

<b>AGENCY NAME:</b>	South Carolina Department of Revenue		
<b>AGENCY CODE:</b>	R440	<b>SECTION:</b>	109



## Fiscal Year 2017-18 Agency Budget Plan

### FORM A – SUMMARY

<b>RECURRING FUNDS (FORM B DECISION PACKAGES)</b>	<b>My agency is submitting the following recurring decision packages listed in <u>priority order</u> (Form B):</b>	
	9054 – General Fund Increase - Identity and Credit Protection Services	
	9415 – Base Adjustment – Health Insurance, Retirement and Pay Plan	
	<b>For FY 2017-18, my agency is (mark "X"):</b>	
	<input checked="" type="checkbox"/>	Requesting a net increase in recurring General Fund appropriations.
	<input type="checkbox"/>	Not requesting a net increase in recurring General Fund Appropriations.

<b>CAPITAL &amp; NON-RECURRING FUNDS (FORM C DECISION PACKAGES)</b>	<b>My agency is submitting the following one-time decision packages listed in <u>priority order</u> (Form C):</b>	
	<b>For FY 2017-18, my agency is (mark "X"):</b>	
	<input type="checkbox"/>	Requesting capital and/or non-recurring funds.
	<input checked="" type="checkbox"/>	Not requesting capital and/or non-recurring funds.

<b>PROVISOS (FORM D)</b>	<b>For FY 2017-18, my agency is (mark "X"):</b>	
	<input checked="" type="checkbox"/>	Requesting a new proviso and/or substantive changes to existing provisos.
	<input type="checkbox"/>	Only requesting technical proviso changes (such as date references).
	<input type="checkbox"/>	Not requesting any proviso changes.

Please identify your agency's preferred contacts for this year's budget process.

	<u>Name</u>	<u>Phone</u>	<u>Email</u>
<b>PRIMARY CONTACT:</b>	Rick Reames	803.898.5040	<a href="mailto:Rick.Reames@dor.sc.gov">Rick.Reames@dor.sc.gov</a>
<b>SECONDARY CONTACT:</b>	Meredith Cleland	803.898.5402	<a href="mailto:Meredith.Cleland@dor.sc.gov">Meredith.Cleland@dor.sc.gov</a>

I have reviewed and approved the enclosed FY 2017-18 Agency Budget Plan, which is complete and accurate to the extent of my knowledge.

	<u>Agency Director</u>	<u>Board or Commission Chair</u>
<b>SIGN/DATE:</b>		
<b>TYPE/PRINT NAME:</b>	Rick Reames III	

This form must be signed by the department head – not a delegate.

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**FORM B – PROGRAM REVISION REQUEST**

<b>DECISION PACKAGE</b>	<b>9054</b>
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*Provide the decision package number issued by the PBF system ("Governor's Request").*

<b>TITLE</b>	<b>Identity and Credit Protection Services</b>
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*Provide a brief, descriptive title for this request.*

<b>AMOUNT</b>	<b>1,200,000</b>
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*What is the net change in requested appropriations for FY 2017-18? This amount should correspond to the decision package's total in PBF across all funding sources.*

<b>ENABLING AUTHORITY</b>	Act 298, Section 1, Item 2 first established this program at DOR. This package would revise the services from a Capital request to a recurring operating request.
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*What specific state or federal statutory, regulatory, and/or administrative authority established this program? Is this decision package prompted by the establishment of or a revision to that authority? Please avoid citing general provisions of law where possible, and instead cite to the most specific legal authority supporting the request.*

<b>FACTORS ASSOCIATED WITH THE REQUEST</b>	<b>Mark "X" for all that apply:</b>
	<input type="checkbox"/> (Base Adjustment) Allocation of statewide employee benefits.
	<input type="checkbox"/> (Base Adjustment) Realignment within existing programs and lines.
	<input type="checkbox"/> (Base Adjustment) Restructuring of agency programs – <i>requires pre-approval.</i>
	<input checked="" type="checkbox"/> IT Technology/Security related
	<input type="checkbox"/> Consulted DTO during development
	<input type="checkbox"/> Related to a Non-Recurring request – If so, Decision Package # _____
	<input type="checkbox"/> Change in cost of providing current services to existing program audience.
	<input type="checkbox"/> Change in case load / enrollment under existing program guidelines.
	<input type="checkbox"/> Non-mandated change in eligibility / enrollment for existing program.
	<input type="checkbox"/> Non-mandated program change in service levels or areas.
	<input type="checkbox"/> Proposed establishment of a new program or initiative.
<input type="checkbox"/> Loss of federal or other external financial support for existing program.	
<input checked="" type="checkbox"/> Exhaustion of fund balances previously used to support program.	

