



Executive Budget Summary FY 2022-23

CONTINUING ECONOMIC SUCCESS

South Carolina began and ended 2021 with a vibrant, dynamic and growing economy. Our business and family-friendly environment has produced historic gains in new jobs, capital investment and population growth.

In January 2020, South Carolina was in the middle of an unprecedented economic resurgence with a record low unemployment rate and booming economic growth. Between 2017 and the start of 2020, South Carolina added \$10 billion in new capital investment and announced 35,000 new jobs through the Department of Commerce. The COVID-19 pandemic hit in the spring of 2020 and caused disruption to economies around the world, including ours.

While other states responded by imposing oppressive mandates, restrictions and shutdowns that have limited their ability to emerge from the pandemic, we developed a measured, targeted approach that has empowered the state to maintain vital services and keep its schools and economy open. The carefully crafted and responsible approach developed by Governor McMaster's administration has put the state in a position where its economy is stronger now than it was prior to the pandemic. The state's gross domestic product (GDP) has increased 10% from 2019 (pre-COVID-19) and has now increased 26% over the last five years. As of November 2021, there are 18,000 more South Carolinians employed than there were in February 2020. The state's unemployment rate remains well below the national average and has improved in every month of 2021 dropping from 5.6% in November 2020 to 3.7% in November 2021.

The state's booming economy and Governor McMaster's balanced approach to the pandemic have put South Carolina in the strongest fiscal position in the state's history. South Carolina currently has both the largest budget surplus and the lowest debt load in recent history of the state.

The continued growth in the state's workforce and economy presents both challenges and opportunities for the present and the future. While the state's unemployment rate has returned to a historically low level, there are nearly 100,000 jobs to be filled in the state. This figure would be higher were it not for Governor McMaster's investment in workforce scholarships to help fill in-demand positions and his decision to end supplemental unemployment payments. The irrational disincentives created by this short-term policy threatened to develop into a long-lasting federal entitlement program that incentivized some to stay at home and out of the workforce would have hamstrung the state's economic growth. Removing this irrational disincentive to work and instead investing in workforce training, development and education has not only provided more opportunities to help South Carolinians achieve financial independence and prosperity, but it has also helped further strengthen South Carolina's economy by supplying the state's job creators with appropriately skilled job seekers.

Further evidence that South Carolina's approach was the right one can be seen in the stagnant economic recoveries experienced by states that enacted oppressive measures that have hamstrung their economies in the long-term. While South Carolina has seen drastic improvement in its unemployment rate from the first few months of the pandemic and now has more people employed than prior to the pandemic, states that shut down and incentivized their citizens to not work, like New York, have seen the opposite. In New York, 476,000 fewer people are employed now than in

February 2020 while the unemployment rate remains above the national average and 2.7% higher than in February 2020.

South Carolina's economic success and South Carolinians' reputation for hard work, talent and commitment to excellence have drawn additional attention and investment to the state. According to *Area Development* magazine's 2021 ranking, which analyzes business-related metrics, South Carolina has the most favorable regulatory environment in the country and ranks as the fourth best state to do business. In 2021 alone, we announced \$4.3 billion in capital investment in the Palmetto State and more than 15,000 new jobs. The investment and the state's reputation as a place with abundant opportunity for business and personal growth have drawn attention from outside the business community as well. The 2020 U.S. Census data shows that South Carolina is the tenth fastest-growing state in the nation.

As we begin 2022, South Carolina's economy is poised to build on this historic growth. This year's Executive Budget maintains the conservative principles that have put South Carolina in the incredibly strong position it is in today and makes bold, targeted, transformative investments that will further advance South Carolina's reputation as a land of opportunity and prosperity.

BUDGET, TAXES AND REGULATORY REFORM

Responsible Use of Taxpayer Funds. South Carolina’s historic economic growth and commitment to intelligent budgeting based on conservative principles have put the state in a historically sound budgetary position. When our economy faced uncertainty during the early stages of the pandemic, Governor McMaster and the leaders in the South Carolina General Assembly took the bold step of freezing all new government spending. These conservative, thoughtful and targeted measures coupled with South Carolina’s booming economy have produced a record budget surplus of \$987,201,604 in recurring dollars and \$2,190,645,043 in non-recurring dollars. In continuing our best practice of putting surplus dollars aside, this Executive Budget places \$500 million in South Carolina’s “rainy-day” reserve fund. This will double the size of the state’s rainy-day reserve fund. Since Governor McMaster has taken office, the state’s debt has been cut in half and South Carolina now has the lowest debt load in the history of the state. With the additional \$500 million added to South Carolina’s rainy-day reserve fund, the state will now have 10% of the state’s general fund budget put away in reserves.

After achieving this impressive fiscal responsibility milestone, Governor McMaster recommends the General Assembly ensure each year that South Carolina maintains a balance of no less than 10% of the state’s general fund budget in the rainy-day fund. This reserve amount will allow the state to maintain stability and protect its citizens from potential disaster or hardship, including those posed by the Biden administration’s reckless fiscal policy and decisions. Further, the Palmetto State’s continued demonstration of its ability to live within its means has further supported economic growth by demonstrating the state’s stable foundation and business environment.

Governor McMaster’s Executive Budget proposes using state funds only for the vital purpose of laying a foundation for future growth – by investing in education, public safety, job and community-supporting infrastructure and continued savings to guard against future economic uncertainties, should they arise. These are the conservative economic principles that have put South Carolina in the fortuitous position of having a record budget surplus; however, the fact remains that the surplus is made up entirely of South Carolinians’ tax dollars. The state is collecting more than it needs from its taxpayers and now is the time we should enact tax reform policies that keep more money in the pockets of the South Carolinians who earned it.

Taxes. Reducing the tax burden on people and businesses continues to be one of the most important ways South Carolina can further strengthen its foundation for future growth. As has been noted often, South Carolina has the highest marginal tax rate in the southeast and the 12th highest in the nation. This is unacceptable.

Given the state’s incredibly sound fiscal position and the threat family budgets face from the inflation created by the reckless spending coming from the Biden administration and federal leaders in Washington, D.C, there has never been a better or more important time to cut taxes in South Carolina and return money to the taxpayers. By lowering our individual rates to reduce the tax burden on South Carolinians, we can accelerate future growth while stabilizing the present. Reducing taxes on families will help them continue to save and invest more money in local economies, which will spur additional economic output. For businesses, reducing taxes will allow

them to further grow and invest in creating good-paying jobs in communities across our state. This is particularly important to South Carolina's ability to remain competitive economically and protect its citizens as other states in the region continue to lower their income taxes.

This year marks the fourth year Governor McMaster's Executive Budget proposes a 1% rate reduction over five years for all personal income tax brackets, starting with an immediate \$177 million cut, paid for and certified in the FY 2022-23 Executive Budget.

In addition, as a result of the General Assembly taking action to implement Governor McMaster and Department of Employment and Workforce's (DEW) recommendation to invest CARES Act funding to replenish South Carolina's Unemployment Insurance (UI) Trust Fund, South Carolina's UI tax rates for employers will decrease or remain unchanged for 2022. This frugal approach has left the UI Trust Fund with a balance of approximately \$1.19 billion and will also ensure the state can withstand another economic contraction without needing to borrow from the federal government or implement a solvency surcharge that would raise UI tax rates.

Finally, for the fifth year in a row, this budget also includes a full retirement income exemption for retired military veterans and first responders. This exemption for those who have served their fellow citizens will be effective immediately upon ratification and extend into perpetuity and would include retired state and federal law enforcement, firefighters and peace officers. This will reward those who have served South Carolina's communities and add another recruitment and retention tool for our law enforcement agencies. As with his proposals in the past, Governor McMaster's plan will mean retired veterans and first responders who are members of the Police Officers Retirement System (PORS), will never pay state taxes on their retirement income in South Carolina again.

EDUCATION

The FY 2022-23 Executive Budget dedicates:

For PreK-12:

- \$120,000,000 in recurring dollars for State Aid to Classrooms;
- \$100,000,000 in a combination of recurring and non-recurring Education Improvement Act (EIA) and general fund dollars for the purchase of instructional materials;
- \$46,107,935 in recurring EIA dollars and \$14,067,725 in non-recurring EIA dollars for charter schools to annualize funding and for increased student enrollment;
- \$35,000,000 in non-recurring funds set aside for the American Recovery Plan Act (ARPA) maintenance of equity requirement and for the maintenance of effort requirement for the Individuals with Disabilities Education Act (IDEA);
- \$24,000,000 in non-recurring funds for the purchase of energy efficient school buses;
- \$20,000,000 in lottery dollars for education savings accounts;
- \$12,000,000 in non-recurring funds for retention bonuses for school bus drivers;
- \$10,000,000 in recurring EIA dollars for career and technology education;
- \$10,000,000 in non-recurring EIA dollars for competitive grants that support expansion of schools of innovation;
- \$6,000,000 in recurring EIA dollars for competitive grants to local First Steps partnerships to expand early childhood programs to children from birth to age three and their families; and,
- \$5,000,000 in recurring EIA dollars for adult education.

For Higher Education:

- \$60,000,000 in lottery dollars for need-based grants at the Commission on Higher Education (CHE);
- \$20,101,049 in recurring general fund dollars for tuition mitigation;
- \$20,000,000 in lottery dollars for tuition grants at the Higher Education Tuition Grants Commission;
- \$20,000,000 in lottery dollars to address the shortage of instructors in nursing schools; and,
- \$4,377,100 in lottery dollars for scholarships for students with intellectual disabilities attending College Transition Programs.

This year, Governor McMaster urges the General Assembly to make targeted investments in initiatives that support our students, families, and educators and that prepare students for the workforce of the 21st century.

Supporting Teaching and Learning. According to the 2021 publication of *Rankings & Estimates* published annually by the National Education Association, South Carolina ranks 23rd in the nation in revenue receipts per enrolled student at \$15,012. The only other southeastern state that comes

close to us is Louisiana at 32nd with revenue receipts per enrolled student at \$13,578. South Carolina Revenue and Fiscal Affairs Office (RFA) projects that state revenues to school districts in Fiscal Year 2021-22 will total \$5,004,617,195.

