



**STATE
OF
SOUTH CAROLINA**

DEPARTMENT OF COMMERCE

ACCOUNTABILITY REPORT

FISCAL YEAR 2005-2006

Agency: South Carolina Department of Commerce

Submitted: September 15, 2006

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I. EXECUTIVE SUMMARY

I.1 Mission & Values

The South Carolina Department of Commerce is the economic development and business recruiting arm of the state. The staff and leadership of DOC are totally committed to the mission of the agency and believe in striving to enhance the quality of life for all South Carolinians.

Agency mission statement:

To improve the per capita income of all South Carolinians in a manner that supports and enhances a high quality of life.

It is our vision that South Carolina's economy will become more competitive in a global economy, providing South Carolinians of all ages and skill levels an opportunity to maximize their talents and abilities.

Agency value statement:

DOC is a professional, team-focused, and innovative organization committed to achieving its mission while being a good steward of the taxpayer's dollar.

I.2 Strategic Goals

The following strategic goals for our core functions – the attraction of capital investment and new jobs - were developed.

- 1) Develop a strategy that recognizes the strengths of the state's existing, small and emerging industries and builds on the opportunities those strengths present.
- 2) Implement a targeted marketing strategy for high-growth industries built around industry clusters identified in our strategic plan.
- 3) Increase investment and job creation in rural South Carolina.
- 4) Increase the quality of the "economic product" in South Carolina through workforce development, community development and general aviation development.
- 5) Increase the value of exports from South Carolina businesses.
- 6) Increase investment and job creation for film cluster with use of new investment incentives.

In addition to these six strategic goals central to our core function, the Division of Grants and Incentives and the Division of Administration also has measurable goals that reflect the effectiveness of their support functions.

I.3 Opportunities and Barriers

National Economy – The slowdown in the nation’s economy, particularly in the manufacturing sector, continues to impact the Department’s ability to provide new opportunities for South Carolinians. Hundreds of thousands of manufacturing jobs were lost nationwide in 2004 and 2005. While economists forecast better times in the second half of 2005, a tremendous amount of capacity remains on the production floors of the country’s manufacturers.

As the economy begins to revitalize, new opportunities are continuing to present themselves. Plant closures have made skilled labor available and provide an inventory of useable industrial buildings and sites. South Carolina has been able to capitalize on this available workforce and sites and buildings in the business recruitment efforts for the state.

Strategic Plan – The South Carolina Competitiveness Initiative has been implemented as a comprehensive strategic plan for economic development. This initiative was formed as a partnership with key economic development groups from around the state to conduct a strategic plan for economic development. Staff at Commerce is involved with the work groups of the Competitiveness Council to create implementation schedules and to share valuable information about commerce and economic development opportunities in South Carolina.

State Economy – The state's economy reflects national trends with overall gains in employment, especially in the service sector. Between May 2005 and May 2006, South Carolina's total non-farm employment increased by 51,600 jobs which is an increase over the same time period last year of 22,400 jobs. However, South Carolina continues to lose manufacturing jobs. Between May 2005 and May 2006, South Carolina lost 3,800 in the manufacturing sector.

Comprehensive Marketing Strategy – In conjunction with the strategic plan, the Department is preparing to implement a new marketing plan focusing on creating opportunity in South Carolina. This unique marketing strategy involves a comprehensive approach to marketing through public/private partnerships with local economic developers, regional economic development alliances, counties and businesses (existing, small, banks, colleges and universities and utilities). This new marketing plan will help us tell South Carolina's story and create opportunity for new and existing industry, small business and community development.

I.4 Major Achievements

Statewide Capital Investment and Job Creation – In 2005, Commerce assisted with the expansion or location of 137 firms creating 12,370 jobs and investing \$2.66 billion in South Carolina.

International Investment - During 2005, the SC Department of Commerce assisted 41 international firms with over \$1.26 billion announced investment and 3,058 announced new jobs. The leading source nations for international investment were Canada (33.7%) and Germany (24.6%). The leading international job creators were firms from Germany (45.1%) and France (10.9%).

Export Development and Foreign Relations - South Carolina exports were up 4.25% in 2005 from the previous year, led by exports to Canada, Germany, Mexico, the United Kingdom and China. The state sold \$13.9 billion worth of goods globally last year, compared with \$13.4 billion in 2004, setting a new record for South Carolina exports. In 2005, South Carolina maintained its position among the 50 states as the 21st largest exporter in total export value. South Carolina's top export product sectors were as follows: Vehicles, Machinery, Electrical Machinery, Plastic, Rubber and Organic Chemicals. Top growth sectors include Chemicals, Wood Pulp, and Paper and Paperboard.

Small Business Ombudsman – The Department designated a Small Business Ombudsman in 2003-2004. This is a single point of contact at the Department of Commerce for entrepreneurs who are looking for assistance or support from business experts. The Ombudsman matches small business owners with appropriate resources, within or outside the Department of Commerce. For fiscal year 2005-2006 the Ombudsman's Office has responded to 310 small business inquiries with direct resource assistance, from 39 counties, 140 minority business and 160 women-owned businesses.

Recycling Marketing Development – The Recycling Market Development program provides business development assistance for existing and start-up recycling businesses, help to develop markets for recyclable materials, and technical assistance and referrals to business and industry in South Carolina. In Fiscal Year 2005-2006, direct assistance was provided to 191 companies. RMDAC hosted its second annual Recycling Business Forum in September 2005 which featured an awards ceremony that highlighted the exemplary work of the state's recycling industry as well as recognized companies and other organizations that have embraced a recycling ethic. *The Economic Impact of Recycling in South Carolina* study was completed by economist Dr. Frank Hefner, College of Charleston, and the results of the study show that the recycling industry is a robust and mature industry that continues to grow as new markets such as electronics and e-waste emerge.

There are over 300 recycling businesses in the state, and the economic impact of recycling to South Carolina is \$6.5 billion, with a personal income impact of \$1.5 billion. The industry is expected to grow at an annual growth rate of 12% over the next five years.

Venture Capital – South Carolina passed the technically amended Venture Capital Investment Act during the 2005 session. This legislation provides up to \$50 million in available capital for in-state equity investments through select venture funds. The selection of those funds is underway; a request for proposal has been issued and qualified applications are anticipated. The funding structure is currently under development, and successful capitalization of tax credits is expected.

Private Finance and Equity – The Department designated a manager that works with companies to source private financing that complements their business needs. During the 2005-2006 fiscal year, the manager worked with over 75 companies individually regarding financing request. Assistance extended to the South Carolina Coordinating Council for Economic Development regarding financial assessment of grant requests. For the state's \$340 million in tax-exempt allocation, the office provided recommendations to the Budget and Control Board for industrial projects.

Product Development - Staff assisted 11 entities in new or updated strategic plans during the year. This included 4 countywide updates, 3 new local development board plans and 4 updates to economic development plans. In the Assets Development category, 1 speculative building was completed. Four industrial parks were completed and 1 is still in process. We've completed 44 additional certified sites in rural South Carolina for a total of 51. In the process of asset development we leveraged \$10 million to raise an additional \$40mm.

Rural Development - In 2005, the state's rural areas accounted for 3,685 new jobs created and \$1.16 billion in capital investments. This represents 30% job creation and 44% of Commerce facilitates capital investments.

Film Commission – The Film Commission recruited film and television projects with an economic impact of \$23,849,336 in 2005 essentially doubling the amount recruited in the previous year. Facilitating this increase was the passage of the Fiscal Year 2006-2007 Proviso which augments the state's film incentive program and an aggressive marketing plan targeting feature film producers. Marketing initiatives included advertising, direct mail, marketing trips to key markets, a new proposal development/delivery system and familiarization trips that brought Hollywood decision makers to South Carolina. The SC Production Fund, created to develop personnel infrastructure through collaboration with our institutes of higher learning, awarded its first grants in 2006.

Workforce Development - The purpose of the Workforce Investment Act, a federal grant program to states administered through the South Carolina Department of Commerce, is to increase the competitiveness of our businesses in a global economy

while increasing the employment, retention, earnings, and occupational skill attainment of job seekers.

Workforce Development - Oversight of Local Workforce Areas - State staff provide regular technical assistance and monitoring to ensure regulatory and programmatic compliance in each of the twelve local areas through monthly reviews of expenditure and participation levels, on-site data validation to verify participant data and source documentation, etc. As staff conduct on-site visits, attend local board and youth council meetings, and provide on-going data analysis, they develop a professional understanding of each local area's labor market, workforce partners, program strengths and area challenges to assist in meeting the workforce needs of the State.

A state-sponsored training event for local and state practitioners, policy makers and administrators drew more than 400 participants.

I.5. Improvements

Cost Savings - Space Utilization – The Department again this year consolidated office space. In May of 2005, the Department along with the B&C Board and Parkway completed an amendment to the department's office space lease. This new lease allowed the Department to relinquish the 12th floor space. This will save the Department approximately \$6,200 per month or \$74,400 annually. These funds will be redirected to support the agency's primary goals.

Budgeting and Financial Processes – The Department continued with a more formalized budgeting process in 2005-2006. This process has allowed us to prioritize our needs and work strategically on ensuring dollars are applied to the needs. Each division developed Key Bets (short term goals) and Strategic Initiatives (long term goals). The Key Bets and Strategic Initiatives were then tied to the budget. Each month the Division Directors met with the Chief of Staff and the Director of Administration in order to provide updates to Key Bets and Strategic Initiatives and to review the division's budget. Each fiscal year the Key Bets and Strategic Initiatives will be reviewed and updated. This provides accountability not only for the department but also for the businesses and communities that we work with on a day-to-day basis.

Grant Fund Financial Statements - The Department has developed monthly financial statements for all of the grant funds within the Department. These monthly statements give us a snap shot of all funds available, all commitments and potential commitments for each funding source. They are balanced monthly with the Comptroller General's Office and reviewed quarterly by the Coordinating Council for Economic Development.