<b>RECIPIENTS OF FUNDS</b>	These funds would be allocated to the specific vendor, currently CSID, that holds the Identity and Credit Protection Services contract related to the 2012 Security Breach.
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*What individuals or entities would receive these funds (contractors, vendors, grantees, individual beneficiaries, etc.)? How would these funds be allocated – using an existing*

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*formula, through a competitive process, based upon predetermined eligibility criteria?*

<b>ACCOUNTABILITY OF FUNDS</b>	
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*What specific agency objective, as outlined in the agency's accountability report, does this funding request support? How would this request advance that objective?*

<b>POTENTIAL OFFSETS</b>	N/A
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*For decision packages that request non-mandatory funding increases to programs or initiatives, please identify a potential offset within an existing lower priority or ineffective program(s).*

<b>MATCHING FUNDS</b>	N/A
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*Would these funds be matched by federal, institutional, philanthropic, or other resources? If so, identify the source, amount, and terms of the match requirement.*

<b>FUNDING ALTERNATIVES</b>	Currently, this is funded through a yearly appropriation from the Capital Reserve Fund. In years that the funding is not available through the CRF, DOR would have to absorb these services into its existing operating budget.
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*What other possible funding sources were considered? Could this request be met in whole or in part with the use of other resources, including fund balances? If so, please comment on the sustainability of such an approach.*

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<b>SUMMARY</b>	<p>As part of the security breach remediation for taxpayers, The State of South Carolina and DOR offered credit protections services to all taxpayers whose data was compromised. The credit protection services are purchased for one calendar year and are renewed for enrolled taxpayers each October.</p> <p>DOR contracted with CSIdentity Corporation (CSID) in 2013 for a one-year credit protection period renewable for up to 5 years or October 3, 2018.</p> <p>Contract amounts for the period covered during FY16-17 and FY17-18 shall not exceed \$6.5 million maximum per year. Actual cost for FY15-16 was \$1.1 million and DOR does not anticipate this cost should increase significantly over the next few years.</p> <p>DOR is requesting the \$1,200,000 for the FY17-18 Budget.</p>
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*Using as much detail as necessary to make an informed decision regarding this request, provide a summary of the rationale for the decision package. Why has it been requested? How specifically would the requested funds be used? If the request is related to information security or information technology, explain its relationship to the agency's security or technology plan.*

<b>METHOD OF CALCULATION</b>	<p>The amount of the request was based on the amount spent in FY15-16, with a small percentage added to that amount. In October of every year, all existing participants are re-enrolled in the program for another year, at the cost of \$5 per individual or business. Then throughout the year, any new individuals or businesses can be added for \$5 per enrollment.</p>
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*How was the amount of the request calculated? List the per unit or per FTE costs of implementation. What factors could cause deviations between the request and the amount that could ultimately be required in order to perform the underlying work?*

<b>FUTURE IMPACT</b>	<p>If this request is not granted, then DOR will continue to ask for this money via the Capital Reserve Fund.</p>
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*Will the state incur any maintenance-of-effort or other obligations by adopting this decision package? What impact will there be on future capital and/or operating budgets if this request is or is not honored? Has a source of any such funds been identified and/or obtained by your agency?*

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<b>PRIORITIZATION</b>	<p>If insufficient new funds are available for this request, DOR would like to change the request from a Program Revision Request to a Capital or Non-Recurring Appropriation Request.</p>
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*If no or insufficient new funds are available in order to meet this need, how would the agency prefer to proceed? By using fund balances, generating new revenue, cutting other programs, or deferring action on this request in FY 2017-18? Please be specific.*

<b>INTENDED IMPACT</b>	<p>The intended impact of this decision package is to guarantee that DOR will have the ability to pay for the Identity and Credit Protection Services every year, without having to rely on the Capital Reserve Fund.</p>
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*What impact is this decision package intended to have on service delivery and program outcomes, and over what period of time?*

<b>PROGRAM EVALUATION</b>	<p>These funds would be a part of a state-contracted expenditure, and would be tied directly to that contract.</p>
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*How would the use of these funds be evaluated? What specific outcome or performance measures would be used to assess the effectiveness of this program?*

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**FORM B – PROGRAM REVISION REQUEST**