While South Carolina invests more per student than every state in the southeast, Alabama, Georgia, Kentucky, North Carolina, and Virginia all pay their teachers more on average, according to data published by RFA.

When the Education Finance Act of 1977 was signed into law and funded, there were only three line-item appropriations to school districts for K-12 education. Today, school districts receive recurring general funds and EIA funds from approximately 29 separate line-item appropriations. Each line item has a different methodology for allocating the funds. Below are examples of line-item appropriations in the current year’s state budget that support K-12 education:

State Aid to Classrooms	\$2,970,070,654
Retiree Insurance	\$ 206,919,224
EIA - Teacher Salaries	\$ 181,230,766
Charter Schools	\$ 129,162,798
Bus Driver Salaries	\$ 61,925,151
Full-day 4K	\$ 59,208,178
National Board Certification	\$ 44,500,000
EIA – Employer Contributions	\$ 43,533,934
Reading Coaches	\$ 39,405,656
Student Health & Fitness	\$ 31,874,667
Guidance/Career Specialists	\$ 31,362,113
Career & Technology Education	\$ 20,072,135
Adult Education	\$ 15,573,736
Teacher Supply Funds	\$ 15,321,500
Education and Economic Development Act	\$ 8,413,832
Summer Reading Camps	\$ 7,500,000

The 44-year-old funding system is an archaic and complicated piecemeal system that must be transformed if our state is to meet the educational needs of students.

S.C. Code Ann. § 59-1-50 defines the educational objectives for all students in our state: students who graduate from a public high school should have the knowledge, skills and characteristics to be college, career and citizenship ready.

To achieve these objectives, the system by which we fund K-12 education must be simplified and focus on greater accountability. It must be a system where the state funds follow students directly to the classroom. The system must also clearly define what the state is purchasing with its resources and then hold districts accountable for both how the funds are spent and the results of taxpayers’ investment. Are our students prepared for college and careers when they graduate from high school? Do our students have the necessary reading and mathematical skills to be successful?

The FY 2022-23 Executive Budget begins the process by which the funding system can be transformed by implementing key elements of the funding model that the South Carolina Revenue and Fiscal Affairs Office provided to the Governor, the President of the Senate, and the Speaker of the House in 2019.

First, the FY 2022-23 Executive Budget identifies four EIA line-item appropriations to be allocated to districts through a single funding formula as defined by State Aid to Classrooms and Proviso 1.3. These line items, which are listed below, directly support classroom teachers and students who already receive a weighting for academic assistance through State Aid to Classrooms. The Executive Budget also increases the total state investment in State Aid to Classrooms by \$120 million. While this new formula redefines the State’s funding strategy and reallocates resources, the additional funding ensures that each district will receive either the amount proscribed by the new formula, or its funding allocation in FY 2021-22, whichever is greater.

Current – FY 2021-22

State Aid to Classrooms	\$2,970,070,654
EIA Teacher Salaries	\$ 181,230,766
EIA Employer Contributions	\$ 43,533,934
EIA Students at Risk of School Failure	\$ 79,551,723
EIA Aid to Districts	<u>\$ 24,401,779</u>
Subtotal:	\$3,298,788,856

Proposed Increases for FY 2022-23

State Aid to Classrooms	\$ 120,000,000
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Proposed State Funding for FY 2022-23

State Aid to Classrooms - General Fund	\$3,090,070,654
State Aid to Classrooms - EIA	<u>\$ 328,718,202</u>
Total	\$3,418,788,856

The FY 2022-23 Executive Budget amends and simplifies the methodology formula by which funds for State Aid to Classrooms are allocated using the following factors:

1. The cost of hiring a teacher;
 2. A statewide average student-teacher ratio; and,
 3. The state share of the total funding cost.
- Cost of a teacher - The FY 2022-23 Executive Budget increases the state minimum teacher salary schedule by \$2,000 for each cell. Consequently, the minimum starting salary of a teacher is increased from \$36,000 to \$38,000. In FY 2016-17, when Governor McMaster took office, the minimum starting salary of a teacher in South Carolina was \$30,113. This commitment to education and the Governor’s good working relationship with the General Assembly has consistently resulted in more resources to raise the starting salary for teachers. However, there is more work to be done as the objective remains to catapult the Palmetto State into the top 25 states nationally for average teacher pay.

The new funding formula will fund the salary and fringe benefits to hire a teacher with a master’s degree and 12 years of service, which is the median for all teachers in the state.

Under the Executive Budget, the state minimum teacher salary for a teacher with 12 years of service and a master’s degree is \$50,604. Adding in the cost of fringe benefits, the average cost to hire a teacher is \$66,524.

- Number of teachers – The new funding formula provides financial resources to support a state average student-teacher ratio of 11.7 students per teacher.
- State share - The state currently funds 70% of the Education Finance Act (EFA) and EFA fringe distributions and 100% of other EIA appropriations. Under this new formula, the State share is set consistently at 75% for all funds allocated through the State Aid to Classrooms formula, and the local share is reduced from 30% to 25%.

Funds are still allocated to school districts based on the number of weighted pupil units in the district and on the taxpaying ability of each school district. The use of weights to identify and allocate resources based on the educational needs of students continues but is simplified in the new formula. All students with a disability are now a 2.5 weight, and the weight for students in poverty is increased from 0.2 to 0.5.

Weights	Existing	New
Every student is assigned one of the following:		
Base for every student in K-12 (including homebound)	1.00	1.00
Students with Disabilities	From 1.74 to 2.57 based on intellectual disability	2.50 for all intellectual disabilities
Pre-career and Career Technology	1.29	(included in base students)
Residential Treatment Facility	2.10	2.10
Additional weights are added to the above for:		
Pupils in Poverty	0.20	0.50
Gifted and Talented	0.15	0.15
Academic Assistance	0.15	0.15
Limited English Proficiency	0.20	0.15
Dual Credit Enrollment	0.15	
Speech Therapy		0.15

The funding changes promote:

- Simplicity – Four existing funding sources will be consolidated and allocated by the same formula. This is the first of many steps toward simplifying and improving the way the State invests in K-12 education. The General Assembly may further consolidate line-item appropriations in the FY 2022-23 budget or in future budgets.

- Flexibility – While the state formula allocates funds based on a statewide average student-teacher ratio of 11.7, school districts and local school boards of trustees have flexibility in how to spend the funds to meet the educational needs of children and ensure that children graduate with the knowledge, skills and characteristics as defined by the *Profile of the South Carolina Graduate*.
- Accountability – With flexibility, comes greater accountability and transparency. Each district must publish on its website the district budget. This added layer of transparency will allow parents, taxpayers and members of the General Assembly, those responsible for allocating funds, to know whether money is being used to achieve the goals set forth in law or on ancillary and unnecessary overhead costs. The Department of Education must collect and publish on its website a dashboard documenting the expenditure of all funds – state, local and federal – that support public schools to achieve the state’s education objectives. These objectives include: the percentage of students who are graduating college or career ready and the percentage of students who are performing at or above grade level in English language arts and mathematics.

The Department of Education is also required to develop a system by which expenditures at the school level will also be documented. In addition, all district audits as required by S.C. Code Ann. § 59-20-90 must be conducted by vendors who are pre-approved by the State Auditor.

The FY 2022-23 Executive Budget provides an additional \$1.5 million to the Office of the Inspector General to expand its investigative powers to include school districts as contained in S. 202, which is currently under consideration in the Senate.

The FY 2022-23 Executive Budget also consolidates many line-item appropriations that govern the administration of the Department of Education. The Department of Education worked with the Executive Budget Office, the Office of the Governor, and legislative staff to identify and prioritize the consolidation of line items.

In addition, non-recurring funds of \$35 million are set aside to ensure that South Carolina meets the maintenance of equity requirement of the federal American Rescue Plan Act of 2021 and the federal requirements of the IDEA.

Regarding charter schools, the EIA supplement for charter schools is funded with an additional \$60.2 million, of which \$33.2 million represents annualizations and \$17 million funds increased student enrollment in charter schools. The budget anticipates that there will be 67 charter schools authorized by the South Carolina Public Charter School District and by institutions of higher education in school year 2022-23.

South Carolina continues to focus efforts on improving the recruitment and retention of teachers. Research documents that low pay remains a factor; however, poor working conditions also contribute to our inability to retain teachers in the profession. Governor McMaster understands that an evaluation of all teacher preparation programs is being conducted by the Education Oversight Committee (EOC). The analysis will help the state to invest in successful teacher recruitment and retention programs.

This Executive Budget also includes:

- \$1,500,000 in recurring EIA funds for the South Carolina Teacher Education Advancement Center (SC-TEACHER) at the University of South Carolina. In 2016 Tennessee created the Tennessee Education Research Alliance (TERA), which connects Vanderbilt University with the Tennessee Department of Education to identify research-based solutions to education policy. TERA was the first research-practice partnership in the country focused on state-level education policy. Following this example, South Carolina will invest additional resources into SC-TEACHER to create a research and policy center focused on our state's education labor market. SC-TEACHER will collaborate with the Department of Education, the Center for Educator Recruitment, Retention and Advancement, traditional and alternative educator preparation programs, school districts, and schools to find research-based solutions that will ensure South Carolina can prepare, attract, and retain highly effective teachers and school leaders, especially in rural communities. SC-TEACHER will develop research-practice partnerships to support policymakers and educators in using evidence-based, data-driven solutions, sharing effective practices, and informing state and local policies.
- \$475,000 in recurring EIA funds for a teacher working conditions survey to better understand why our teachers, especially teachers in the first five years of their career, are leaving the profession. This request was recommended by the EOC.