Wide Area Network - Aeronautics – The Department has centralized the Division of Aeronautics under the Commerce information technology network. This allows for all accounts to have the same domain and makes for a more efficient network. This replaces some aged equipment by combining Aeronautics with central Commerce. Customer support to Aeronautics is much easier and less time consuming.

Agency Web Site Consolidations – The Department established an agency-wide task force to accomplish the project of combining two websites into one. This consolidated and reorganized the information to come from one voice and makes locating information via the web much more customer friendly. The Department was able to enhance the searchable databases to include additional information. There was also a \$5,000 cost savings by consolidating the sites by writing the code in a free development language software call Microsoft ASP.NET instead of continuing to pay a yearly fee for the software that we were using prior to the consolidation.

Customer Relationship Management Software Implementation – The Department implemented a Customer Relationship Management Software in 2004-2005 to assist all divisions with the management of projects. The Department procured an off the shelf software product called Maximizer. Maximizer allows the ability to track all projects at different stages and allows all divisions to share the same data. This creates a more dynamic sharing of information between divisions. This software also helps Marketing track and follow up on all leads from trade shows. The Department is using the system and is in the process of bringing all leads and projects into the system for accurate reporting.

Grants Management Information System - The Department wrote a new Grants Management System in house. This new system allows for all information to be maintained in one place. This allows for better quality data and more information to be able to be available on a moments notice. This project has made Commerce's Grants and Incentives Division more efficient and has streamlined the amount of work. The system was fully implemented in 2005-2006.

Digital Film Library – The Department procured a software product to assist with the implementation of the Digital Film Library. This project will take all our paper and manual pictures, drawings, and photographs and create a digital file with location. This will make preparing proposals for potential film projects less timely and will create better efficiencies. This system will be fully implemented by December 2006.

Workforce Development - The purpose of the Workforce Investment Act, a federal grant program to states administered through the South Carolina Department of Commerce, is to increase the competitiveness of our businesses in a global economy while increasing the employment, retention, earnings, and occupational skill attainment of job seekers. Through streamlining of the Administration of this program once it moved to Commerce – the Department was able to take \$750,000 from Administration and put it towards workforce development programming and services.

SECTION II BUSINESS OVERVIEW

II.1 Average Employment

FTE (Permanent) Employees	114
Temporary Employees	14
European Office	2 (contract)
Tokyo Office	1 (contract)
China Office	1 (contract)
<u>Division of Public Railways</u>	<u>37 (20 non union)</u>
Total	169

II.2 Operations Locations

Main Office	1201 Main St., Suite 1600, Columbia, SC
Aeronautics Division	Columbia Metropolitan Airport
SC Public Railways Division	540 East Bay St., Charleston, SC
China Office	Shanghai, China
Far East Office	Tokyo, Japan
European Office	Munich, Germany

II.3 Expenditures/Appropriations Chart

Base Budget Expenditures and Appropriations

	03-04 Actual Expenditures		04-05 Actual Expenditures		05-06 Appropriations Act	
Major Budget Categories	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	\$6,462,551	\$5,148,034	\$5,681,399	\$4,005,560	\$5,758,250	\$4,272,024
Other Operating	\$3,569,080	\$2,506,012	\$9,691,222	\$3,735,935	\$3,996,732	\$3,083,298
Special Items	\$2,220,932	\$1,662,754	\$915,316	\$915,316	\$1,747,688	\$1,747,688
Permanent Improvements	\$0	\$0	\$3,487,914	\$0	\$0	\$0
Case Services	\$0	\$0	\$0	\$0	\$0	\$0
Allocations	\$81,044,904	\$175,000	\$72,014,786	\$400,000	\$59,592,317	\$0
Fringe Benefits	\$2,296,706	\$1,613,662	\$1,453,126	\$1,042,963	\$1,500,000	\$1,073,066
Non-recurring	\$750,000	\$750,000	\$0	\$0	\$0	\$0
Total	\$96,344,173	\$11,855,462	\$93,243,763	\$10,099,774	\$72,594,987	\$10,176,076

Other Expenditures

Sources of Funds	04-05 Actual Expenditures	05-06 Actual Expenditures
Supplemental Bills	\$	\$
Capital Reserve Funds	\$0	\$0
Bonds	\$9,483	\$0

Interim Budget Reductions

Total 04-05 Interim Budget Reduction	Total 05-06 Interim Budget Reduction
\$0	\$0

II. 4. Major Program Areas Chart

Major Program Areas

Program Number and Title	Major Program Area Purpose (Brief)	FY 04-05 Budget Expenditures	FY 05-06 Budget Expenditures	Key Cross References for Financial Results*
Business Development	To recruit new and existing expansions and locations; to increase the capital investment and number of jobs in South Carolina.	State: 3,279,992 Federal: Other: Total: 3,279,992 % of Total Budget: 3%	State: 3,887,630 Federal: Other: Total: 3,887,630 % of Total Budget: 4%	7.1
Business Solutions	To help South Carolina companies achieve peak performance. By bringing together professionals who offer a wealth of experience in key areas to offer a dynamic approach that helps businesses and communities prosper.	State: 1,273,031 Federal: Other: 219,714 Total: 1,492,745 % of Total Budget: 2%	State: 1,758,460 Federal: Other: 226,339 Total: 1,984,799 1% % of Total Budget:	7.3, 7.4
Community and Rural Development	To assist local leaders in achieving success for their communities through strategic planning, asset development and leadership and community investment.	State: 246,055 Federal: Other: 570,461 Total: 816,516 % of Total Budget: 1%	State: 275,060 Federal: Other: 587,663 Total: 862,723 % of Total Budget: 1%	7.2
Aeronautics	To assist general-purpose airports with development and grants and to support the state airplanes with maintenance and flight operations.	State: 1,346,605 Federal: Other: 950,000 Total: 2,296,605 % of Total Budget: 2%	State: 1,505,605 Federal: 1,000,000 Other: 950,000 Total: 3,455,605 % of Total Budget: 3%	
Grants and Incentives	To assist communities with grants for infrastructure, housing, economic development and planning.	State: 263,736.00 Federal: 26,190,150 Other: 24,519,410 Total: 50,973,296 % of Total Budget: 87%	State: Federal: 35,876,911 Other: 24,715,998 Total: 60,592,909 % of Total Budget: 87%	7.5
Administration	To support the agency with finance, information technology and human resources services.	State: 2,459,405 Federal: Other: 62,000 Total: 2,521,405 % of Total Budget: 4%	State: 2,749,321 Federal: Other: 62,000 Total: 2,811,321 % of Total Budget: 3%	

Below: List any programs not included above and show the remainder of expenditures by source of funds.

Remainder of Expenditures: Spoleto, Spartanburg Renaissance	State:	246,000	State:	
	Federal:		Federal:	
	Other:		Other:	
	Total:	246,000	Total:	
	% of Total Budget:	1%	% of Total Budget:	%

* Key Cross-References are a link to the Category 7 - Business Results. These References provide a Chart number that is included in the 7th section of this document.

II.5 Key Customers

The Department of Commerce's mission is to create wealth for all South Carolinians. We do that through a wide range of activities that serve a wide range of customers, including:

- a) The people of South Carolina;
- b) Existing and emerging industries within the state;
- c) Small business community
- d) National and international businesses making a location decision;
- e) Site selection consultants;
- f) Financial Community;
- g) Communities seeking jobs and investment;
- h) Government leaders of the state;
- i) Research universities and technical colleges;
- j) Communities seeking funding for economic development and/or infrastructure needs;
- k) General Aviation Airports
- l) Aeronautics Community
- m) Workforce Community
- n) Local Workforce Boards

- o) State Workforce Board

Other customers and their Department suppliers include:

Rail carriers	Division of Public Railways
State Ports Authority and its users	Division of Public Railways
General Aviation Airports and its users	Division of Aeronautics
Film, television, and print producers	State Film Office
Users of State and Federal grants	Division of Grants and Incentives
The citizens, leaders, and economic development allies of Abbeville County	Savannah Valley Development
Citizens of Savannah Lakes Region	Savannah Valley Development

II.6 Key Suppliers

As is the case with customers, the Department of Commerce has a wide array of suppliers. The suppliers for our core business functions are:

- 1) Local economic development offices;
- 2) City, County, and State government bodies;
- 3) State agencies such as DHEC, the Department of Revenue, the Center for Advanced Technology Training, the State Ports Authority, etc.;
- 4) Utilities, contractors, financial institutions, and other economic development allies.
- 5) Property owners; and,
- 6) National and international businesses and site location consultants.
- 7) Venture Capital firms
- 8) Local Workforce Boards

Other suppliers and their Department of Commerce customers include:

FAA	State Aeronautics Division
Airport contractors and consultants	State Aeronautics Division
South Carolina Film Crews	State Film Office
Production Studios	State Film Office
Railroad vendors	Public Railways Division
General Assembly	Coordinating Council for Economic Development & CDBG, Recycling Market

Federal Government

Development Advisory
Council
Coordinating Council for
Economic Development &
CDBG

II.7 Major Products and Services

Products

- Customized publications outlining South Carolina's advantages for businesses and consultants making a site location decision
- Business research publications, including the Resource Guide to Business, produced by Business Solutions
- On-line, searchable directory of over 300 recycling companies located on www.sccommerce.com. Recycling businesses can be identified through a number of ways – by company name, by county, or by material.
- Business research publications including an annual resource directory The SC Production Guide and an on-line searchable directory of SC personnel and suppliers
- Directories that list companies by product and location, including contact information, product descriptions and employment
- Strategic plans for communities
- Job Development Credits
- Funds for retraining
- State and federal grants for housing, infrastructure, community facilities, airport development and improvements and economic development
- Funds for workforce training and incumbent worker training programs
- Rail service
- South Carolina Aeronautics Directory and Pilots Guide
- SC Aeronautical Charts