<b>DECISION PACKAGE</b>	<b>9415</b>
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*Provide the decision package number issued by the PBF system ("Governor's Request").*

<b>TITLE</b>	<b>Base Adjustment – Pay Plan Base Allocations</b>
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*Provide a brief, descriptive title for this request.*

<b>AMOUNT</b>	<b>1,287,418</b>
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*What is the net change in requested appropriations for FY 2017-18? This amount should correspond to the decision package's total in PBF across all funding sources.*

<b>ENABLING AUTHORITY</b>	Granted by the Executive Budget Office, at the start of FY16-17.
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*What specific state or federal statutory, regulatory, and/or administrative authority established this program? Is this decision package prompted by the establishment of or a revision to that authority? Please avoid citing general provisions of law where possible, and instead cite to the most specific legal authority supporting the request.*

<b>FACTORS ASSOCIATED WITH THE REQUEST</b>	<b>Mark "X" for all that apply:</b>
	<input checked="" type="checkbox"/> (Base Adjustment) Allocation of statewide employee benefits.
	<input type="checkbox"/> (Base Adjustment) Realignment within existing programs and lines.
	<input type="checkbox"/> (Base Adjustment) Restructuring of agency programs – <i>requires pre-approval.</i>
	<input type="checkbox"/> IT Technology/Security related
	<input type="checkbox"/> Consulted DTO during development
	<input type="checkbox"/> Related to a Non-Recurring request – If so, Decision Package # _____
	<input type="checkbox"/> Change in cost of providing current services to existing program audience.
	<input type="checkbox"/> Change in case load / enrollment under existing program guidelines.
	<input type="checkbox"/> Non-mandated change in eligibility / enrollment for existing program.
	<input type="checkbox"/> Non-mandated program change in service levels or areas.
	<input type="checkbox"/> Proposed establishment of a new program or initiative.
<input type="checkbox"/> Loss of federal or other external financial support for existing program.	
<input type="checkbox"/> Exhaustion of fund balances previously used to support program.	

<b>RECIPIENTS OF FUNDS</b>	These funds will be used to cover additional employer health insurance costs, additional employer retirement costs and additional full-time employee costs.
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*What individuals or entities would receive these funds (contractors, vendors, grantees, individual beneficiaries, etc.)? How would these funds be allocated – using an existing formula, through a competitive process, based upon predetermined eligibility criteria?*

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<b>ACCOUNTABILITY OF FUNDS</b>	N/A
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*What specific agency objective, as outlined in the agency's accountability report, does this funding request support? How would this request advance that objective?*

<b>POTENTIAL OFFSETS</b>	N/A
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*For decision packages that request non-mandatory funding increases to programs or initiatives, please identify a potential offset within an existing lower priority or ineffective program(s).*

<b>MATCHING FUNDS</b>	N/A
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*Would these funds be matched by federal, institutional, philanthropic, or other resources? If so, identify the source, amount, and terms of the match requirement.*

<b>FUNDING ALTERNATIVES</b>	N/A
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*What other possible funding sources were considered? Could this request be met in whole or in part with the use of other resources, including fund balances? If so, please comment on the sustainability of such an approach.*

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<b>SUMMARY</b>	<p>This decision package is being used to show how the agency will allocate the Health Insurance, Retirement and Pay Plan increases granted during FY16-17.</p>
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*Using as much detail as necessary to make an informed decision regarding this request, provide a summary of the rationale for the decision package. Why has it been requested? How specifically would the requested funds be used? If the request is related to information security or information technology, explain its relationship to the agency's security or technology plan.*

<b>METHOD OF CALCULATION</b>	<p>The amounts were calculated by the Executive Budget Office.</p>
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*How was the amount of the request calculated? List the per unit or per FTE costs of implementation. What factors could cause deviations between the request and the amount that could ultimately be required in order to perform the underlying work?*

<b>FUTURE IMPACT</b>	<p>N/A</p>
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*Will the state incur any maintenance-of-effort or other obligations by adopting this decision package? What impact will there be on future capital and/or operating budgets if this request is or is not honored? Has a source of any such funds been identified and/or obtained by your agency?*

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<b>PRIORITIZATION</b>	N/A
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*If no or insufficient new funds are available in order to meet this need, how would the agency prefer to proceed? By using fund balances, generating new revenue, cutting other programs, or deferring action on this request in FY 2017-18? Please be specific.*