Early Learning and Kindergarten Readiness. In the fall of 2020, 27% of students entering kindergarten in South Carolina were ready to learn as compared to 39% in the fall of 2019. In 2020 only 18% of students in poverty entered kindergarten ready to learn.

Poverty is the enemy of education.

At birth, the average size of a baby's brain is a quarter of the average adult brain. By the age of three, a child's brain has grown to 80% of its adult size. By the age of five, the brain is 90% developed.

During this critical period when the brain is developing, genes and experiences work together to build the foundations for a child's learning, behavior and health. The role that parents and caregivers play in interacting with children facilitates the positive development of the brain and behavior. Factors like abuse and neglect can derail the development of the child's brain.

Last year Governor McMaster led the successful effort to expand full-day 4K to every lower income four-year old child in the state. Today, parents may choose to send their child to an approved public school, private school, or childcare center. We must continue to expand services to the families of our youngest children, those from birth through age three, who are in poverty.

The FY 2022-23 Executive Budget includes \$6 million in recurring EIA revenues to provide competitive, targeted grants to local First Steps partnerships to increase the number of infants, toddlers, preschoolers, and their families participating in research-based programs that accelerate

learning and development, improve early childhood health, strengthen families, and support parents in their role as their child's first and most important teacher. Grant awards will prioritize research-based programs for children from birth through age three who live in rural communities and in communities where kindergarten readiness scores are consistently below the state average.

The FY 2022-23 Executive Budget also includes \$1 million in recurring EIA funds for Save the Children, a non-profit organization that currently provides direct education services to 7,083 at-risk children in seven of South Carolina's rural counties. While the program was funded in the current fiscal year with non-recurring EIA revenues, having a stable source of funds is needed for the program to make long-term, systemic investments in early childhood education. The funds will support the hiring of local program staff who implement evidence and research-based programs that promote school readiness and third-grade reading proficiency. The programs that will be implemented include: early childhood programs for children from birth to age five and their families; literacy programs for children in kindergarten through sixth grade, including supplemental in-school literacy interventions; and, SummerBoost programs which operate six hours a day for five days a week during the summer to help prevent summer learning loss.

Fostering and measuring academic improvement. Now, more than ever, we must know how well our children are doing, especially considering the impact of the pandemic on student learning.

Spring 2021 summative assessments documented that 43% of children in grades 3 through 8 were on or above grade level in English language arts/reading, and 37% were on or above grade level in mathematics.

What is even more concerning is that 29% of children in grades 3 through 8 were one or more grade levels behind in English language arts/reading, and 35% were one or more grade levels behind in mathematics.

Furthermore, data provided by the South Carolina Association for Adult and Continuing Education documents that the number of adults 24 years of age or younger who are currently being served in adult education this school year will surpass the number served in 2019-20 by 27% and the number served in 2020-21 by 79%. Unfortunately, high school students who were struggling academically before the pandemic are now dropping out of school at an alarming rate.

To meet the educational needs of our students and to have the data necessary to track academic improvements over time, the FY 2022-23 Executive Budget provides the following initiatives funded with recurring EIA revenues:

- \$10,000,000 increase for Career and Technology Education programs to purchase equipment. South Carolina schools must provide students the ability to explore career options, especially in high-demand fields like healthcare and information technology (IT).
- \$5,000,000 allocated to school districts for adult education. The funds will allow adult education programs to hire full and part-time college and career navigators to work with young adults, individuals who are 24 years of age or younger and who have not earned a

high school diploma. The navigators will assist these young adults in earning a General Education Diploma (GED) while helping them to find postsecondary training and employment opportunities.

- \$3,500,000 to the EOC to create a public dashboard that will provide real-time data on student achievement gains. This initiative was also recommended by accelerateSC as a potential investment of federal ARPA funds.
- \$3,200,000 to the Department of Education to improve data collection capabilities. The funds were requested by the Department of Education and recommended by the EOC.
- \$3,000,000 to the South Carolina Technical College System to administer the Jobs for America's Graduates (JAG) Program, a successful national dropout prevention program that has previously been administered by the Department of Employment and Workforce using other funds. In school year 2020-21 in South Carolina, the graduation rate for students participating in the JAG program was 99%, and the job placement rate was 68%. Beginning January of 2021, the South Carolina Technical College System will administer the program and assist students in planning for postsecondary opportunities. The objective is to expand the program to 100 high schools in the state.
- \$1,500,000 in EIA funds for the S²TEM Centers to expand professional learning and supports to teachers, schools, and communities in the fields of science, technology, engineering, and mathematics (STEM).

Investing in innovation and partnerships. During the pandemic, state leaders continued to pursue innovation in public education. This includes supporting establishing multiple schools of innovation that further parents' options to choose the right educational setting for their children by empowering public schools to address unique educational needs of unique students in unique situations. This is supported by Act 20 of 2021 being signed into law last session allowing school districts to provide multiple schools of innovation, schools like the successful Meeting Street Schools.

To continue these efforts, the FY 2022-23 Executive Budget recommends the following investment of EIA revenues:

- \$10,000,000 in non-recurring EIA revenues to award funds through a competitive grants process to schools of innovation. The funds should be awarded based on the number of students enrolled in the school and should be expended for curriculum and for professional learning for teachers and school leaders. This initiative was also recommended by accelerateSC as a potential investment of federal ARPA funds.
- \$3,000,000 in recurring EIA revenues to the Department of Commerce to expand public-private partnerships in education. In collaboration with the Department of Education, United Way of the Midlands, Ed Farm and Apple, the Department of Commerce will launch a college and career preparatory program for low-income, low-grade point average (GPA) high school graduates called Propel Pathway, as well as teacher and student

technology training programs called Engage in Columbia and Orangeburg. This initiative will serve over 14,000 students and teachers. Propel Pathways will partner with South Carolina State University, Claflin University, Benedict College, Allen University and/or Midlands Technical College. The Department of Education will also expand its efforts to educate young adults and military veterans about the broad range of fulfilling in-demand careers available in manufacturing and other STEM-related fields.

- \$1,500,000 in non-recurring EIA revenues to develop, pilot and implement a high school curriculum in artificial intelligence. Palmetto Partners, who include CEOs from across the state, will serve in an advisory capacity. The EOC recommended this investment of EIA revenues.

In addition, the Governor is directing \$20 million in lottery dollars for the creation of education savings accounts, pending a change in the law by the General Assembly. All children should have access to a quality education, and parents should be allowed to make the best educational choices for their children.

Retaining school bus drivers. The pandemic has exacerbated the school bus driver shortage in our country and state. The FY 2022-23 Executive Budget includes \$12 million in non-recurring funds to provide salary supplements to school bus drivers. The funds will be awarded in three separate payments, not to exceed \$2,000 in total. The funds will be awarded on August 15, 2022, December 15, 2022, and at the end of the school year based on continuous employment. The Executive Budget also allocates \$24 million for the purchase of energy efficient school buses and will include a proviso instructing the South Carolina Department of Education to purchase Energy Efficient School Buses with low to zero-emissions.

Access and Affordability in Higher Education. South Carolina must continue its collaborative efforts to make postsecondary education more affordable and accessible for all South Carolinians. To meet the workforce needs of our state, 60% of our residents must hold a high-quality postsecondary credential by 2030. Today, the CHE reports that 48% of South Carolina's working age population, those between the ages of 25 and 64 hold a postsecondary credential.

According to the Institute for College Access and Success, South Carolina ranks 11th in the nation for student debt with the average borrower having a debt of \$32,635. Sixty percent of students graduate with debt, which ranks 12th in the nation. These statistics are improving over time, and we must remain diligent.

This budget makes a substantial investment in tuition scholarships and grants, including:

- \$232,953,938 in lottery dollars for LIFE scholarships, \$71,474,067 in lottery dollars for Palmetto Fellows Scholarships, and \$10,694,895 in lottery dollars for HOPE scholarships;
- \$60,000,000 in lottery dollars for need-based grants at CHE to provide tuition assistance for every eligible student in public colleges and universities;
- \$51,100,000 in lottery dollars for tuition assistance at 2-year institutions (CHE and Tech Board); and,

- \$20,000,000 in lottery dollars for tuition grants at the Higher Education Tuition Grants Commission.

We must continue our efforts to ensure more of our in-state students are able to get an education in South Carolina. To that end, this Executive Budget dedicates \$4.4 million in lottery revenues to expand scholarships for South Carolina resident students with intellectual disabilities enrolled in College Transition Programs, which offers a collegiate experience for young men and women with intellectual disabilities to prepare them for competitive employment and independent living through a combination of academic coursework and career exploration

Governor McMaster is the only governor in the state’s history to freeze tuition for the sons and daughters of South Carolina at the state’s public universities. This year, FY 2021-22, marks the third consecutive year that college tuition for in-state students has been frozen. Governor McMaster urges the General Assembly to continue the policy for FY 2022-23. The FY 2022-23 Executive Budget allocates \$20.1 million in recurring funds for tuition mitigation. The funds are based on a 2.7% Higher Education Price Index (HEPI) and are allocated based on the number of in-state students at each public institution. In exchange for receiving these funds, each institution must agree that there is no in-state tuition or mandatory fee increase for the 2022-2023 academic year. The funds are allocated accordingly:

<u>Institution</u>	<u>Recurring Dollars</u>
The Citadel	\$ 371,234
Clemson University	\$ 2,836,003
College of Charleston	\$ 934,032
Coastal Carolina University	\$ 522,098
Francis Marion University	\$ 562,868
Lander University	\$ 320,776
South Carolina State University	\$ 473,067
USC - Columbia	\$ 4,589,729
USC - Aiken	\$ 334,089
USC - Upstate	\$ 506,646
USC - Beaufort	\$ 232,664
USC - Lancaster	\$ 124,203
USC - Salkehatchie	\$ 80,157
USC - Sumter	\$ 127,768
USC - Union	\$ 57,568
Winthrop University	\$ 617,128
Medical University of South Carolina	\$ 2,533,344
SC Technical College System	\$ 4,877,675
Total	\$20,101,049

Nursing Shortage. National and state data identify a key factor contributing to the shortage of nurses: inadequate funds to hire and pay faculty who are preparing our nurses needed now and in the future. Due to competition in the market, nursing faculty can earn more working in healthcare practice than in teaching, especially doctoral prepared nurses and nurses with specialty training

like advanced practice nurses, nursing informatics, and nurse scientists. Faculty are also less likely to enroll in doctoral programs. Non-competitive salaries for nurse educators lead to shortages at all levels. Shortages of faculty result in fewer nursing classes, fewer supervised clinical rotations in field work, and fewer qualified students earning their degrees.