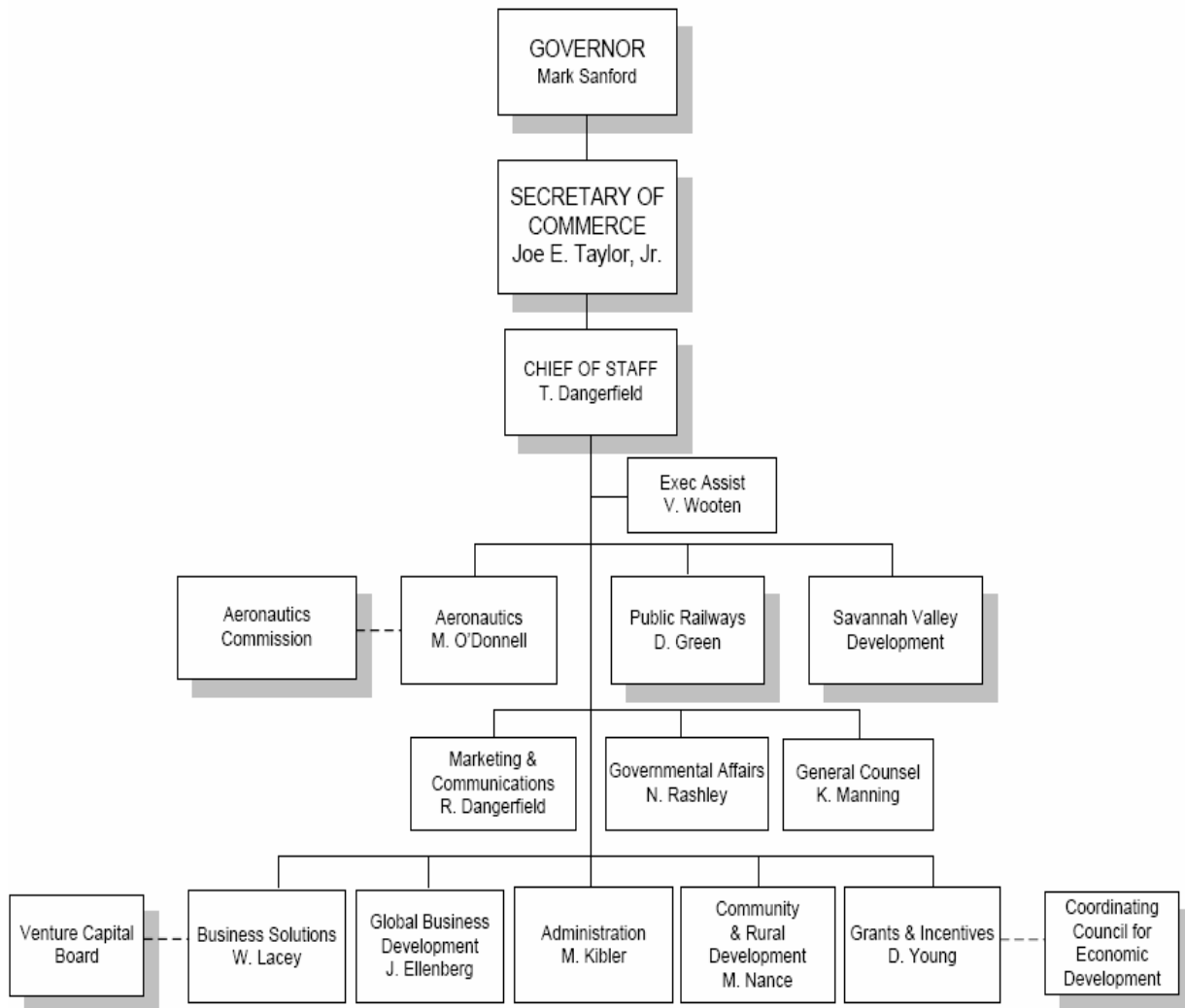
Services

- Marketing and sales representation

- Existing industry, emerging and small business information and issue resolution
- Export development research and opportunity creation
- Foreign relations facilitation between South Carolina and international officials at all levels
- Assistance to employees separated from employment due to economic downturn.
- Industry research
- Site location assistance
- Strategic planning facilitation
- Local product development assistance for both traditional and film industries
- Trade research and development of trade opportunities
- Rapid Response Services for plant closures
- Financial consultation for businesses and entrepreneurs
- Film Grants to foster collaboration between SC schools of higher education and media professionals
- Technical assistance to business and industry on recycling and recycling markets information
- Film industry development, promotion and education
- Film location scouting assistance
- Recycling markets information
- Training and technical assistance to grant customers on project development, implementation and compliance
- Technical assistance for applications for grants and incentives
- Airport development funding and technical assistance
- Rail service
- Coordination of financial and contract issues for Lake Russell Project

II.8 Organizational Chart

SOUTH CAROLINA DEPARTMENT OF COMMERCE



III. MALCOLM BALDRIGE PERFORMANCE EXCELLENCE STANDARDS

Category 1 - Leadership

Under the direction of Governor Sanford and Secretary Faith, the agency and its new leaders have embarked on a new era of “servitude” that emphasizes professionalism and teamwork.

1.1 The Department of Commerce is a customer-focused organization and that focus starts with the Secretary of Commerce and the executive leadership team.

- a) The Secretary, Chief of Staff and executive leaders regularly adjusts their calendar to meet with business and industry clients in order to understand their concerns.
- b) The Secretary and Chief of Staff are personally involved in many projects. They are involved with weekly updates of each project and attend many of the business negotiations as well as public announcements.
- c) The Chief of Staff and executive leadership work with the state’s legislative leadership to discuss issues critical to building the state’s economy including legislation and key projects.
- d) The Chief of Staff and Division Directors meet quarterly with Regional Economic Development Alliances and COGs to discuss partnership and coordination for economic development in South Carolina.
- e) The Secretary and Chief of Staff formed an agency task force to assist with the Workforce Investment Act (WIA) program’s transfer from Employment Security Commission to Commerce. Meetings were held with key stakeholders in the Workforce arena to understand the program and to assist Commerce in developing an investment strategy for the Workforce program. This transition team continued through 2005-2006 as the WIA program was moved to Commerce.

1.2 Developing new measurements is a critical element of the new strategic plan. Until these are developed and implemented, the agency will continue to measure success through:

- Capital Investment;
- Job Creation;
- Investment by new businesses;
- Job creation by new businesses;

- Investment by existing businesses;
- Job creation by existing businesses;
- Percent of announced capital investment relative to southeastern competitors;
- Percent of announced new jobs relative to southeastern competitors;
- Investment in rural (non-MSA) counties;
- Job Creation in rural (non-MSA) counties;
- Total announced technology-based jobs;
- Product development; i.e., industrial park development, community technical assistance;
- Percentage growth in value of exports;
- Value of exports per manufacturing employee in the state;
- Compliance with federal guidelines for grant application and administration for CDBG and WIA;
- Injury rates on public railways.

1.3 The Business Solutions Division sole purpose is to help South Carolina companies achieve peak performance. Bringing together professionals who offer a wealth of experience in key areas, the division offers a dynamic approach that helps businesses and communities prosper.

1.4 The Community and Rural Development Division staff members assist local leaders in achieving success for their communities through Strategic Planning, Asset Development, Leadership Development and Community Investment. As a part of our Leadership Development programs, some 340 local leaders attended the 2005 edition of the Governor's Rural Summit. The South Carolina Economic Development School continues to average approximately 40 students per session with the assistance of some 28 scholarships provided by the Department. This Division also continues to spend more time working with communities on downtown revitalization types of projects. Much of our time during the year was spent on preparing some 21 communities in streamlining their efforts to improve downtowns.

1.5 The SC Film Commission recruits and facilitates the film and television industries to S.C. as it grows our indigenous industry to better compete in these markets. The SC Film Commission provides one-stop film resources for production

contacts and companies. They also provide permit and regulatory experience and work with a host of communities to foster successful film outcomes.

1.6 The State Workforce Development Board and the Department of Commerce has hired a Director to oversee the Workforce Development program. The Board has also worked to begin a strategic planning process with the strategic plan to be rolled out in FY2006-2007. The State Workforce Development Board assists the Secretary of Commerce to set the strategic vision for the Workforce Development program and to keep in tune with workforce conditions around the state.

1.7 The Aeronautics Commission was formed through legislation in the 2004 session. The Commission consists of 6 commissioners from each legislative district and a chair appointed by the Governor. The Commission assists the Secretary of Commerce to set the strategic vision for the Aeronautics Division and general aviation in South Carolina.

1.8 The Department has several methods of successfully collecting feedback on products, programs and services. Certainly the most effective means is the number of companies that we work with to expand or locate in South Carolina. However, there are other channels where feedback is gathered.

- The Community and Rural Development Division maintain contact with local development organizations across the state.
- Agency personnel are active in the South Carolina Economic Developers' Association and all committees.
- The Coordinating Council staff and the grant staff conduct regular training seminars around the state to ensure compliance with programs. The face-to-face contact also allows staff members to better understand and resolve issues and problems.
- The Community Development Block Grant program (CDBG) holds public hearings annually in conjunction with its Annual Action Plan and Performance Report prepared for the U.S. Dept of Housing and Urban Development. In addition, public hearings are held for each grant awarded.

1.9 The flatter organizational structure has eliminated layers of management, thus allowing senior leadership direct contact with employees.

1.10 The Department of Commerce is a high profile state agency, and, as such, is actively involved in the community. Each year Department personnel, including the Secretary and division directors, man the Salvation Army collection post at the corner of Lady and Main Streets in downtown Columbia for two hours a day for two weeks between Thanksgiving and Christmas. During the Christmas season each division "adopts" a family in need, collecting and distributing gifts and food. The Department also participates in American Red Cross Blood Drives, Juvenile Diabetes Walk A Thon, and Palmetto Health's Walk out Breast Cancer.

