

Rough Fiscal Impact of Splitting DHEC

The below fiscal impact was initially prepared in May of 2016 when Senate Bill 550 was introduced. These estimates are preliminary and are subject to provisions specified in any restructuring bill. Also, IT estimates have increased since the initial estimate and may be significantly higher than represented here.

Item/Description	Administration	Health	Environment	Total
TECHNOLOGY SEPARATION DEVELOPMENT COSTS – Separation of shared business applications, data bases, reporting processes, interfaces, etc. EQC separation work estimated at \$1,120,000. Health Services separation estimated at \$1,900,000. Health Regulation separation estimated at \$650,000. Total application and physical system separation = \$3,670,000		\$ 2,550,000	\$ 1,120,000	\$ 3,670,000
TRANSITION MANAGEMENT – To not disrupt the provision of services to the constituents and to ensure the agency is guided through the process with experienced “large-scale” transition management, a team of individuals will be needed to plan, orchestrate, communicate, and manage the transition work with representation for each of the major agency functional areas. This team will have one overall executive project manager and six functional program managers. Length of transition = 12 months. 7FTEs * 2,000 hrs/FTE = 14,000hrs * \$200/hr = \$2,800,000 fees + 20% expenses & contingency = \$3,360,000		\$ 2,149,753	\$ 1,210,247	\$ 3,360,000
HUMAN RESOURCES RECORDS – 15 years worth of electronic and paper records must be separated and transferred to the new agency HR departments. Today, all DHEC. Each record would need to be touched. Average 72,500 HR documents generated each year, 1,087,500 over 15 years. Each document will be touched. Average review to determine disposition = 7 minutes. 135,937 hours of work. At \$22/hr temp labor support = \$2,990,000		\$ 1,973,400	\$ 1,016,600	\$ 2,990,000
PERSONNEL TRANSITION PLANNING – All support personnel (HR, IT, Legal, Comms, BusMgt, Fin, PMO, Legislative, regional admin, etc.) will need to be mapped over to one of the “future agencies.” This will involve identifying the most logic alignment of the team according to their primary focus. Their role will then need to be rationalized within the future agency operating model with a transition plan regarding specific responsibilities. Consultants engaged = avg 1.5/area = 18 project FTEs, length of project 6 months. 1,000 hrs/FTE * 18 FTEs = 18,000hrs * \$125/hr = \$2,250,000 + 20% expenses & contingency = \$2,700,000	\$ 918,000	\$ 891,000	\$ 891,000	\$ 2,700,000
PROGRAM DECOUPLING – Numerous Environmental, Health Regulations, and Health Services programs throughout the agency are intricately imbedded within each other administratively, financially, procedurally, and staffing-wise. These programs will need to be decoupled from each other, which will necessitate reworking all aspects of the program. Requires engagement of a consulting team(s) at a cost of (10 FTEs * \$100 * 6 months) \$1,000,000 .	\$ 1,000,000			\$ 1,000,000
STATEWIDE SIGNAGE REPLACEMENT – Replacement of signage posted in buildings and throughout the state that provide information to the public (from environmental signs to health department signs). Approximately 20 signs per facility on average * 80 locations * \$250/sign average = \$400,000. Additional 1,500 other environmental signs requiring changes for public notifications and contact instructions = \$375,000. Labor to make all the sign changes = \$192,000. Travel involved = \$14,000. Total cost = \$981,000		\$ 647,460	\$ 333,540	\$ 981,000