The Executive Budget recommends \$20 million in lottery revenues to begin addressing the nursing shortage. These one-time funds will be used at our public colleges and universities, including technical colleges, for the following initiatives. First, \$10 million would be used to supplement the salaries of existing full-time faculty and the hourly rates of part-time faculty, or the salaries of clinical nursing faculty. The funds will be allocated to each public college or university, including technical colleges, based on the number of students enrolled in nursing programs. The remaining funds will provide tuition reimbursement or scholarships for students enrolled in graduate-level nurse educator programs, Doctor of Nursing Practice programs, or PhD programs. The scholarship recipients must agree to assume a faculty role in a state nursing program after graduation and provide tuition reimbursement or scholarships for current master’s level, full-time nurse faculty to enroll in doctoral programs. Current doctoral students who are not yet faculty and desire to be faculty members must agree to teach for a minimum of two years for every one year funded. Authority should be given to carry forward unexpended funds over time.

Deferred Maintenance. Like last year, the FY 2022-23 Executive Budget dedicates the entirety of the Capital Reserve Fund, \$183.6 million, for deferred maintenance including IT or technology projects at our institutions of higher education. This funding will be distributed on a pro-rata basis, based on in-state student enrollment at each of our state colleges and universities. These dollars are for maintenance and care of state-owned assets – not new construction projects. The allocation by institution is below:

Two-, Four-Year and Research Universities

<u>Institution</u>	<u>Non-Recurring Dollars</u>
The Citadel	\$ 2,850,814
Clemson University	\$ 19,335,094
College of Charleston	\$ 7,703,131
Coastal Carolina University	\$ 6,281,433
Francis Marion University	\$ 4,545,725
Lander University	\$ 4,258,913
South Carolina State University	\$ 2,582,545
USC - Columbia	\$ 25,881,086
USC - Aiken	\$ 4,040,095
USC - Upstate	\$ 6,271,543
USC - Beaufort	\$ 2,135,020
USC - Lancaster	\$ 2,088,042
USC - Salkehatchie	\$ 918,541
USC - Sumter	\$ 1,638,043
USC - Union	\$ 1,385,847
Winthrop University	\$ 5,449,431
Medical University of South Carolina	\$ 2,716,061
Total	\$100,081,364

Technical Colleges

Institution

Non-Recurring Dollars

Trident Technical College	\$13,800,360
Northeastern Technical College	\$ 2,112,767
Florence Darlington Technical College	\$ 3,391,059
Greenville Technical College	\$11,455,178
Horry-Georgetown Technical College	\$ 6,770,992
Midlands Technical College	\$10,473,588
Orangeburg-Calhoun Technical College	\$ 2,602,326
Piedmont Technical College	\$ 5,432,123
Spartanburg Technical College	\$ 7,427,445
Central Carolina Technical College	\$ 3,245,180
Tri-County Technical College	\$ 6,424,839
York Technical College	\$ 4,715,093
Aiken Technical College	\$ 2,008,921
Denmark Technical College	\$ 692,305
Technical College of the Lowcountry	\$ 2,295,733
Williamsburg Technical College	<u>\$ 655,217</u>
Total	\$83,503,126

ECONOMIC DEVELOPMENT, WORKFORCE & INFRASTRUCTURE

The FY 2022-2023 Executive Budget dedicates:

- \$496,942,369 in non-recurring dollars to expedite road and bridge projects at the South Carolina Department of Transportation (SCDOT);
- \$300,000,000 in non-recurring for the Navy Base Intermodal Facility (NBIF) at the State Ports Authority;
- \$150,000,000 in non-recurring dollars for economic development infrastructure at the Department of Commerce;
- \$100,000,000 in recurring dollars for a state match to draw down federal funds at SCDOT;
- \$51,000,000 in non-recurring dollars for the Closing Fund at the Department of Commerce;
- \$10,324,876 in non-recurring dollars for temporary permitting support for state infrastructure projects at the Department of Health and Environmental Control (DHEC);
- \$5,039,612 in non-recurring dollars for ePermitting projects at DHEC;
- \$4,000,000 in non-recurring dollars for the “Locate SC” economic development recruitment program at the Department of Commerce;
- \$2,518,414 in recurring dollars and \$981,078 in non-recurring dollars to improve onsite wastewater permitting timeframes at the DHEC;
- \$2,000,000 in non-recurring dollars for planning and assistance at the Rural Infrastructure Authority; and,
- \$500,000 in recurring dollars for Small Business Development Centers at the Department of Commerce.

South Carolina’s economic development figures remain strong. Over the past decade, South Carolina’s economy has grown faster than all but seven other states. Since 2017, we have announced \$17 billion in new capital investment and more than 58,000 new jobs through the Department of Commerce. According to Census data, we have the tenth fastest growing population in the nation; since 2010, we have added more than 500,000 people to the State of South Carolina.

According to *Area Development* magazine’s 2021 ranking South Carolina ranks fourth overall for best places in the country to do business. As a result, our economy continues to see tremendous wins, including in our manufacturing sector. Of the \$17 billion in new capital that has been invested since 2017, \$4.3 billion was announced in 2021 alone. This includes 12 individual investments of at least \$100 million and is a testament to South Carolina’s strong, diverse and growing economy.

Employment and Workforce Development. South Carolina has taken bold steps to empower the current and next generation’s workforce. *Area Development* ranks South Carolina in the top five of states for its workforce development programs. This ranking does not come by accident, Governor McMaster has directed more resources toward enhancing workforce training, development and education than any governor in modern times – to make sure all the assets and opportunities are in place to help South Carolinians achieve and sustain financial independence

and prosperity. This targeted investment in the people of South Carolina has contributed to historically low unemployment in South Carolina and an increase of 21% in South Carolina's per capita personal income over the last five years.

Strategic investment in the state's workforce development programs has been a key driver in the state's economic success and now is not the time to pause those efforts. Despite the state's low unemployment rate, people remain out of work and businesses continue to face challenges in filling jobs. As of December 29, 2021, DEW reported that there are 98,054 jobs available throughout the state. This Executive Budget continues to place focus on training and re-training our people – to get these jobs and prosper in them.

According to DEW, “critical needs” jobs account for 45% of the workforce, while only 29% of people have the necessary skills to fill those jobs. And, according to a report by the Lumina Foundation, by 2025, 60% of Americans will need some type of high-quality credential beyond high school to participate in the workforce.

South Carolina has the people and the resources it needs - what is important is that we expand our investment in technical education and workforce development so that our people continue to play a decisive role in recruiting new business. To achieve this goal this past year, Governor McMaster has announced \$29 million investment in South Carolina's workforce through the Governor's Emergency Education Relief (GEER) Fund to provide scholarships to cover the cost of tuition and required fees at any technical college in South Carolina. This investment has prioritized in-demand positions that are critical to the state's healthcare system and economy, including nursing and commercial truck drivers, and has led to approximately 5,000 South Carolinians being reskilled and employed. The additional investment will ensure South Carolina remains proactive in addressing the state's labor shortage. This funding will provide thousands of South Carolinians with the skills needed to thrive in a number of high-demand careers and ensure our economy will have the workforce needed to attract further jobs and investment from companies worldwide. Beginning January of 2022, any adult or recent high school graduate in South Carolina is eligible to use these scholarship funds for associate degrees or industry credentials in high-demand careers like manufacturing, health care, computer science and IT, transportation distribution and logistics, or construction. Additionally, Governor McMaster has asked the General Assembly for \$124 million in American Rescue Plan Act (ARPA) funds to extend this important program from July 1, 2022, through June 30, 2024. Extending this program for an additional two years is expected to expand the number of South Carolinians who benefit from this scholarship program and are therefore trained to fill high demand positions to 15,000.

To further help achieve this goal, the FY 2022-23 Executive Budget provides \$65 million in workforce development dollars, including:

- \$16,000,000 in lottery dollars for workforce scholarships and grants at the State Board for Technical and Comprehensive Education;
- \$17,000,000 in lottery dollars for the SC WINS program at the State Board for Technical and Comprehensive Education;

- \$30,000,000 in lottery dollars for high-demand job skill training equipment at the State Board for Technical and Comprehensive Education;
- \$2,000,000 in lottery dollars for direct training through ReadySC at the State Board for Technical and Comprehensive Education.

Infrastructure. South Carolina’s unmatched global connectivity continues to provide unlimited opportunities for our people. The Palmetto State has one of the nation's fastest-growing container ports, two innovative inland ports, 2,300 miles of rail lines and more than 41,000 miles of state-maintained highways. There are 208 million people, two-thirds of the U.S. population, within two days drive of South Carolina.

In 2017, SCDOT launched a 10-year plan to upgrade and improve South Carolina’s road and bridge network. This plan is critical to supporting the state’s continued and future growth in commerce and population growth. The plan is backed by a combination of state and federal funds and is focused on repaving thousands of miles of highways in the state, replacing hundreds of bridges, widening of critical segments of our interstates and improving many rural roads to drive down our state’s rural fatality rate. This Executive Budget invests heavily in this plan recommending \$500 million in FY 2022-23 funds to expedite road and bridge projects along with a recurring investment of \$100 million in state funds that will leverage significant federal infrastructure investment and increase SCDOT’s federal revenues by approximately \$250 million per year over the next five years. Together, this unprecedented investment in the state’s physical infrastructure will help all South Carolinians by combating congestion in urban areas and addressing economic development and mobility needs of rural areas.