Category 2 – Strategic Planning

- 2.1 The South Carolina Competitiveness Initiative has been implemented as a comprehensive strategic plan for economic development. The initiative's main component consists of eight action campaigns around which committees have been formed to address weaknesses and capitalize on strengths within the South Carolina economy, with the ultimate goal of boosting the state's standard of living. Strategies include adopting a cluster-based focus to business recruitment, fostering a better environment for start-ups and small businesses, and enhancing education and workforce training programs.
- 2.2 The “new” agency has recognized building the value of building the state’s economy around the interdependent industries and businesses that constitute economic clusters as its primary objective.
- 2.3 The flatter organization allows each division director to communicate their respective division’s and the agency’s strategic goals directly to their employees through personnel evaluations and direct, face to face, interactions.
- 2.4 Each division has to developed measurable “key bets” and long range strategic initiatives that enhance accountability and good stewardship of taxpayer’s dollars.
- 2.5 The Department is developing a unique marketing strategy involving a comprehensive approach to marketing through public/private partnerships with local economic developers, regional economic development alliances, counties and businesses (existing, small, banks, colleges and universities and utilities). This new marketing plan will help us tell South Carolina's story and create opportunity for new and existing industry, small business and community development.

Category 3 – Customer Focus

3.1 One of the key components of agency culture is the concept that our ultimate customers are the people of South Carolina. In previous administrations, industrial prospects were the ultimate customers. Industrial prospects and bringing new jobs to the people of the state remains the core function of the agency, but under the leadership of the Governor and the Secretary, there is a fundamental change in recognizing that the people of the state are our ultimate customers to whom we are accountable.

While the people of the state are the agency's ultimate customers, the agency has a number of other customers. The diversity of the agency is reflected in the diversity of customers and stakeholders it serves.

- Businesses making location decisions including the film and television industries
- Existing, emerging and small businesses and industries
- Companies needing export, recycling and finance resource assistance
- State and local governments
- Communities
- State government employees seeking to use state aircraft
- South Carolina's public airports and commercial airports
- State Ports Authority and its customers wishing to ship cargo by rail
- CSX and Norfolk Southern Railways

3.2 The Department of Commerce is much more accessible and the leadership much more available for comment from customers and stakeholders.

Information Services constantly monitors our Internet site to identify which areas of the site are "hit" most often and by whom.

3.3 Creation of the Small Business Ombudsman as a designated single point for entrepreneurs who are looking for assistance or support from business experts shows Commerce's commitment to customer service.

3.4 The Recycling Market Development Team works with businesses, industry, government and other organizations to provide technical and economic development assistance to foster a thriving recycling economy and sustainable business development in South Carolina.

- 3.5 When customers indicate a shortcoming in product and/or infrastructure, staff is responsible for relaying that information to communities so they may improve their ability to capitalize on future opportunities.
- 3.6 The Department of Commerce is a sales, marketing, and product development organization and, as such, the building of strong relationships with customers and stakeholders is essential to our success. Project managers deal one on one with their clients in order to insure continuity throughout the sales process. This enables them to develop in-depth knowledge of the client's needs, which translates into pertinent information in a timely manner from the Marketing and Research Section.
- The agency works with individual communities in much the same manner. A single point of contact is appointed for each community to continually assess their needs and to inform them of important changes. They are also well positioned to act as a catalyst for changes that need to take place. Finally, a new mandate for the project managers to visit communities on their own in order to improve relationships and build the consensus essential to moving the state's economy successfully into the knowledge age.
- 3.7 Every quarter, the Department of Commerce prepares an electronic newsletter for distribution to local economic developers and other allies. The newsletter contains updates from the Commerce divisions of Business Solutions, Business Development, Community and Rural Development, Grants and Incentives, Railways, Administration and Aeronautics. The goal of the newsletter is to keep Commerce's allies better informed of agency happenings that may be of interest or have relevance to their own economic development activities.
- 3.8 The Department of Commerce works hard to collaborate with other state entities. The CDBG program works with the State Housing Authority to assist non-profit customers to understand the unique needs of their separate customers. The Coordinating Council staff meets monthly with the Technical College presidents to make sure retraining needs of industry are met.
- 3.9 The Division of Aeronautics fosters air commerce by overseeing the safety, security, maintenance and development of the state's publicly owned airports. Airport Development provides technical assistance and financial resources to six (6) commercial service and fifty-four (54) publicly-owned general aviation airports. The Aviation System Plan is an aviation network that supports state and national transportation infrastructure. Airport sponsor's rely on federal and state assistance for providing technical and financial aid in developing their airports in accordance with federal, state, and local regulations, codes, ordinances, and guidelines.

The Division of Aeronautics continues to partner with the South Carolina Aviation Association to provide aviation educational programs for pilots and airport operators.

Category 4 – Information and Analysis

- 4.1 Research is constantly analyzing business trends. This group assists Project Managers with proposals from prospective companies. These proposals are complex and require census, educational, workforce, quality of life and local supplier's information and can be presented in GIS formats.
- 4.2 Business Plan Summaries for each Division were developed. These summaries include budget numbers, key bets and updates and strategic initiatives. The Key Bets and Strategic Initiatives are tied to the budget. Each month the Division Directors met with the Chief of Staff and the Finance Director in order to provide updates to Key Bets and Strategic Initiatives and to review the division's budget. Each fiscal year the Key Bets and Strategic Initiatives will be reviewed and updated. This provides accountability not only for the department but also for the businesses and communities that we work with on a day-to-day basis. These summaries are used as a "dashboard for the Secretary and Chief of Staff to determine the efficiencies and effectiveness of each division.
- 4.3 Monthly Financial Reports are completed for each of our grant funds. Quarterly reports are issued on these grant funds at the Coordinating Council for Economic Development. Senior Leadership and staff use these financial reports to determine commitment of funds, balance and pending commitments.
- 4.4 The Coordinating Council staff is constantly working on cost estimates for the Enterprise Zone incentive. These numbers are used to check those done by the Budget & Control Board to advise legislators on budget estimates.
- 4.5 A Web Site Task Force completed its task of consolidating the agency web sites. This Task Force is reviewed all the web site content and determining the needs of our customers so that www.sccommerce.com will display the information that our customers desire. The web site also has information on the agency and its comings and goings.
- 4.6 The South Carolina Comprehensive Aviation Information Reporting System (SC-CAIRS) plan encompasses an array of documentation such as airport layout plans, master plans, digital orthophotography and obstruction mapping, airport and airspace technical bulletins, and a host of electronic GIS and data. These tools allow airport sponsors/owners to manage their airports in accordance with Federal and State laws and regulations. This information provides the basis for the annual production of the Aeronautical Chart and the South Carolina Airport Directory and Pilot's Guide.

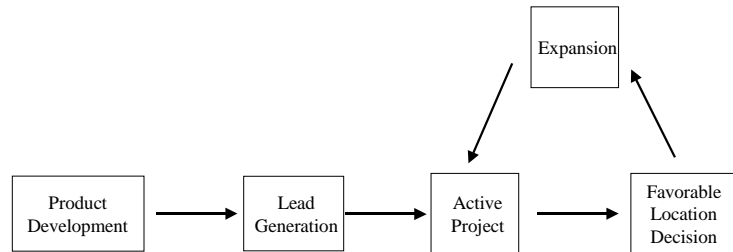
SC-CAIRS is the mainstream for state aviation information. Resource material can be found at www.scaeronautics.com.

Category 5 – Human Resources

- 5.1 The Department continues to promote training and development opportunities for employees. Funds have once again been allocated and utilized for employee training. Annual Training Objectives are identified in each employee's performance planning stage document. As new processes and business evolves, additional training is coordinated.
- 5.2 The Department implemented two new incentive pay programs for agency employees. The Sales Incentive Plan (SIP) for project managers in the Global Business Development Division and the Agency Performance Incentive Plan (APIP) for all other covered employees in full time equivalent positions who are not eligible for the SIP. Both programs are managed in conjunction with the agency Employee Performance Management System (EPMS) process. Financial incentives are based on exceptional performance levels as they relate to quantitative and qualitative measures assigned to employees on an individual basis.
- 5.3 The Department conducted an employee satisfaction survey in November of 2005. The survey was completed to take the temperature of employee's satisfaction with management, Commerce, outside influences to name a few.
- 5.4 A number of measures have been implemented by Human Resources to ensure a safe, positive workplace.
- Employees were provided with a policy manual in October 2004 which contained all of our updated agency policies including affirmative action, harassment, discipline and performance. Policies are also posted on the Department's intra-net. These policies are updated as needed each year.
 - The Division of Public Railways and the Aeronautics Division have written safety procedures and guidelines and regularly perform inspections on equipment.
- 5.5 Staff in the Human Resources coordinate activities in a wide range of community oriented fund-raising activities such as the Salvation Army, United Way, Community Health Charities, and Central SC Habitat for Humanities and Juvenile Diabetes.
- 5.6 A staff newsletter was developed in spring 2004 for the employees. Titled, "*What's up, DOC?*" this newsletter is the voice of the employees. The newsletter spotlights employees and their families, gives employees up to date information on each of our Divisions and tells us about the comings and goings at DOC. It has been very well received by the employees. A decision in 2005-2006 moves this to a quarterly newsletter.

Category 6 – Process Management

6.1 As with any organization based on sales and marketing, the building of relationships is an integral part of our success. Our process makes the Department's front-line sales team the single point of contact with the client company or the company's representatives as soon as an inquiry is identified as a viable project. This allows the project manager to begin amassing information on the company, the project, and the project's requirements and facilitates the building of personal relationships with decision makers. During the reorganization process a key decision was made to consolidate the international, national and existing industry sales teams in one division.



The chart at above outlines the “life cycle” of a project:

- 1) A lead is received from a company, consulting firm, or one of our economic development allies.*
- 2) The project is screened by the Global Business Development Division Director to determine its viability. Once it is determined to be a viable project, a project manager is assigned that will act as the constant point of contact for the client company. It is the project manager's responsibility to establish personal contact with the client.
- 3) The project manager determines the parameters of the project and the information needs. These are then relayed to the Research Section of the Global Business Development Division and/or local development allies. Once the data is gathered, it is then funneled to the customer. As the project matures, communities and states are eliminated, and additional information is required from both the state and community until a favorable location decision is made.

