. This bill requires DHHS to give support to Admin in analyzing the missions and delivery models of all state agencies concerned with the overall public health of the state. DHHS anticipates that the fiscal impact of this bill will be minimal and can be managed within existing staff and appropriations.

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

State Fiscal Accountability Authority. The fiscal impact of the bill on SFAA 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, and other revenues. The total amounts transferred from DHEC to each agency are currently undetermined. We will update this fiscal impact statement if we receive more information from DHEC.

Local Expenditure

N/A

Local Revenue

N/A

Amended by Senate Medical Affairs on April 27, 2023

State Expenditure

This bill abolishes DHEC and creates two new departments, DPH and DES. DPH will consist of the health-related divisions of DHEC. DES will consist of the divisions and programs of DHEC that are concerned with the regulation and protection of the environment and the hydrology and aquatic nuisance species program of DNR. The bill also transfers the authority to establish, manage, and operate veterans' homes from DMH to DVA. Additionally, the Food Safety Program and the Milk and Dairy Lab of DHEC will be transferred to Agriculture, and the flood mitigation program from DNR will be transferred to the Office of Resilience.

The fiscal impact of this bill is pending, as data are still being received and analysis is still being conducted.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director