In addition to Governor McMaster’s proposed investment in the Executive Budget, Governor McMaster has proposed significant investment in the state’s infrastructure through federal funds. These proposals include:

- A \$500 million investment in the revitalization of South Carolina’s water, wastewater, and stormwater infrastructure. Modernizing the state’s water and sewer infrastructure through this proposal will support public health and economic development by helping the state maintain its competitive advantage for growth and investment. It will also support better future efficiency and stewardship of taxpayer funds through promoting the regionalization and coordination between larger and small water and sewer systems.
- A \$360 million investment to expedite the existing plans to widen key portions of Interstate 26 between Charleston and Columbia. This targeted investment will accelerate this high priority project on one of the state’s most traveled interstates by at least six years. Accelerating the timeline of this critical project will support the demand created by the continued population and economic growth, particularly growth related to record volume at South Carolina Ports, which has already increased traffic on this portion of Interstate 26 to 22 million vehicles per year.
- A \$300 million investment to begin construction on Interstate 73 in South Carolina. This investment will provide an important boost to start work on a project that will serve as a

catalyst for local and federal government partners to finalize their own investment plans and provide additional growth opportunities in the state.

- A \$300 million investment in the state's broadband infrastructure and connectivity. This targeted investment, which will be combined with \$100 million in Infrastructure Investment and Jobs Act funds, will improve access to high-speed internet for South Carolinians and further support a business and family-friendly environment where all South Carolinians have opportunities to prosper and succeed.

The FY 2022-23 Executive Budget also includes \$300 million for the continued construction of the NBIF at the State Ports Authority. This targeted investment will facilitate the transfer of international cargo containers between ships/trucks and rail, allowing for the movement of goods and commerce over rail within the state and throughout the United States, stimulating economic development within the region and providing connections to key regional infrastructure. In addition, demand and capacity issues have created the need for a second shipping berth at the new terminal. Adding this berth will allow the South Carolina Ports Authority (SCPA) to recruit and attract additional ocean carrier services and major clients that wish to call on Charleston or locate their business in South Carolina. Recently, the SCPA sought approval from the General Assembly for a \$550 million Economic Development Bond to complete construction of the NBIF, a second shipping berth and to conduct barge operations between the Wando and Leatherman Terminals. In 2021, the General Assembly appropriated \$200 million in the state budget for the NBIF, rather than approving the bond bill.

While global supply chain challenges, particularly those related to challenges with importing and exporting goods through ports, targeted investments in South Carolina's ports have positioned the state to continue to create and support economic opportunity. South Carolina Ports set its ninth consecutive month of year-over-year monthly record cargo volumes in November 2021. South Carolina Port operations facilitate 225,000 statewide jobs and generate nearly \$63.4 billion in annual economic activity. This impressive and unprecedented growth is occurring as the Port of Charleston is deepening its harbor to 52 feet and is on track to have the deepest harbor of any port on the east coast in 2022. This improved capacity and efficiency means ships are able to access terminals without delay and will be able to access port terminals any time of day, and at any tide. By continuing to invest in our infrastructure and logistics assets, we will ensure that South Carolina maintains its unmatched global connectivity.

The FY 2022-23 Executive Budget also includes targeted investments that will provide resources to local authorities to make improvements to small and rural public water and sewer utilities across the state. This investment of \$2 million will be used to promote regional solutions, where appropriate, to improve the infrastructure that protects public health, improves quality of life, creates economic opportunities and protects the long-term viability when local resources are not available.

South Carolina's efficient and streamlined permitting processes have led to national recognition including from *Area Development*, which ranked South Carolina as the second-best state in the country for speed of permitting. This year's budget will provide the funding needed to maintain this important competitive advantage including \$10 million for temporary permitting support for

state infrastructure projects at the Department of Health and Environmental Control (DHEC), \$5 million for ePermitting projects and \$3.5 million to reduce permit time approval for septic systems. As the state's economy and population continue to rapidly grow, these targeted investments will ensure we are able to keep up with demand and prevent environmental and public health concerns in an efficient taxpayer-friendly manner.

GOVERNMENT REFORM & TRANSPARENCY

The FY 2022-23 Executive Budget dedicates:

- \$46,656,806 for 2% merit-based pay increases for state employees to be used at the discretion of agency directors;
- \$34,583,426 to in recurring dollars for increased employer contributions to the state pension system;
- \$13,730,000 in non-recurring dollars to end roll-up appropriations and replace them with a competitive grants process;
- \$2,800,000 in recurring dollars to ensure election integrity and to implement the compliance auditor program at the State Election Commission;
- \$1,692,221 in recurring dollars at the State Ethics Commission to bolster the enforcement of the state's ethics laws through expanded investigative capacity;
- \$1,460,118 in recurring dollars to expand the investigative responsibilities at the Office of Inspector General;
- \$225,000 in recurring dollars for critical needs positions at the State Election Commission; and,
- \$200,000 in non-recurring dollars for ethics training for sheriffs at the Law Enforcement Training Council.

Budgetary Reform. Too often, the General Assembly uses the practice of “rolling up” funding in the state’s budget for individual earmarks, pet projects and “pork” commonly intended for local projects in certain legislators’ districts. These projects are placed on lines inside a specific state agency budget and given vague names like “Parks Revitalization” and “Sports Marketing.” While the leadership of the Senate and House of Representatives took unprecedented steps last year by publicly disclosing the sponsors and recipients of earmarked appropriations—a step in the right direction to be sure—more must be done. Each dollar set aside through this process is a dollar of the public’s money. Transparency is of the utmost importance when appropriating the public’s money and proper accountability measures must be enacted to ensure any taxpayer funds are spent for their intended purpose.

In FY 2021-22, Governor McMaster vetoed 226 earmarked appropriations totaling \$152.5 million in “roll up” funds. In his veto, he provided the following explanation:

After decades of overriding the vetoes of successive governors, the leadership of the Senate and House of Representatives took unprecedented steps to require the public disclosure of the sponsors and recipients of earmarked appropriations, all previously shielded from public view, debate, and scrutiny.

However, public transparency must be absolute and uncompromised in order to maintain the public’s trust and confidence in their government. Disclosure of the sponsor and recipient is not enough. The bulk of these earmarked appropriations still lack sufficient context, description, explanation of merit, or justification as to how the recipient intends to spend the funds. Also, no matter how deserving the project, the public must be confident that proper accountability measures are in place to ensure the funds are ultimately spent appropriately by the recipient.”

These vetoes were subsequently overridden by the General Assembly and became law. This has become a routine exercise between governors and the legislature. In July 2021, after the vetoes were overridden, Governor McMaster took additional steps to bolster transparency around earmarked appropriations. The Governor instructed the leaders of the 24 state agencies who received funds allocated for earmarked projects to provide a detailed explanation of how the earmarked funds will be spent by the recipients and the accountability measures in place to ensure proper spending to the Executive Budget. However, more needs to be done.

For the fourth year in a row, this Executive Budget takes steps towards maintaining the public's trust in government by implementing procedures to ensure transparency in the appropriations process – ending rollups and replacing them with a competitive grant appropriation for each agency. Agencies shall establish a process for entities, organizations and individuals to apply for funding. Applications will be required to provide detailed explanation, justification, description and intended use of these funds. Agencies shall also post online all information about grants, the application process, required criteria and award information.

In the future, organizations, festivals, tournaments and other standard recipients of earmarked dollars will apply for these grants and awards will be determined through a competitive, merit-based process established by an agency director. This process will be transparent and accountable to taxpayers. Moreover, it will demonstrate to the people of South Carolina that their money is being spent wisely.

Amounts appropriated will total \$13.7 million. Line-item appropriations are clearly delineated in this budget, as follows:

- Sports Marketing Grants (Department of Parks, Recreation and Tourism [PRT]) - \$6.5 million
- Medical Contracts (Department of Health and Human Services [DHHS]) - \$2 million
- Local Law Enforcement Grants (Department of Public Safety [DPS]) - \$2 million
- Parks Revitalization Grants (PRT) - \$1.5 million
- Historic Preservation Grants (Department of Archives and History) - \$1 million
- Cultural Arts and Theater Grants (Arts Commission) - \$450,000
- Local Fire Department Grants (Department of Labor, Licensing and Regulation [LLR]) - \$280,000

Revenue expenditures should always be listed on the line. The Governor has made clear – if the General Assembly allows these allocations to stand on their own merits, he will issue a veto only where they fail to live up to the standards expected by the taxpayers, who are the true owners of every government brick and building in the state.

Ethics. South Carolinians must trust their representatives, and the state's representatives must demonstrate they are deserving of that trust.

Along with former Attorney General Travis Medlock, Governor McMaster co-chaired the South

Carolina Commission on Ethics Reform and made a series of ethics reform recommendations – some of which have been implemented, and some of which have not. It is the continued goal of the McMaster Administration to see each ethics reform recommendation enacted.

South Carolina needs stronger and expanded investigative authority to improve its ability to investigate how taxpayer funds are spent and influenced. Governor McMaster's Executive Budget doubles the State Inspector General's (SIG) budget allowing the agency to hire additional inspectors. Governor McMaster believes the SIG should be given statutory authority to follow state taxpayer dollars wherever they go in order to bolster accountability among any agency, local government, school board, or other organization that receives these funds. He supports legislation introduced in the General Assembly to expand the scope and authority of the SIG, including providing it with subpoena power. Providing an additional \$1.5 million in recurring funds for the SIG and further empowering it to investigate and address allegations of fraud, waste, abuse, mismanagement, misconduct, and wrongdoing will ensure it can follow taxpayer dollars wherever they go.

In another effort to bolster accountability and transparency among the state's elected officials, the governor's Executive Budget also doubles the State Ethics Commission's existing budget by investing an additional \$1.7 million annually. This additional funding will allow the Commission to hire additional investigators, thereby increasing its investigative capabilities and furthering its mission of enforcing the state's laws on campaign finance, financial disclosure, and lobbying activity.