* Please note that as the chart shows, even before the inquiry is received, the process of product development is underway through the work of the Community and Rural Development Division, Business Solutions, Division of Public Railways and the Aeronautics Division.

- 4) After the decision is made and a facility becomes operational, the Business Solutions Division establishes contact to monitor the progress of the facility and offer advice and help should problems arise.
- 5) Assuming the plant operates successfully and profitably it will expand within the first five years of operation at which time a project manager from Global Business Development Division will be assigned to facilitate the process.

The process has remained virtually unchanged for the last ten years with major exception – the time it takes for the process to run its course has become compressed. What used to take years in the early 1990's now frequently only takes months and sometimes even weeks. In order to meet the increased time demands of clients the Department utilizes technology whenever possible to reduce turn-around time. For example:

- a) SiteScope (an application of GIS – geographic information systems) allows consultants to scan our entire database of industrial sites from their offices via the Internet.
- b) Proposals for companies are frequently sent to clients by electronic mail and CD. This allows company representatives to distribute information to their team members quickly and efficiently.
- c) Customers can meet face-to-face with state and local decision leaders through the Department's teleconferencing facilities.
- d) With the reduction in staff, the project managers have been trained to provide clients with a basic calculation of incentives.

6.2 Project managers maintain contact with customers regularly in order to stay abreast of new developments and to ensure information needs are met. As the project "matures" and moves toward final a decision, contacts intensify and the Department's senior leadership may be briefed daily.

With the agency's realignment, the agency's sales team will begin to function more like a private sector sales team. They will begin participating in marketing efforts in order to develop relationships with potential clients earlier.

6.3 Each of the other divisions is tasked with supporting the front-line sales team. Each uses the latest technology available to maximize their outcomes. (See 6.1 above for examples of technological innovations used to support the sales function.)

6.4 The Department of Commerce builds alliances with key economic developers in each county. These alliances consist of those members of the state's economic development community that are crucial to the success of the state's economic development efforts. They also consist of the local development offices, state and

local government entities, and private companies that have a stake in the economic success of the state. These relationships with our partners are nurtured in a number of ways.

- The leadership of the agency is active in the South Carolina Economic Developers' Association, maintaining two seats on the associations Board of Directors.
- The Community and Rural Development Division is tasked with maintaining constant contact with more than half of the state's 46 counties. These counties are provided with technical support and strategic planning expertise in order to improve product development. The Division further supports product development with grants from the Rural Infrastructure Fund.
- The South Carolina Coordinating Council further supports product development with grants for infrastructure.
- Interaction with state agencies such as DHEC, the Department of Revenue, and the Center for Advanced Technology Training, and the State Ports Authority is encouraged early in the process so they can gain a better understanding of the customer's operation and minimize impact of potential problems on the final location decision.
- Consultants that represent companies making location decisions are contacted to make sure the Department is meeting their needs.

6.5 Since CDBG grants are awarded to units of local government, the CDBG Program maintains close contact with community developers and officials in customer communities. The CDBG Program is represented on the Board of the South Carolina Community Development Association, which coordinates community development professionals and promotes cooperative exchange of techniques and ideas. The CDBG Program also works closely with the ten regional councils of governments to ensure effective project implementation on the state's local and regional levels.

6.6 The Department's effort to provide grant funds to the most effective community development projects is enhanced by the objective project selection process used by the CDBG Program. The CDBG Program administered two competitive grant programs, Community Investment and Local Planning. Projects submitted in these programs were evaluated against objective scoring criteria that were established by staff with customer input and approved by HUD. The criteria set forth the standards by which projects will be judged, providing applicants a clear view of how the selections will be made. 80 to 100 grant requests are received annually from around the state. The CDBG staff applies an extensive scoring methodology to determine those grants that are most likely to achieve the desired results.

- 6.7 Requests for grants associated with economic development projects are handled in much the same way as banks handle loans. Project managers bring requests to a Screening Committee that looks at the worthiness of the project and then appropriate amount of funds as well as the most appropriate source of funds.
- 6.8 The Enterprise Zone staff works closely with the staff of the Department of Revenue to monitor the Enterprise Zone program to insure that only those companies meeting their job creation commitments receive incentives. Quarterly and annual reports are submitted and checked for compliance.
- 6.9 The Division of Aeronautics, Airport Development provides state grants for airport maintenance and development. Grants are matched with federal and/or local airport sponsors. Airport owners or their respective representatives submit a request to the Aeronautics Commission, which approves and awards funds on case-by-case bases. Once approved, the staff has a grant management process, which details a plan review, on-site construction inspection, and final distribution of funds in accordance with state grant assurances.

Category 7 – Results

In spite of a lackluster national economy and globalization threats to manufacturing in the United States performed solidly in 2004, posting outstanding numbers in both job creation and capital investment. Thanks to the hard work of the Commerce staff last year, the agency is positioned to reap big results for the state in 2005. The returns so far look spectacular: investment numbers for 2005, as compared to the same time last year, are up more than 85%, to \$1.47 billion.

The following are some of the results in 2004.

Please note: Beginning with calendar year 2003, the Department of Commerce implemented a new standard regarding the reporting of capital investment activity. In this annual report, the investment dollar and job creation numbers given represent the sum of only those projects in which the Department played a major role. Unlike figures from previous years, these figures DO NOT represent all capital investment activity in the state.

7.1 GLOBAL BUSINESS DEVELOPMENT

- In 2005, Commerce assisted with the expansion or location of 137 firms creating 12,370 jobs and investing \$2.66 billion in South Carolina.
- The state's rural areas accounted for 3,685 new jobs created and \$1.16 million in capital investments. This represents 29.8% job creation and 43.9% of capital investments statewide.
- Fifty-four new firms announced the creation of 6,705 new jobs and capital investment totaling \$1.27 billion. New firms represented roughly 47% of announced new jobs and 54.2% of announced investment.
- Manufacturing continues to be the leading sector for investment (81.1%) and job creation (56.4%).
- The automotive cluster was the leading industry cluster in both capital investment (\$557.8 million) and job creation (2,268).
- The leading source nations for international investment were Canada (33.7%) and Germany (24.6%). The leading international job creators were firms from Germany (45.1%) and France (10.9%).

New and Existing Firms

In 2005, Commerce assisted with 83 existing industry expansions, which created 5,665 new jobs (46% of total job creation) and \$1.39 billion (52% of total investment). New industries accounted for 40% of total projects, 48% of total new jobs and 54% of total investment.

2005 CAPITAL INVESTMENT ACTIVITY BY NEW AND EXISTING FIRMS						
	PROJECTS	%	JOBS	%	INVESTMENT	%
NEW	54	40%	6,705	54%	\$1,270,650,000	48%
EXISTING	83	60%	5,665	46%	\$1,390,860,000	52%
TOTALS	137	100%	12,370	100%	\$2,661,510,000	100%

Cluster Analysis

The South Carolina Department of Commerce continues to focus on creating and sustaining major industry clusters. The clusters making the largest capital investment in 2005 were the Wood Products Cluster with \$585.6 million and the Automotive Cluster with \$557.8 million. The Automotive Cluster also led the way in job creation with 2,268 jobs, followed by the Textiles and Wood Products. South Carolina continues to play a major role in the Automotive Industry with the addition of companies like DaimlerChrysler, several BMW suppliers, and expansions like Michelin and Draexlmaier.

Besides growth in target industry clusters, the Department of Commerce also attracted industries such as distribution, financial services, and industrial equipment. Some of the top companies in these industries include QVC, HSBC, and FG Wilson (Caterpillar).

2005 CAPITAL INVESTMENT ACTIVITY BY CLUSTER (IN ALPHABETICAL ORDER)						
CLUSTER	PROJECTS	%	JOBS	%	INVESTMENT	%
Aerospace	3	2.2%	435	3.5%	\$204,000,000	7.7%
Automotive	33	24.1%	2,268	18.3%	\$557,800,000	21.0%
Biotech	2	1.5%	100	0.8%	\$92,000,000	3.5%
Chemicals	4	2.9%	122	1.0%	\$73,700,000	2.8%
Plastics	12	8.8%	562	4.5%	\$245,600,000	9.2%
Textile	8	5.8%	768	6.2%	\$76,650,000	2.9%
Wood	10	7.3%	747	6.0%	\$585,600,000	22.0%
Other	65	47.4%	7,368	59.6%	\$826,160,000	31.0%
TOTALS	137	100%	12,370	100%	\$2,661,510,000	100%

International Investment

Direct foreign investment in South Carolina continued to be strong in 2005. The South Carolina Department of Commerce assisted 41 international firms, which produced more than \$1.26 billion announced investment and 3,058 announced new jobs. Canadian-owned firms led the way in capital investment, accounting for 33.7% of the total international capital investment. German-owned companies accounted for 45.1% of jobs created by international companies with 1,378 jobs. French-owned firms represented the third highest in international capital investment and the second highest in job creation.

2005 INTERNATIONAL CAPITAL INVESTMENT ACTIVITY BY COUNTRY (IN ALPHABETICAL ORDER)						
Country	Firms	%	Investment	%	Jobs	%
BELGIUM	1	2.4%	\$10,000,000	0.8%	100	3.3%
CANADA	5	12.2%	\$425,480,000	33.7%	327	10.7%
GERMANY	16	39.0%	\$310,660,000	24.6%	1,378	45.1%
GREECE	1	2.4%	\$15,000,000	1.2%	60	2.0%
FINLAND	1	2.4%	\$9,000,000	0.7%	170	5.6%
FRANCE	5	12.2%	\$231,800,000	18.4%	333	10.9%
ITALY	2	4.9%	\$13,000,000	1.0%	95	3.1%
JAPAN	6	14.6%	\$34,100,000	2.7%	104	3.4%
NETHERLANDS	2	4.9%	\$153,000,000	12.1%	260	8.5%
SWEDEN	1	2.4%	\$43,000,000	3.4%	44	1.4%
UNITED KINGDOM	1	2.4%	\$17,800,000	1.4%	187	6.1%
TOTAL INTERNATIONAL	41	100.0%	\$1,259,840,000	100.0%	3,048	100.0%

County Capital Investment Data

During 2004, Commerce facilitated \$301 million in capital investment and 3,321 jobs from 30 firms in South Carolina's Non-MSA counties. Non-MSA areas accounted for roughly 10% of capital investment and 25% of job creation.