<b>INTENDED IMPACT</b>	The impact of this decision package is to adjust the agency's base budget, by allocation of the Health Insurance, Retirement and Pay Plan increases that were given by the Executive Budget Office.
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*What impact is this decision package intended to have on service delivery and program outcomes, and over what period of time?*

<b>PROGRAM EVALUATION</b>	N/A
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*How would the use of these funds be evaluated? What specific outcome or performance measures would be used to assess the effectiveness of this program?*

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**FORM D – PROVISO REVISION REQUEST**

<b>NUMBER</b>	<b>New</b>
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*Cite the proviso according to the renumbered list for FY 2017-18 (or mark "NEW").*

<b>TITLE</b>	<b>Identify and Credit Protection Services Carry Forward</b>
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*Provide the title from the FY 2016-17 Appropriations Act or suggest a short title for any new request.*

<b>BUDGET PROGRAM</b>	<b>II.A – Support Services</b>
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*Identify the associated budget program(s) by name and budget section.*

<b>DECISION PACKAGE</b>	9054
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*Is this request associated with a decision package you have submitted for FY 2017-18? If so, cite it here.*

<b>REQUESTED ACTION</b>	<b>Add</b>
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*Choose from: Add, Delete, Amend, or Codify.*

<b>OTHER AGENCIES AFFECTED</b>	
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*Which other agencies would be affected by the recommended action? How?*

<b>SUMMARY</b>	<p>Through Decision Package 9054, DOR would be given recurring money to provide the Identity and Credit Protection Services, as a part of the 2012 Breach Remediation. This proviso would provide DOR the ability to carry-forward any excess appropriations that are related specifically to these services.</p>
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*Summarize the existing proviso. If requesting a new proviso, describe the current state of affairs without it.*

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<b>EXPLANATION</b>	<p>The ability to carry-forward these funds would help DOR pay for the services from year to year, as eventually the total costs for the services will be more than the \$1,200,000 requested in Decision Package 9054.</p>
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*Explain the need for your requested action. For deletion requests due to recent codification, please identify SC Code section where language now appears.*

<b>FISCAL IMPACT</b>	<p>The fiscal impact on this proviso will be minimal, as Decision Package 9054 is for \$1,200,000 a year, and the total costs each year are already over \$1,100,000.</p>
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*Provide estimates of any fiscal impacts associated with this proviso, whether for state, federal, or other funds. Explain the method of calculation.*

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Funds appropriated to the Department of Revenue for Identity and Credit Protection Services shall be expended specifically for those purposes each year and any excess funds shall be carried forward from year to year, distinct from any general fund carry-forward provisions.

**PROPOSED  
PROVISO TEXT**

*Paste FY 2016-17 text above, then bold and underline insertions and strikethrough deletions. For new proviso requests, enter requested text above.*

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**FORM E – 3% GENERAL FUND REDUCTION**

<b>DECISION PACKAGE</b>	<b>9060</b>
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*Provide the decision package number issued by the PBF system ("Governor's Request").*

<b>TITLE</b>	<b>Agency General Fund Reduction Analysis</b>
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*Provide a brief, descriptive title for this request.*

<b>AMOUNT</b>	<b>-\$1,490,583</b>
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*What is the General Fund reduction amount (minimum based on the FY 2016-17 recurring appropriations)? This amount should correspond to the decision package's total in PBF.*

<b>METHOD OF CALCULATION</b>	<p>Contractual Services are a significant portion of DOR operations expenses and include multiple year needs but not permanently recurring needs especially in IT services. By delaying non-critical IT projects, DOR could possibly absorb most of this 3% reduction.</p> <p>In addition, a few multi-year projects are nearing completion, and recurring expenses such as maintenance and support of IT products is lower than the initial implementation costs. Therefore, we should be able to manage the reduction within our contractual services and minimize the impact on the agency.</p>
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*Describe the method of calculation for determining the reduction in General Funds.*

<b>ASSOCIATED FTE REDUCTIONS</b>	No FTE reduction. However, the number of IT contractors would be reduced.
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*How many FTEs would be reduced in association with this General Fund reduction?*

<b>PROGRAM/ACTIVITY IMPACT</b>	II.A Support Services – Information Technology area.
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*What programs or activities are supported by the General Funds identified?*

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<b>SUMMARY</b>	<p>IT projects identified as non-critical (system enhancements for efficiency) would be delayed until funding is available.</p> <p>When projects are completed, no retention of contractors would be considered if skills are in non-critical projects.</p>
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*Please provide a detailed summary of service delivery impact caused by a reduction in General Fund Appropriations.*