For the fifth year in a row, the governor's Executive Budget proposes that anyone paid to influence decisions made by county, city or town councils should be required to register as a lobbyist, just as they are at the state level.

Consistent with this theme and to address and prevent misconduct, this Executive Budget directs \$200,000 to the Law Enforcement Training Council to develop and implement ethics training for all 46 sheriffs across the state. The Executive Budget will also include a proviso that will call for public reporting of those who participated and those who did not. Requiring participation in this coordinated training program will further instill a level of trust between law enforcement and the communities they protect and serve.

To further strengthen the public's trust in the officials' it has elected, Governor McMaster also believes Members of the General Assembly should be required to comply with the Freedom of Information Act (FOIA). After all these years, the legislature still shields itself from FOIA requests. If we are to hold all public servants accountable, this self-imposed exemption must end.

Finally, it is imperative that the public has confidence in the integrity of free and fair elections in the state of South Carolina. The FY 2022-23 Executive Budget includes \$3 million in recurring funds for the State Election Commission's (SEC) Election Integrity and Compliance Audit Program. This funding will support new auditor positions at the SEC and help advance its strategy for compliance with state and federal laws and agency policies by ensuring it has the resources needed to assure county boards of voter registration and election are uniformly abiding by federal and state statutes, as well as SEC regulations and directives.

Adoption of Shared Services. As the issues that face South Carolina’s state government continue to evolve and require new and flexible skill sets, it makes sense to centralize as many back-office and support functions as feasible across the state government enterprise. The South Carolina Department of Administration, our state government’s central administrative agency, is best positioned to lead in the adoption of a shared service model similar to what is frequently used by large organizations in the private sector.

Utilizing a shared services model can reduce needless duplication, fragmentation and the costs associated with it while also promoting consistency in like functions, such as human resources and IT infrastructure, from state agency to state agency. Successfully implementing a shared services model can improve efficiency and productivity by allowing frontline agency staff in our state agencies to focus more time, effort and resources on carrying out their agency’s unique mission. In addition, centralizing shared back-office functions can allow the state to better embrace innovative solutions that can be used from a central hub across the state government.

In this year’s Executive Budget, Governor McMaster is calling for the adoption of shared services models at the Department of Administration to support state agency needs in IT and human resources. This effort includes adopting a shared services program at the Governor’s School for Agriculture, the Governor’s School for the Arts and Humanities and the Governor’s School for Math and Science.

Numerous studies have not only shown the potential for significant cost savings through adopting common shared IT infrastructure through a shared services model, but also cited security concerns with “islands of computing” across numerous state agencies. Adopting a common IT infrastructure allows South Carolina to respond more quickly and effectively to emerging security threats and zero-day security vulnerabilities that pose risks to all agencies. South Carolina’s IT shared services model ensures that modern, well-maintained, and secure infrastructure components allow for agencies to focus on their mission-oriented application environment. A shared IT model can also help agencies complete large IT projects by providing access to project management resources and expertise that often exceed agency IT departments’ in-house capabilities. Adopting a shared IT services model will also allow the state to better leverage its overall buying power. Many South Carolina state agencies use and purchase similar applications and products. Purchasing and managing these items through a shared model will empower the state to more easily share costs, achieve economies of scale and lower the cost to purchase needed IT solutions to the taxpayer. Finally, successfully adopting a shared model will provide the Department of Administration with an opportunity to connect agencies to brokered services available through state contract, which reduces procurement timelines and offers maximum value for the state.

Adopting a shared services model to support state agencies human resources needs has some of the same benefits as a shared IT model. A shared services model can help the state make more data-driven staffing and salary decisions. Supporting state government-wide human resources functions through the Department of Administration will help better evaluate agency compensation, hiring and vacancy trends by allowing for easier comparisons across multiple state agencies. Because of this enhanced ability to make data-driven decisions, and the Department of Administration’s centralized role in human resources, state agency directors must submit formal

plans to the Department of Administration for how they allocate the 2% merit-based pay increase for state employees included in this year's Executive Budget along with their plans for designing and implementing a process to disburse any funds related to state employee recruitment and retention. Doing so will promote consistency and equitability in how these funds are expended and will ensure they are compliant with the State Office of Human Resources' policies and procedures.

Pensions. Governor McMaster has been ringing the alarm bell for years. South Carolina's \$24 billion unfunded pension liability threatens to place unprecedented strain on state government if steps are not taken to address this crisis.

In 2017, Governor McMaster signed into law legislation increasing employee and employer contributions to the South Carolina Retirement System (SCRS) and PORS, an unfortunate but necessary first step to begin reducing the state's unfunded liability. To that end, this Executive Budget includes \$34.6 million to account for this time. However, it is time for the legislature to make some hard decisions and implement systemic reforms to correct this problem.

We must maintain our commitment to the 11.5% of South Carolina's population that relies on state retirement systems, while protecting taxpayers from bearing any additional financial burden caused by inaction or indecision. That means enacting a date-certain transition away from defined benefit pension plans to defined contribution retirement plans for new state employees. This budget includes proviso language which will close enrollment in the South Carolina Retirement System (SCRS) to new members. A person who otherwise would have been required or eligible to become a member of SCRS and employed by the state after December 31, 2022, instead shall join the State Optional Retirement Program (State ORP) administered by the South Carolina Public Employee Benefit Authority (PEBA).

Adopting this reform will require a concerted expenditure of political willpower on behalf of the General Assembly. Yet, it pales in comparison to the cost of inaction, which threatens a much more permanent paralysis.

HEALTH

The FY 2022-23 Executive Budget dedicates:

- \$150,000,000 in recurring dollars for maintenance of effort annualization at the Department of Health and Human Services (DHHS);
- \$101,773,000 in recurring dollars to maintain the State Health Plan at current levels, with the addition of an adult well visit, and \$100,000,000 million in non-recurring dollars to replenish reserves at PEBA;
- \$39,278,347 in recurring dollars for Caring for South Carolina’s Children at the Department of Social Services;
- \$8,900,000 in recurring dollars to address waiver services and service rates related to the Intellectual Disability/Related Disabilities (ID/RD) waiver operated by the Department of Disabilities and Special Needs (DDSN);
- \$7,501,000 in recurring dollars and \$1,000,000 in non-recurring dollars for the sustainability of addiction crisis efforts at the Department of Alcohol and Other Drug Abuse Services (DAODAS);
- \$5,500,000 in recurring dollars for a second suicide crisis hotline at the Department of Mental Health (DMH); and,
- \$618,000 in recurring dollars to address the utilization increase of early intervention at the Department of Disabilities and Special Needs.

Health care costs during the COVID-19 pandemic have increased across the country as health care systems have experienced unique pressures from nearly every angle. In South Carolina, we took a measured approach to our preparation and response to the COVID-19 pandemic. This approach balanced the need to protect the health and well-being of the public while keeping our economy open. This approach embraced innovation across the healthcare delivery system through the adoption of telehealth and other means to provide access to care while protecting both health care providers and patients. This balanced strategy helped prevent South Carolina from experiencing hospitals and health care systems that were stretched beyond their capacity.

Looking ahead, it is clear targeted investment in our healthcare system is warranted. While we did not experience overwhelmed emergency rooms as some states did, the pandemic has contributed to a shortage of healthcare providers—particularly among nurses—and caused fluctuations in the typical health care cost cycle as many put off having elective procedures performed during the first year of the pandemic. This Executive Budget includes \$101.8 million in recurring funds and \$100 million in non-recurring funding needed to maintain the State Health Plan at current levels and replenish the plan’s reserve account as a result of increasing health care costs. This funding will also support the addition of an annual adult well visit for state employees.

We also know the pandemic has had adverse effects on the mental health of many South Carolinians, including our children. To address these topics and support healthy outcomes for South Carolinians, Governor McMaster’s Executive Budget calls for targeted investment to shore up our healthcare system and address specific needs with an emphasis on investing in behavioral health and the well-being of children across the state.

Behavioral Health. Suicide and drug overdose deaths have spiked both nationally and in South Carolina over the last two years. Suicide is among the top three causes of death for those under the age of 35 both in South Carolina and nationally. According to the Centers for Disease Control and Prevention (CDC), emergency department visits for suspected suicide attempts among adolescents increased 31% in 2020, compared with 2019. The national number of reported fatal overdoses is now at an all-time high and opioid-related overdose deaths in South Carolina are up 53% from 2020 according to the CDC. This Executive Budget includes funding to support behavioral health care in South Carolina including allocating \$8.5 million in funding for addiction crisis efforts at DAODAS, which more than doubles the funding level from the previous budget, and \$5.5 million for additional suicide crisis resources at DMH.

The \$8.5 million in funding for DAODAS will help address the current addiction crisis by ensuring continued access to essential treatment services, reducing unmet treatment need, and reducing overdose-related deaths through the provision of prevention, intervention, treatment, and recovery activities for opioid use disorder (including prescription opioids as well as illicit drugs such as heroin and fentanyl).

Successful interventions and treatment lead to substantial improvements in a number of areas, including reduction of drug use, increased personal health and social function, and reduction in threats to public health and safety. DAODAS has wisely used short-term federal resources to help build on existing substance use prevention and treatment activities, as well as community-based recovery support services to advance substance misuse prevention. The funds in the Executive Budget will help sustain the capacity of the chronic care model developed by DAODAS and support maintaining and expanding prevention, intervention, treatment, and recovery services, particularly in rural areas and areas with high need.

The \$5.5 million in funding for DMH will fund the new “988” nationwide suicide crisis call center to meet South Carolina’s COVID-19-related increase of crisis calls. Even prior to the pandemic, South Carolina’s suicide crisis call center was unable to answer all of the calls to the national suicide prevention lifeline from the state, resulting in routing a percentage of those callers to call centers in other states. With the onset of the pandemic, the number of persons experiencing behavioral health problems rose dramatically. In a January 2021 survey, over 40% of American adults reported symptoms of depression or anxiety, up from 11% in the first half of 2019. During the pandemic, the proportion of children emergency department visits related to mental health also increased substantially. This targeted funding will support 50 mobile crisis clinicians who will cover all 46 counties in South Carolina along with call center staffing, infrastructure for the crisis center and other recurring operating expenses.

