



**August 18, 2021**

Dear SHaPE SC Health Subcommittee Chair Dr. Lee Pearson and Environmental Protection Subcommittee Chair Tommy Lavender:

In response to requests concerning internal budget development and request process for the South Carolina Department of Health and Environmental Control (DHEC), attached includes a:

- summary of DHEC budget requests considered for fiscal year (FY) 2019-2022,
- summary of state appropriation changes for DHEC from state fiscal year (SFY) 2012 - SFY 2022,
- summary of DHEC budget requests presented to governor and legislature from SFY 2007- SFY 2022, and
- an overview of DHEC general fund base appropriations from SFY 2006 - SFY 2022.

### **DHEC Budget Request Development Process**

DHEC recognizes the importance of being good stewards of public funds and ensuring the needs of core environmental protection, public health, and healthcare quality services are met. To support this effort, DHEC's budget request development process has been designed to identify key agency priorities and assess true funding needs to address these priorities. This comprehensive process not only helps the agency identify needs best addressed by state appropriations, but also provides a mechanism to alert its executive leadership to many other potential funding concerns.

During this process, agency leadership considers a variety of factors in determining how best to address identified funding needs, such as:

- Probable available state funding, following Board of Economic Advisers (BEA) projections
- Direction on preparing state budget requests from the Governor and Legislative leadership
- Emergent concerns impacting South Carolina residents
- Changes in federal guidelines and/or funding levels
- Availability of other resources within the agency
- Industry and constituent support for fee increases and/or state appropriations

Before a final decision is made, the agency's executive leadership has multiple opportunities for review and input.

## Key Steps in the Internal Budget Process

Generally, DHEC's internal budget request process runs from March to September and is coordinated by the agency's Office of Budgets and Planning. The specific process may vary from year to year, but the key steps include:

- **Step 1: Provide business case development training**
  - Review agency budget components and state budget process for baseline knowledge
  - Introduce business cases and the importance of critically examining and justifying budget requests
  - Discuss budget preparation to ensure appropriate costs are included and to determine the potential to utilize other funding
  - Work through business case templates, utilizing proposed requests from the class
- **Step 2: Programs develop initial business cases & receive Executive approval**
  - Working with the agency's budget staff, programs complete initial case templates
  - Budget staff assist with identifying potential other funding for proposed project, whenever possible
  - Appropriate executive leadership team (ELT) member reviews and approves cases
- **Step 3: Initial Director review**
  - ELT member presents approved business cases to agency director
  - Following a critical review and discussion of each project, the director:
    - moves selected cases forward for inclusion in the state budget request,
    - determines if project can be better funded with fee increases or by seeking a federal grant, or
    - holds for future budget request consideration
- **Step 4: Business case finalization**
  - Selected projects are revised, per director's guidance
  - Budget staff provide additional review
- **Step 5: Executive Leadership concurrence**
  - Proposed business cases are presented to ELT members for discussion
- **Step 6: Conversion of business case to Executive Budget Office (EBO) templates**
  - Budget staff work with programs to input business case information into updated state budget request templates as provided by the Executive Budget Office.
- **Step 7: Final budget package review and approval**
  - Agency director, chief of staff, and chief financial officer review, vet and approve final package
  - Agency board chair reviews and approves package
- **Step 8: Submit to Executive Budget Office**

## Process Improvements

As part of DHEC's commitment to continuous improvement, the agency's current budget process has been in place since 2016 for the FY18 budget request. The process was established to provide greater deputy area input into the development of agency budget requests and to help ensure impacts on critical services and residents are placed at the forefront of the budget process. In addition, the process improvement has provided a greater focus on business case analyses to ensure greater accountability and investment of public funds.

Please note that this outlines the current general process for budget development. Depending on current events and executive direction, some steps may be adjusted each year. For example, during the COVID-19 Response last year business case training was not provided, and the state operated under a continuing resolution with level funding for FY21. In addition, following direction provided by the Governor's office, DHEC did not submit a formal budget request for FY22 through the Executive Budget Office. However, a list of critical needs was still presented to the Governor, the House, and the Senate as part of annual budget presentations.