2005 CAPITAL INVESTMENT ACTIVITY BY SOUTH CAROLINA'S URBAN V. RURAL COUNTIES						
	Investment	%	Jobs	%	Firms	%
Rural Counties	\$1,166,390,000	43.9%	3,685	29.8%	46	33.4%
Urban Counties	\$1,495,120,000	56.1%	8,685	70.2%	91	66.6%
South Carolina	\$2,661,510,000	100%	12,370	100%	137	100%

7.2 COMMUNITY AND RURAL DEVELOPMENT

The Division of Community and Rural Development (C&RD) continues its mission to improve the quality and competitiveness of South Carolina communities. Through programming focused on community product, leadership development, and strategic planning, C&RD works closely with local leaders to create opportunities for greater investment, job creation, and leadership potential.

Division staff members work with local leaders to develop product, such as speculative buildings, to ensure that communities have available properties for investors and job creators considering a business location. Product development progress for the fiscal year is listed below.

Product Development

Product Type	Number completed	Number in Progress
Speculative Buildings	1	0
Industrial Parks	4	1
Certified Sites	44	0

Redeveloping rural South Carolina's downtown business districts also enhances the competitiveness of any community. The Opportunity Grant program, which began in 2004, helps rural communities revitalize their downtowns. In 2005, the three original recipients – Bennettsville, Bishopville and Union – were awarded Phase II Opportunity Grants. Nine communities competed in the second \$3 million Opportunity Grant round funded through the Rural Infrastructure Fund. Three new communities – Cheraw, Clinton and Greenwood - were awarded grant funds that are being used to initiate projects such as streetscapes, building façade improvements, small business and tourism development. The Opportunity Grants are listed below.

Community Revitalization

Community	Rural Infrastructure Fund Investment	Total Project Cost
Bennettsville	\$950,000	\$1,055,000
Bishopville	\$950,000	\$1,576,124
Union	\$950,000	\$1,105,555
Cheraw	\$844,000	\$1,230,891
Clinton	\$900,000	\$3,035,000
Greenwood	\$934,763	\$1,968,763

Another key component of the C&RD program focuses on continued economic development education for local leadership. Through partnerships with South Carolina economic development allies, C&RD develops programming that conveys timely and necessary information to local leaders that strengthens their decision making for the future of South Carolina communities. Participants in C&RD programs are varied in leadership capacities and dispersed amongst rural and urban areas of the state.

Leadership Development

Program Type	Number of Attendees	Number of Graduates	Program Rating
South Carolina Rural Summit	319	N/A	4.49 (5 pt. scale)
South Carolina Economic Developers' School	165	54	2.74 (3 pt. Scale)
South Carolina Economic Developers' Advanced Symposium	10	9	3.9 (4 pt. Scale)

Strategic planning continues to be the basis for community improvements throughout South Carolina. Whether through a county, development board, or downtown revitalization strategic plan, South Carolina communities are planning for their future and developing projects important to the local community. Often a multiple meeting process, most staff facilitation has occurred in the twenty-two “least” and “distressed” counties of the state.

Strategic Planning

Plan Type	Number updated or created
Countywide Strategic Plans	4
Development Board Plans	7

7.3 EXPORT DEVELOPMENT AND FOREIGN RELATIONS

Globalization plays a critical role in the future of successful businesses. It's a fact that companies engaged in international business are more stable, achieve higher growth rates, and pay higher wages. Exports are vital to the state's economic health as well. The benefits of exporting extend beyond the obvious advantage of profit earnings. In fact, South Carolina was the 21st largest exporter among the 50 states in 2005.

The importance of export development to the state is irrefutable:

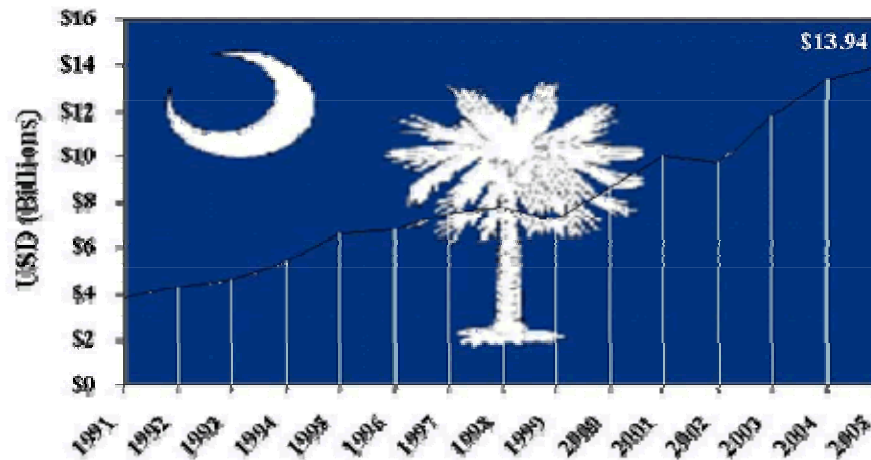
- Exporting supports thousands of jobs in South Carolina: It is estimated that for every \$1 billion of goods sold for export, 16,000 jobs are sustained. Using this formula some 223,000 jobs in South Carolina were supported by exports last year.
- A study published by the Institute for International Economics and the Manufacturing Institute found that companies that export experience higher productivity rates (+44%), pay higher wages (+13%), offer better benefits (+37%), have higher growth rates, are more competitive and stable, and they are less likely to go out of business.
- More than one-fourth (25.6%) of all manufacturing workers in South Carolina depend on exports for their jobs.

- Export-supported jobs account for an estimated 10.5% of South Carolina's total private-sector employment, or more than one of every 10 jobs.

In 2005, South Carolina companies exported \$13.94 billion worth of products to 194 countries – a 4.25% increase over the previous year.

South Carolina's exports to the world increased \$7.2 billion from 1996 to 2005. In percentage terms, South Carolina's 79.9% increase in exports from 1996 to 2005 ranked 8th among the 50 states.

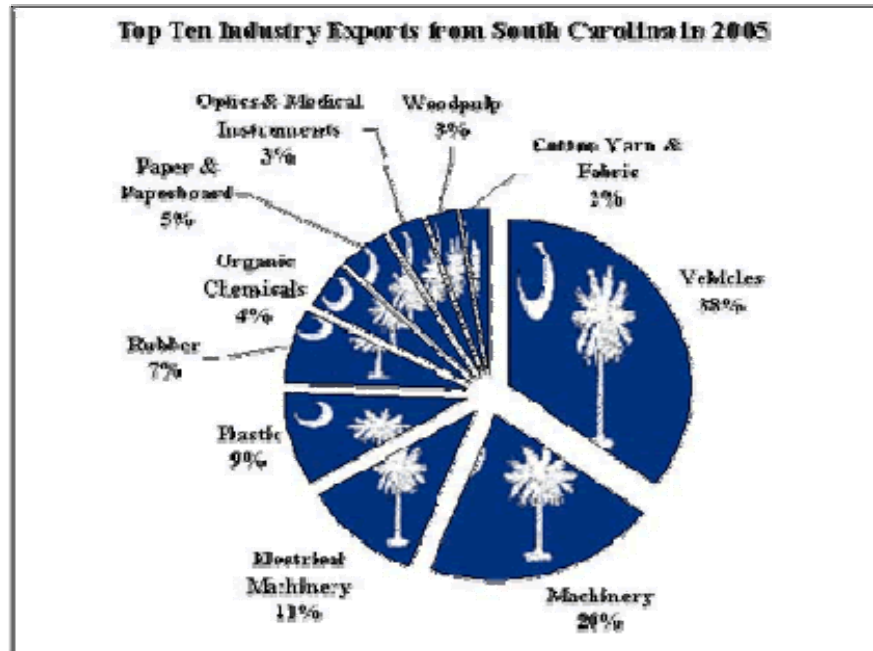
Over a decade of export growth for South Carolina...



The state's largest export market last year was Canada, which received exports of \$3 billion. This was nearly one-fourth (21%) of South Carolina's total 2005 exports.



South Carolina's leading manufactured exports are Vehicles, which alone accounted for \$3.85 billion, or 27.63%, of South Carolina's total export shipments in 2005. Other top manufactured exports last year were Machinery (\$2.3 billion), Electrical Machinery (\$1.2 billion), Plastic (\$969 million), and Rubber (\$788 million).



Commerce's export development team provided support to medium-sized and smaller companies wanting to expand and participate in overseas markets. Average client company size based on employment was 58 employees. The team provided assistance to more than 300 requests for export assistance from South Carolina business, large and small, helping them better compete in the global economy by identifying new markets and sales opportunities through international trade events and one-on-one counseling. The export development staff visited 119 companies to provide on-site export consultation; introduced companies to 197 new markets; organized 13 international trade missions involving 79 South Carolina companies; made over 50 presentations to groups on international trade and Commerce's trade program, and helped clients generate nearly \$210 million in new sales last year.