Supporting a Healthy Start to Life. Protecting South Carolina’s young people and vulnerable adults is one of the most important duties with which we are tasked in state government. It is imperative to South Carolina’s future that it invest strategically in ensuring that the state’s children have access to quality care that gives them the best opportunity for a healthy start to life.

In South Carolina, approximately 60% of children receive health care coverage through DHHS’ Healthy Connections Medicaid program. Similarly, the Medicaid program pays for about 60% of

births in the state and about 60% of those covered by the state's Medicaid program are children. This Executive Budget includes an increase of \$150 million in recurring state funds to keep up with increasing health care costs and maintain the state's Medicaid program at its current level to continue to provide access to quality health care services for those enrolled in the Medicaid program.

Prior to the COVID-19 pandemic, 2 out of 3 South Carolina children with a treatable mental illness did not receive treatment from a mental health professional. As discussed in this section of the Executive Budget, the state's mental health needs have continued to grow with increased levels of stress, anxiety and isolation that have accompanied the COVID-19 pandemic. The increased demand for behavioral health services is likely to extend beyond the COVID-19 pandemic. This targeted investment in the health care program that covers the majority of the state's children will support DHHS' ability to maintain access to covered services through the state's existing provider network for the traditional population currently enrolled in Medicaid.

The FY 2022-23 Executive Budget provides all funds requested by the Department of Social Services as required in the federal Child and Family Service Review Program Improvement Plans and as needed to continue the State's ability to draw down federal dollars under the Social Security Act. The funds include the funding of 286.00 full-time equivalent staff, of which 215.58 are funded with state general fund dollars and 70.42 with federal funds, to support programs and services to children in foster care and families.

The funds include support for the following: expansion of prevention programs; activities to comply with the federal Family First Prevention Services Act; expansion of kinship care to include fictive kin; treatment services for children, youth, and families; extension of foster care services for young adults aged 18 to 21 who transition from foster care to adulthood; implementation of a comprehensive health care plan for children in foster care, to include physical, dental, and mental health services; training to equip foster parents with the knowledge and skills to address the needs of children in foster care; implementing an evidence-informed assessment tool to capture assessment information for placement and service planning; developing a care continuum model that allows providers flexibility in designing services for children and families; hiring additional case managers and related staff; enhancement of the child welfare data system; and salary increases for case managers.

Finally, South Carolinians' tax dollars must not be funneled to organizations that do not represent South Carolina values or priorities. For the fifth year in a row, Governor McMaster's Executive Budget includes a proviso preventing taxpayer dollars from flowing to abortion providers like Planned Parenthood. There are a variety of agencies, clinics, and medical entities in South Carolina that receive taxpayer funding to offer important women's health and family planning services without performing abortions. South Carolinians do not want their money spent that way; this budget safeguards against spending tax dollars in a manner that is contrary to the values we hold dear.

Supporting Those with Special Needs. To further support South Carolina's vulnerable citizens, this year's Executive Budget includes an additional \$8.9 million in recurring dollars for waiver services and service rates related to the ID/RD waiver program that is administered by DHHS and

operated by DDSN. The ID/RD waiver provides the opportunity for those with an intellectual disability or a related disability to remain independent by receiving medical services in their home and community rather than in a facility.

The timing of this targeted investment aligns with the required five-year renewal of the waiver, which was submitted in 2021 with a requested effective date of Jan. 1, 2022, and a payment system transition for waiver providers that will enable them to bill DHHS directly for services, which will improve efficiency, transparency and delivery system productivity. Together, this funding and these efforts will help DDSN and DHHS take a leap forward in delivering waiver services to South Carolinians with special needs and help reduce the current waiting list for those with a qualifying disability who are not currently able to access waiver services, which included 13,539 individuals as of November 2021.

LAW ENFORCEMENT, PUBLIC SAFETY AND VETERANS

The FY 2022-23 Executive Budget dedicates:

- \$17,000,000 in non-recurring dollars for the Emergency Response Task Force at the South Carolina Department of Labor, Licensing and Regulation (LLR);
- \$10,000,000 in non-recurring dollars for the military enhancement fund at the Department of Veterans' Affairs;
- \$8,769,012 in recurring dollars to annualize funding for the school resource officer program at the South Carolina Department of Public Safety (DPS);
- \$5,000,000 in non-recurring dollars for the Urban Search and Rescue (USAR) Task Force at LLR;
- \$4,500,000 in recurring dollars for armory revitalization funding and armory operations funding at the Adjutant General's Office;
- \$4,259,334 in recurring dollars for State Veterans Nursing Homes at the Department of Mental Health;
- \$4,200,000 in non-recurring dollars for repairs at the Olympia Armory at the Adjutant General's Office;
- \$2,429,800 in non-recurring dollars for new personnel equipment at the South Carolina Law Enforcement Division (SLED);
- \$1,594,413 in recurring dollars for a new class of law enforcement and operations at the Department of Natural Resources;
- \$1,391,046 in recurring dollars for recruitment and retention at the Department of Probation, Parole and Pardon Services (PPP);
- \$1,148,857 in recurring dollars for law enforcement rank change at SLED;
- \$1,078,988 in recurring dollars for Axon Body-Worn Camera (BWC) rotation at DPS;
- \$1,000,000 in recurring dollars for the State Fire Marshal at LLR;
- \$850,000 in non-recurring dollars for Emergency Medical Technicians (EMT) tuition assistance at LLR;
- \$642,186 in recurring dollars to expand the domestic violence program at PPP;
- \$545,565 in non-recurring dollars for body-worn cameras at PPP;
- \$540,910 in recurring dollars to expand the mental health program at DPS;
- \$425,000 in non-recurring dollars for fire support at the Forestry Commission;
- \$250,000 in non-recurring dollars for Local Law Enforcement Accreditation at DPS;
- \$157,992 in recurring dollars and \$8,000 in non-recurring dollars to expand the Military Base Task Force at the Department of Veterans' Affairs; and,
- \$108,548 in recurring dollars to enforce laws against animal fighting at SLED.

Law Enforcement and Public Safety. There has never been a more difficult time to be in law enforcement or a more important time to support those who have chosen to serve in law enforcement. Over the past two years, police officers in America have been subjected to a disgraceful level of disrespect and abuse – from both sides of the political aisle. At the same time,

we have seen a nationwide spike in violent crime that has led to the largest single-year increase in the murder rate in more than 100 years according to the CDC.

Governor McMaster's top priority is keeping South Carolinians safe. The first step is maintaining a robust law enforcement presence – and funding the police. The FY 2022-23 Executive Budget makes a significant investment in law enforcement recruitment and retention, dedicating \$30.9 million in new, recurring dollars across agencies for pay and step increases, and a 2 percent merit-based pay increase for law enforcement officers. This includes officers at: SLED, the Law Enforcement Training Council, DPS, the Department of Corrections (SCDC), PPP, DNR, and the Department of Juvenile Justice (DJJ).

The safety of South Carolina's law enforcement officers, as well as maintaining levels of trust and transparency between law enforcement and the communities they serve, is of paramount importance. To support both priorities, this Executive Budget includes investments in officer body-worn cameras and protective vests for officers. This investment, which includes \$20 million for body camera and vest grants and \$1.1 million in recurring state funds for body cameras, will support a wholesale migration to new equipment and expedite implementation of body-worn cameras. Purchasing this equipment and these services through state contract will address technological issues, provide warranty/maintenance and lower annual licensing and storage fees by using a shared services approach that will result in lower cost to the state.

To further promote transparency and ensure equitable pay across the law enforcement community, Governor McMaster's Executive Budget includes a proviso directing the Department of Administration to conduct a review of salaries across all law enforcement agencies. Law enforcement officers throughout our state and, in particular, in our state agencies, must be compensated properly and competitively. However, if increases for these agencies and others are not appropriated strategically, it will only further disparities among our state agencies and potentially cause more turnover as state agencies compete for officers. This thorough review will provide a holistic view of compensation and salary needs across each of the state's law enforcement agencies.

While directly supporting law enforcement financially is important, the spike in levels of stress, anxiety and behavioral issues that have resulted from the COVID-19 pandemic also have the potential to negatively impact public safety. According to the *American Journal of Emergency Medicine*, domestic violence cases increased by 25-33% globally in 2020. To address these community-based issues, this Executive Budget also dedicates resources to expand the domestic violence program at PPP, the mental health program at DPS and the animal fighting enforcement program at SLED.

In addition, this budget includes a proviso removing the \$10,000 retirement cap for anyone enrolled in PORS, which limits the pay of retirees who return to work for state or local agencies. In previous budgets, Governor McMaster has pledged to place a school resource officer in every school, in every county – all day, every day. Removing this cap will incentivize retired law enforcement to return to work in schools and in other law enforcement organizations to help us ensure that all our people are safe.

Emergency Response. A key component of Governor McMaster’s commitment to keeping South Carolinians safe is ensuring the state has a collaborative and coordinated disaster preparedness and emergency response and recovery plan in place before emergencies or natural disasters occur. This year’s Executive Budget includes targeted investment to support state and local fire departments, EMTs, the Department of Natural Resources (DNR) and the Forestry Commission.

This Executive Budget includes an investment of \$17 million for the Emergency Response Task Force at LLR to aid local fire departments in the event of a fire, technical rescue situation, flood or other weather event that overwhelms the capacity of the local response. This investment will support the task force’s five regional collapse search and rescue teams located in Myrtle Beach, Charleston, Beaufort, Columbia and Greenville. These regional teams are hosted by local fire departments and do not currently receive dedicated funding from the state to maintain their response teams or equipment, most of which was purchased with initial funding from U.S. Department of Homeland Security grants following the events of September 11, 2001. These regional teams are critical to the state’s ability to respond to large scale emergencies and updating and responsibly replacing equipment will ensure the effectiveness of the state's ability to respond to regional and statewide emergencies.