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<p><u>CONTRACT & PURCHASE ORDER TRANSITION / ALIGNMENT</u> – 3,575 active vendor contracts + 2,000 active purchase orders that would need to be transitioned or renegotiated based on the separation of the agency. Average of 3 hr/contract * \$100 (some legal, some administrative) = \$557,500</p>		\$ 434,850	\$ 122,650	\$ 557,500
<p><u>VITAL RECORD FORM TRANSITION</u> -- To ensure there is no disruption to the Vital Record process, adequate inventories of DHEC certificate paper must remain on hand until the day the legal entity changes. At that point, the old DHEC forms would be destroyed and the new entity's form would be used. Estimated cost of the tamper-resistant Vital Record certificate paper statewide that would be destroyed to avoid fraudulent activity = \$500,000</p>		\$ 500,000		\$ 500,000
<p><u>ASSET SEGREGATION</u> – Asset team to identify all DHEC assets statewide, determine proper alignment to the destination agencies, create the documentation, financial entries, and process for transitioning the assets. Contract team required to visit every DHEC facility to complete the inventory and fulfill the transfer process. 80 sites @ average 5 days of work per site = 400 days of work. Team of 4 individuals. 4FTEs * 400 days @ 8hrs/day = 12,800 hours * \$35/hr = \$448,000. Travel costs at 2 days per site on average = 160 nights * \$150/day expenses = \$24,000 expenses. Total cost = \$472,000</p>	\$ 472,000			\$ 472,000
<p><u>WEBSITE MODIFICATIONS</u> – Transition of all DHEC-related website information to the new agencies. Rebranding of the content. Estimated project cost approximately 8,500 web pages, 5 contractors for 6 months to separate, rebrand, test and implement: 1,040 hours *5 * \$86.50/hour. Total cost = \$449,800</p>		\$ 296,868	\$ 152,932	\$ 449,800
<p><u>FEDERAL GRANT MANAGEMENT</u> – Administration of Federal Grants to assign/align grants with new agency structure. Approximately 300 active federal grants x 37.5 hours (1 week) for reapplication x 2 staff per grant at \$31.00 hour = ~\$350,000</p>		\$ 308,000	\$ 42,000	\$ 350,000
<p><u>FINANCIAL SETUP & TRANSITION</u> – Work required to “close out” SCEIS financial accounts, reconciling and preparing final audit records for the elimination of the DHEC entity, while establishing the accounts and loading opening balances, vendors, cost centers, etc. in the new Agency SCEIS account structure. Estimated at 4 months of work involving SAP configuration to accommodate DHEC-specific requirements. There are approximately 123,000 combinations of cost center, grant and cost elements. Estimated costs: 123,000 combinations @ \$31/ hours and closing /opening SCEIS Accounts at a rate of 1,400 = 18 people * \$31/hr* 37.5hrs/week * 16 weeks. Total costs \$334,800.</p>		\$ 220,968	\$ 113,832	\$ 334,800
<p><u>FORMS, LITERATURE, DOCUMENTS</u> – Rebranding of all forms, literature, and documents that are public facing to reflect updated agency names, contact information, addresses, etc. Over 20,000 individual artifacts must be touched. At estimated average 30 minutes per artifact, 10,000 hours of work @ \$31/hour = \$310,000. Does not include any reproduction costs. Assumed to be normal production expense.</p>		\$ 204,600	\$ 105,400	\$ 310,000
<p><u>OVERTIME EXPENSES</u> – The transition work will be required on top of the day-to-day operations of the agency. This will necessitate considerable overtime from the team to either complete the transition tasks or support the temporary/contract labor. Estimated overtime expenses: Assuming that 20 (approximately 16%) of the central office administrative team work 5 hours OT/week throughout transition year @ \$46.50/hr ≈ \$250,000</p>	\$ 250,000			\$ 250,000

Item/Description	Administration	Health	Environment	Total
INCREMENTAL EQC STAFFING -- Health Services staff in the health departments help environmental staff (in buildings where environmental staff are not present) in providing permit services (processing applications, distributing/collecting applications, taking payments, etc.). The environmental agency will need approximately 5 additional staff to provide the services that the health services staff are currently providing. Transition Year Cost: 5 staff (admin) x \$37,000 (total cost) = \$185,000			\$ 185,000	\$ 185,000
HR PROCESSING OF TRANSFERS – Approximately 2,900 will need to be processed through systems to transfer from DHEC to new “home” agency. At about 1 hour per employee, total HR cost at \$22/hr = \$63,800		\$ 42,108	\$ 21,692	\$ 63,800
NETWORK OPERATIONS SEPARATION – Installation of separate network hardware to segregate EQC, Health Reg, and Health Services network operations throughout the 25 shared DHEC state facilities. One-time facility network installation = \$1,000 for hardware and \$288 for installation and \$150 expenses per site = \$35,950	\$ 35,950			\$ 35,950
Grand Total	\$ 2,675,950	\$ 10,219,007	\$ 5,314,893	\$ 18,209,850