7.4 FILM

The Film Commission recruited film and television projects with an economic impact of \$ 23,849,336 for the calendar year essentially doubling the amount recruited in 2004 (\$11,240,191). Revenues for Fiscal Year 2005-2006 continue this trend with an economic impact of \$34.2 million. Facilitating this increase was the passage of the Fiscal Year 2006-2007 Proviso which augmented the state's film incentive program and an aggressive marketing plan targeting feature film producers. Marketing initiatives included advertising, direct mail, marketing trips to key markets, a new proposal development/delivery system and familiarization trips that brought Hollywood decision makers to South Carolina. The South Carolina Production Fund, created to develop personnel infrastructure through collaboration with our institutes of higher learning, awarded its first grants this year. The resulting productions will premiere within the next twelve months. Continuing efforts to develop production

facilities infrastructure have resulted in a partnership with Trident Technical College and their film training program. This public/private partnership seeks private investors to partner with Trident Tech and their available land to build a production facility.

7.5 BUSINESS SOLUTIONS

SMALL BUSINESS OMBUDSMAN

- Number of small business inquiries addressed: 310
- Number of counties served (re: small business inquiries): 39
- Number of minority businesses served: 140
- Number of women-owned businesses served: 160
- Start of customer survey: 50 surveys emailed out (25% response after one month)
- Number of existing businesses visited: 15
- Number of Existing Business Program “best practice” county presentations: 3
- Number of counties participating in SC Industry Appreciation Week and Ambassadors awards: 46
- Number of people directly involved in SCIAW/Ambassadors events: over 3,000
- News stories (print) generated: over 70 across the state
- Third Annual Salute to Small Business held (Commerce supporting): 300 attendees, 40 exhibitors

7.6 VENTURE CAPITAL

- The Venture Capital Investment Authority Board of seven members has been named and is meeting monthly to develop a financially healthy program that targets economic development.
- Investment objectives and strategy have been established and incorporated into the investor selection process.
- A request for proposals is outstanding to identify quality venture capital investors to participate in the initiative.

7.7 PRIVATE FINANCE & EQUITY

- Number of businesses assisted: 78
- Establishment of New Market Tax Credit website that targets eligible financing in distress areas
- Partnered with InnoVenture 2006 that showcased 250 different companies, researchers, investors, universities with 600 targeted attendees
- Completed survey with USC on the equity investment activity in South Carolina

- Implementing the Capital Access Program that will enable up to \$20 million for Small Businesses.

7.8 RECYCLING MARKET DEVELOPMENT

The Economic Impact of Recycling in South Carolina has provided the Recycling Market Development program with robust results for the recycling industry in South Carolina. Results from the study show that recycling is no longer the fledgling industry it was 10-15 years ago; in fact, new markets are emerging and sustainable business practices are drivers in promoting this industry. There are over 300 recycling companies with 15,600 current jobs in recycling in South Carolina (multiplier equivalent of over 37,440 jobs) which has the result of \$1.5 billion in personal income impact and \$6.5 billion total economic impact. Growth is projected at 12% annually for the SC recycling industry over the next five years. The estimated total economic impact in five years is over \$11 billion. In addition, recycling brings in \$69 million state tax revenue.

- Number of small business inquiries addressed: 191
- Number of counties served (re: Business Recycling Assistance Program and recycling business inquiries): 40
- Number of existing recycling businesses visited: 25
- Number of Existing Business Program “best practice” county presentations: 3
- Second Annual Recycling Business Forum: 60 attendees, 10 exhibitors

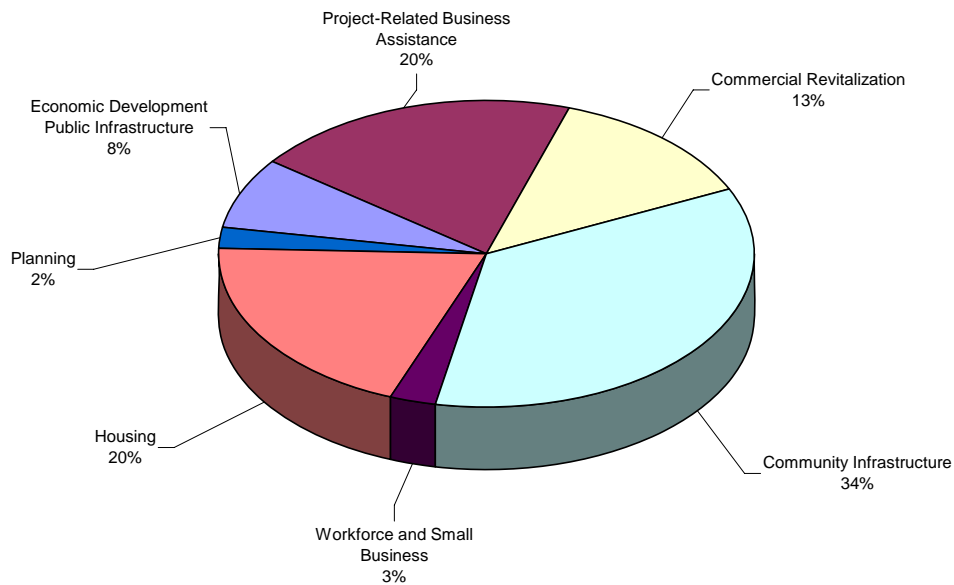
7.9 GRANTS AND INCENTIVES

Community Development Block Grant (CDBG)

The Community Development Block Grant (CDBG) Program provides grants to units of local government for a wide variety of projects including rehabilitating neighborhoods and housing, improving community infrastructure, providing public facilities, and creating or retaining jobs.

- The CDBG Program awarded \$27 million to 66 projects in rural communities, further improving South Carolina’s business climate and quality of life.
- More than 75,000 citizens will benefit from
 - economic development assistance of \$7.3 million to 7 companies, creating 746 jobs and resulting in capital investment of \$317.1 million;
 - increased economic opportunities in 8 communities through infrastructure and downtown improvements;
 - preservation of 156 affordable housing units;
 - provision of clean and safe public utilities in 21 communities;
 - improved access to workforce and small business assistance training for 3 communities;
 - increased capacity and coordination statewide and locally in 14 communities.

2005 CDBG Uses of Funds



CDBG Category	Amount
Economic Development Public Infrastructure	\$2,030,000
Project-Related Business Assistance	\$5,302,508
Commercial Revitalization	\$3,522,191
Community Infrastructure	\$9,485,193
Workforce & Small Business	\$750,000
Housing	\$5,335,907
Planning & Administration	\$600,000
TOTAL	\$27,025,799

Job Development Credit Program

The Job Development Credit (JDC) Program is a discretionary incentive implemented in 1996 to reward companies for creating new jobs and investing in South Carolina, especially in less-developed areas. The JDC acts like a rebate, refunding some or all of a company's qualifying and eligible capital expenditures. The JDC can only be claimed, however, after a company has proven that it has met an agreed-on level of new capital investment and net new job creation. The JDC is performance-based: A company must perform—in a manner consistent with its approval for the program and the level of job

creation and new capital investment on which the approval was based—before it can benefit from the program.

2005 Job Development Credit Approvals (by county development tier)

County Designation	Total Projects Approved	Total Jobs	Total Investment	Average Company Hourly Wage
Developed	19	2,526	217,737,302	22.51
Moderately Developed	20	1,381	174,511,814	19.17
Under Developed	3	487	49,210,000	13.06
Least Developed	11	1,569	4,631,584,000	25.76
Distressed	16	1,142	368,662,636	13.88
	69	7,105	5,441,705,752	

One additional Enterprise application was approved during 2005 for a potential project which could possibly locate in Under Developed Sumter County. Though very uncertain, should this project locate, it alone would represent \$2.6 billion in new capital investment and 20,000 new jobs at an average wage of \$21.37 per hour.

Enterprise Zone Retraining Credit Program

The Enterprise Zone Retraining Credit Program helps existing industries maintain their competitive edge and retain their existing workforce by allowing them to claim a Retraining Credit for existing production employees. If approved for the Enterprise Zone Retraining Credit, companies can reimburse themselves up to 50% of approved training costs for eligible production workers (not to exceed \$500 per person per year).

- In 2005, 19 retraining applications were approved, enabling 13 companies to retrain an estimated 5,803 employees over a five-year period.

Coordinating Council for Economic Development

The Economic Development Set-Aside Fund is the Coordinating Council's primary business development tool for assisting local governments with road, water/sewer infrastructure or site improvements related to business location or expansion. The Rural Infrastructure Fund is used mainly to assist local governments in the state's rural areas with economic development preparation through a variety of activities, but funds may also be used for building, site or infrastructure improvements related to business location or expansion. The Water Wastewater Fund represented one-time tobacco-related funding which was used to fund infrastructure projects throughout the state. Though all funds

were awarded in previous years, some recaptured funds did become available in 2005 and were used to fund additional water/sewer infrastructure grants. In 2005:

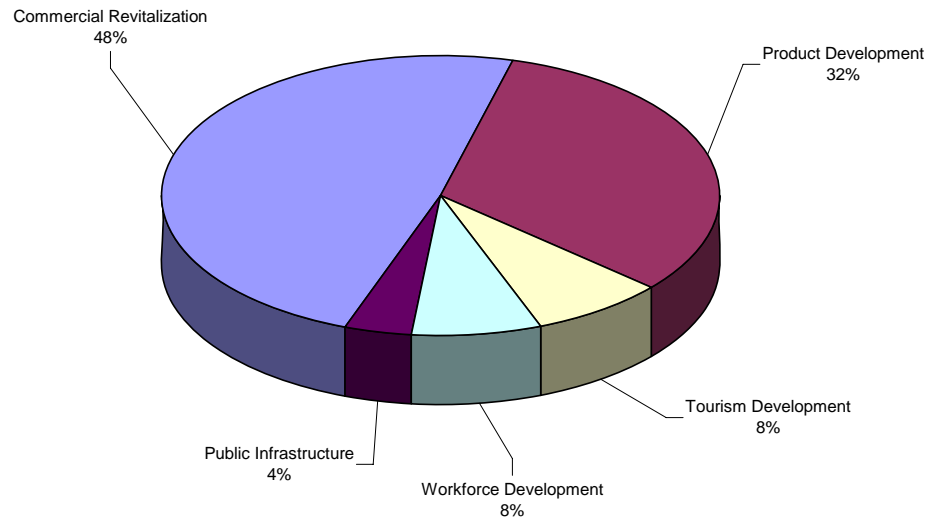
- \$14.6 million in business development assistance was awarded to 21 local governments in 20 counties for water, sewer, roads, site preparation, building improvements (RIF only) or other infrastructure necessary to facilitate business expansions or locations. The related businesses will create 2,686 new jobs and \$774.8 million in new capital investment.
- 4 communities in Distressed counties received a total of \$2.9 million for revitalizing downtown commercial areas and stimulating economic development.
- \$1.9 million was awarded to 3 communities in Distressed counties for projects aimed at developing buildings and sites and equity resources, which in turn can be used to attract jobs and investment.
- 2 Least Developed counties were awarded a total of \$452,850 for projects that will help stimulate tourism and boost local economies hit hard by manufacturing job losses.
- \$460,000 was awarded to 3 Distressed counties to improve equipment and infrastructure for centers housing training and workforce development programs.
- 3 communities received a total of \$225,000 for public infrastructure.