The USAR Task Force at LLR to assist serving as a statewide leader in minimizing fire loss and death, providing comprehensive and safe training for South Carolina's fire and emergency services, and responding to state emergencies and disaster-related events. This budget includes \$5 million to support USAR and \$1 million in recurring state funding for the State Fire Marshal at LLR to maintain the team or its cache of equipment. Task Force 1 has more than 15,000 pieces of equipment, with an estimated value of over \$5 million. This investment will support proper maintenance of current equipment and support the replacement of aged, worn, damaged and obsolete equipment in the future.

To support the training of additional EMTs in South Carolina, the budget includes an investment of \$850,000 to support tuition assistance for EMTs at LLR. This targeted investment will allow the South Carolina Fire Academy to offer tuition-free basic EMT courses for the next two years. The South Carolina Fire Academy is the only training entity in South Carolina that is certified by DHEC to teach Basic EMT in all 46 counties. The academy teaches courses on campus and through its regional delivery system and currently has the least expensive tuition for EMT training and the highest pass rate on the National Registry of EMTs exam. This targeted investment will support the training of 850 EMTs over the next two years.

Finally, the FY 2022-23 Executive Budget calls for an investment of \$425,000 to provide aerial support to help the Forestry Commission detect wildfires in rural areas and to help firefighters fight wildfires safely by keeping them aware of hazards and changing fire conditions. This targeted investment will help the Forestry Commission maintain its aircraft and replace aging aircraft, which will reduce maintenance costs, improve safety for agency pilots and increase the reliability of air operations.

Military and Veterans. South Carolina is a proud military state. We have more than 50,000 active duty and reserve members of the military, eight major military installations and more than

400,000 veterans in South Carolina. Additionally, 50% percent of all soldiers entering the Army each year come through Fort Jackson and more than 50% of marines come through Parris Island annually.

Governor McMaster was proud to work with the General Assembly to support legislation creating the South Carolina Department of Veterans' Affairs. Veterans in South Carolina now have a gubernatorial-appointed secretary leading this cabinet-level agency to act as their advocate on the state and federal level. In the agency's second year of existence, this Executive Budget provides \$1.5 million in combined recurring and non-recurring dollars to continue efforts to stand-up this critical new agency. In addition to the funds dedicated to the South Carolina Department of Veterans' Affairs, Governor McMaster's Executive Budget calls for \$4.2 million in recurring state funding to support State Veterans Nursing Homes at the Department of Mental Health (DMH). This funding will provide quality mental health services for veterans in need at the Richard M. Campbell State Veterans Nursing Home in Anderson, Veteran Village Nursing Home in Florence and Palmetto Patriot's Nursing Home in Gaffney.

The FY 2022-23 Executive Budget also provides \$6.2 million in lottery funds to further expand the South Carolina National Guard College Assistance Program (SCNG CAP). Currently, SCNG CAP offers financial assistance to members of the South Carolina Army and Air National Guard as an incentive for enlisting or remaining for a specified period in either body. Recipients may receive up to a maximum of \$4,500 for the Army National Guard and up to a maximum of \$9,000 for the Air National Guard per academic year, with the cumulative total not to exceed \$18,000. In many cases, the cumulative total of \$18,000 is not sufficient to cover all tuition costs at our state institutions of higher education. This Executive Budget includes a proviso increasing the cumulative total from \$18,000 to \$22,000, which ensures SCNG CAP recipients will have all of their tuition covered.

In addition to supporting those who dedicate their time and effort to our service, this funding will serve as an incentive for enlisting or remaining enlisted for a specified period of time and may encourage additional enrollment at in-state institutions of higher education. This would further support the workforce needs of our state's booming economy while creating additional career opportunities for those who serve.

Finally, this Executive Budget includes significant funding for facility repair and construction, including a \$10 million investment in the military enhancement fund at the Department of Veterans' Affairs to improve military base operational capacity and improve the quality of life of military families. This budget also supports the Adjutant General's Office by investing \$4.2 million to repair the historic Olympia Armory, which supports the State Guard, and an additional \$4.5 million in recurring dollars to complete facility renovations, eliminate the backlog of deferred maintenance and operate our state's 63 armories.

ENERGY AND ENVIRONMENT

The FY 2022-23 Executive Budget dedicates:

- \$17,000,000 in non-recurring dollars for the Disaster Relief and Resilience Reserve Fund at the Office of Resilience;
- \$15,000,000 in non-recurring dollars for fish hatcheries and maintenance and repair of state lakes at DNR;
- \$14,500,000 in non-recurring dollars for conservation grants at the Conservation Land Bank;
- \$8,772,000 in non-recurring dollars for marine infrastructure at DNR;
- \$1,043,516 in recurring dollars for inland fisheries and staffing and operations at state lakes at DNR;
- \$861,000 in recurring dollars and \$8,820,000 in non-recurring funds for water planning, monitoring, and mapping at DNR;
- \$812,762 in recurring dollars and \$179,534 in non-recurring dollars for enhanced stormwater compliance at DHEC; and,
- \$598,878 in recurring dollars for dam safety at DHEC.

South Carolina is blessed with some of the most beautiful natural resources in the world along with a vibrant economy that receives significant inputs from tourism related to its pristine resources and its adoption of innovative energy solutions. Governor McMaster was recently elected Chairman of the Southern States Energy Board, and his FY 2022-23 Executive Budget calls for significant investment to promote an “all of the above” energy strategy and environmental conservation, preservation and resilience. Key components of this strategy include embracing innovative technologies that drive growth; create jobs; and, provide reliable, affordable, and sustainable energy solutions. This budget reflects this commitment through an investment of \$24 million for the purchase of energy efficient school buses; a pledge to no longer purchase school buses that rely on fossil fuel; targeted investments in conservation, preservation and resilience; and Governor McMaster’s continued, steadfast opposition to oil exploration off the coast of South Carolina.

Resilience. Last year, South Carolina escaped the wrath of a major hurricane. We know from both recent—and not so recent—history how hurricanes and major flooding events can devastate our communities. In South Carolina, four major flooding disasters occurred between 2012 and 2018. Collectively, these events resulted in 37 deaths and damage to nearly 150,000 homes. Financially, the cost exceeded \$800 million, with an estimated total loss of \$320 million in tourism dollars.

In 2018, Governor McMaster created the South Carolina Floodwater Commission. Thousands of hours of volunteerism went into producing a report which endeavors to address our many challenges in a balanced, holistic manner. One of the top recommendations: consolidating flood response under a single entity.

S. 259, passed by the General Assembly and signed by the Governor in 2020, created the South Carolina Office of Resilience, to be governed by a Chief Resilience Officer appointed by the

Governor who will develop, implement, and maintain the Statewide Resilience Plan with the goal of coordinating statewide resilience and disaster recovery efforts with federal, state, local and non-governmental entities. Much like Governor McMaster's broader priority related to targeted investments in strategic reserve funds, the 2022-23 Executive Budget also proposes \$17 million to supplement the Disaster Relief and Resilience Reserve Fund so the agency can complete its mission to maintain a sufficient buffer in the event of a large-scale disaster.

Beyond the work underway at the Office of Resilience, many Floodwater Commission recommendations have yet to be implemented. We must address deferred maintenance of our state's drainage systems and dams. We must plant more native vegetation – to deter erosion and aid in groundwater infiltration. We must protect, replenish and expand our marshes. This year's Executive Budget calls for \$9.7 million for water planning, monitoring, and mapping at DNR. These funds will support flood mitigation and basin planning already underway in the Edisto Basin and planned efforts in the Broad and Pee Dee River basins. Funding from the Executive Budget will also support the work of the eight basin advisory councils that will develop the state water plan from the bottom up with the help of stakeholders. The state's surface water models were based on 2013 data. A five-year update with the help of outside subject matter experts is needed to ensure regional water plans are developed based on the most accurate and up-to-date water availability information. Finally, the state's dams continue to require additional funding to address safety concerns. More than 30% of high hazard dams and more than 37% of significant hazard dams have been rated in poor or unsatisfactory condition in South Carolina. As appropriated funding for emergency dam actions following the historic flooding of 2015 winds down, additional funding is required to address dam conditions in the state. The Executive Budget calls for nearly \$600,000 in recurring funds to increase staffing to assist and develop emergency action plans.

Finally, the FY 2022-2023 Executive Budget calls for investing nearly \$1 million in enhanced stormwater compliance at DHEC. Complaints related to stormwater runoff have nearly doubled since 2019. In response to this surge in complaints, DHEC's stormwater permitting staff have been redirected to address complaints, which has increased the processing timeframe for permits and could lead to additional compliance issues while also slowing economic development. This funding will support eight new positions and more efficient training tools.

Conservation, Preservation and Maintenance. Governor McMaster's Executive Budget dedicates considerable funding to the conservation and protection of our state's beautiful natural resources and historic properties. Governor McMaster's commitment to conserving as much land as possible in South Carolina coupled with his commitment to invest in resilience will improve the quality of life in South Carolina. Investing \$14.5 million in conservation grants at the Conservation Land Bank will help preserve and conserve significant natural resource lands, wetlands, historical and archaeological properties and urban parks for future generations to enjoy.

The FY 2022-23 Executive Budget also proposes \$16 million in additional funding for fisheries and state lakes. This funding will improve and restore infrastructure at DNR's freshwater fish hatcheries and its state lakes, many of which have not undergone major renovations or updating since they were built.

Together, these efforts in support of conservation and resilience, along with Governor McMaster's commitment of ARPA funds, will help improve South Carolinians' quality of life by supporting South Carolinians ability to enjoy our state's vast natural resources, ensuring consistent access to safe drinking water and helping prepare for and mitigate damage from future natural disasters.