The above amounts include only new grant awards during 2005 and do not include amendments or adjustments to any previously approved grant funds.

Coordinating Council Business Development Grants and Related Jobs and Investment

County Tier	Total Awards	New Jobs	New Capital Investment
Developed	2,599,900	653	57,559,000
Moderately Developed	3,608,993	752	153,198,981
Under Developed	300,000	60	10,000,000
Least Developed	3,700,000	741	232,336,200
Distressed	4,160,000	480	321,753,400
	14,368,893	2,686	774,847,581

2005 Coordinating Council Non-Business Development Grants



Category	Amount
Commercial Revitalization	\$2,905,500
Product Development	\$1,918,000
Tourism Development	\$452,850
Workforce Development	\$460,000
Public Infrastructure	\$225,000
TOTAL	\$5,961,350

Business Development Grants Awarded in 2005 by County

County	County Tier	Scope of Work	Funding Source	Grant Amount	Projected New Jobs	Projected Investment
Aiken	Developed	Water/Sewer	Setaside	2,500,000	500	\$40,000,000
Aiken	Developed	Sewer	Tobacco	25,000	100	6,720,000
Anderson	Developed	Water	Tobacco	24,900	30	1,849,000
Greenville	Developed	Site Prep	Setaside	50,000	23	8,990,000
Chester	Distressed	Road	Setaside	300,000	15	14,900,000
Chester	Distressed	Road and Water	Setaside	325,000	32	4,400,000
Chesterfield	Distressed	Road	Rural Infrastructure	65,000	25	1,700,000
Clarendon	Distressed	Road, Water/Sewer and Site Prep	Setaside	2,500,000	125	208,828,400
Dillon	Distressed	Road	Setaside	20,000	10	3,100,000
Fairfield	Distressed	Rail	Rural Infrastructure	700,000	188	86,000,000
Lee	Distressed	Site Prep	Rural Infrastructure	50,000	40	2,500,000
Marion	Distressed	Building	Rural Infrastructure	260,000	273*	-
Orangeburg	Distressed	Building	Rural Infrastructure	150,000	35	-
Williamsburg	Distressed	Building	Infrastructure	50,000	10	325,000
Allendale	Least Developed	Road, Water/Sewer and Site Prep	Setaside	2,500,000	125	206,500,000
Lancaster	Least Developed	Road and Sewer	Setaside	1,200,000	616	25,836,200
Beaufort	Moderately Developed	Road	Setaside	450,000	150	3,800,000
Florence	Moderately Developed	Road, Water/Sewer and Site Prep	Setaside	2,000,000	400	88,180,000
Florence	Moderately Developed	Water	Tobacco	223,993	72	20,390,000
Horry	Moderately Developed	Road	Setaside	700,000	45	22,328,981
Kershaw	Moderately Developed	Road	Setaside	175,000	35	14,000,000
York	Moderately Developed	Road	Setaside	60,000	50	4,500,000
Pickens	Under Developed	Water/Sewer	Tobacco	300,000	60	10,000,000
TOTALS				14,628,893	2,686	\$774,847,581

** Job retention not included in new job totals*

7.6 ADMINISTRATION

One of the Division of Administration's primary focuses is on the support that is provided to the entire agency on a day to day basis. Beginning in 2004-2005, the Division of Administration completed a customer satisfaction survey to get feedback for improvements. The Division scored a 92.1% Above Average to Excellent. This means that overall 92.1% of the staff of Commerce believes that they receive above average to excellent customer service when they need help with anything from payroll to benefits to travel reimbursement to CALL IT requests.

The Division continues to ensure that all state laws, rules and regulations are followed. Annual audits have been good and show that Commerce to be in good standing.

7.7 AERONAUTICS

The Division of Aeronautics (Aeronautics) awarded thirty-two (32) grants in 2004 totaling \$1,475,180. These grants were combined with the Federal Aviation Administration (FAA) matched share of \$8,032,525 and the airport owner share of \$6,072,153. Over \$41 million of FAA funding was dispersed to South Carolina airports. Aeronautics did not participate with any commercial carrier airport improvement projects in 2004.

Aeronautics embarked upon a new vegetation control plan in 2004. A 75% state maintenance participation program was matched with local funds to control ant infestation and grass/weed suppression at general aviation airports. Substantially, grass cutting cost savings allowed airports the ability to budget for other airfield priority needs.

7.8 WORKFORCE DEVELOPMENT

Work with Businesses

Incumbent Worker Training

Program funds are available to train current employees to meet changing skill requirements due to new technology, restructuring, new product lines, etc. Funding priorities are given in situations where training will lead to significant upgrades in employee skills and/or wages and/or training will result in layoff aversion and better retention opportunities.

- Last year, we served over 10,000 workers at an average cost of \$194 per participant, spending a total of \$1,952,828.
- Employers reported that 3,111 jobs were saved and 453 new jobs were created as a result of the program. Although the jobs had a wide range of salaries, if we assume only a minimum wage of \$5.15/hour for each job, we still get a 1955% annual return on investment from the funds expended this year.

- The overall employer rating of the program on a scale of 1-5 (with 5 being excellent) was 4.2.
- Participating businesses varied greatly:

manufacturing/industry represented the largest sector with 65% of the total,

over 30% employed fewer than 50 workers,

over 50 business types were represented from accounting firms to coffee roasters.

Rapid Response

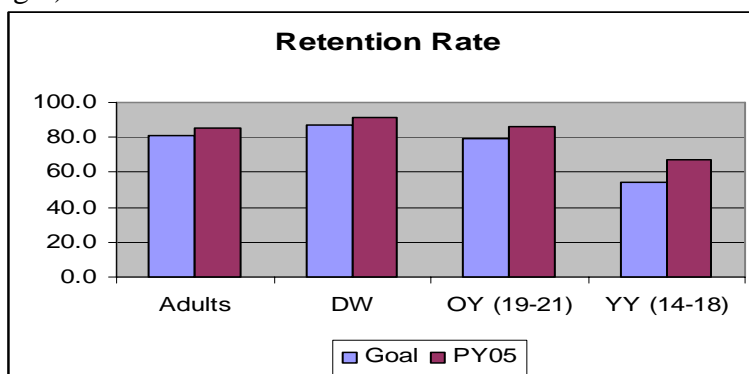
The goal of the Rapid Response program is to reduce the period between unemployment and suitable reemployment for South Carolina workers. An experienced team made up of state and local staff from Workforce Development and Employment Security first meets with company management to discuss the anticipated layoff schedule, employee demographic data, and the services available to aid with reemployment including testing to match skills with job requirements, resume writing and preparation for interviews, career counseling, available job information, etc. Team members then meet with employees to outline available services and answer questions well before the first layoff.

- During the last year, staff assisted 81 employers and over 14,500 employees.

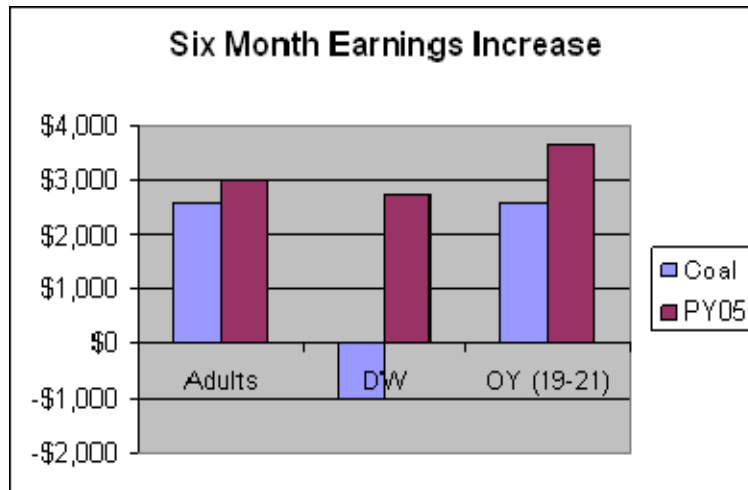
Work with Job Seekers

During the past year, programs funded through the act served over ten thousand (10,895) adults, and almost thirty-six hundred (3584) young people.

Performance measures for the program are set in the legislation. One is employment retention. Clearly just getting someone a job is not helpful unless they are able to keep that job. The chart below shows that for this year, we are exceeding the targets negotiated with the Department of Labor in every area: Adult, Dislocated Worker (DW) and Youth (older and younger).



Another required measure is “Six Month Earnings Increase.” It assesses whether individuals are earning more six months after participating in workforce programs than they did before entering. Again, South Carolina has exceeded its negotiated goals across the board during this past year as indicated in the chart below. The negative goal set for the “Dislocated Worker” area anticipated the fact that older workers losing well paying manufacturing jobs often can not replicate their wages immediately. The good news is that only one local area reported such a negative; therefore, the state ended the year positively for Dislocated Workers as well as for Youth and Adults.



OY stands for Older Youth and DW stands for Dislocated Worker