

Study of the
Department of Commerce
2022

SC House Legislative Oversight Committee
Economic Development, Natural Resources, and
Transportation Subcommittee



Executive Summary

Agency Mission

“

Working together to create opportunities by promoting job creation, economic growth and improved living standards for all South Carolinians.

”

History

The Department of Research, Planning and Development, created in 1945, changed to the State Development Board in 1954, and, during reorganization of state government in 1993, was replaced by the Department of Commerce, which also assumed duties of other entities including the Coordinating Council for Economic Development.

Resources

(FY 19-20)

Organizational Units

- Administration
- Global Business Development
- International Strategy and trade
- Small Business and Existing Industry
- Community and Rural Development
- Marketing Communications
- Research
- Grants
- Workforce
- Innovation
- Palmetto Railways
- Military Base Task Force

Employees



98

filled FTE positions at the end of the year

Funding



\$256,919,111

cash and available funds

Successes and Challenges

Identified by the agency

Successes

- 151,8000+ new jobs recruited
- \$41.3 billion+ capital investment
- 1,429 projects (i.e., new or expanding company, recruited and managed by agency to facilitate the creation of new jobs and taxable investment in South Carolina)

Challenges

Current:

- COVID-19
- Succession planning
- Economic development in rural South Carolina
- Infrastructure

Emerging:

- Diversification of economy
- Trade environment
- Adaptability to a changing economy

Committee Overview

Subcommittee Membership

Economic Development, Natural Resources, and Transportation Subcommittee

The Honorable William M. "Bill" Hixon (chair)

The Honorable Russell L. Ott

The Honorable Adam M. Morgan

The Honorable Marvin R. Pendarvis

Oversight Purpose and Methods

Purpose

To determine if agency laws and programs:

- are being implemented and carried out in accordance with the intent of the General Assembly; and
- should be continued, curtailed, or eliminated.

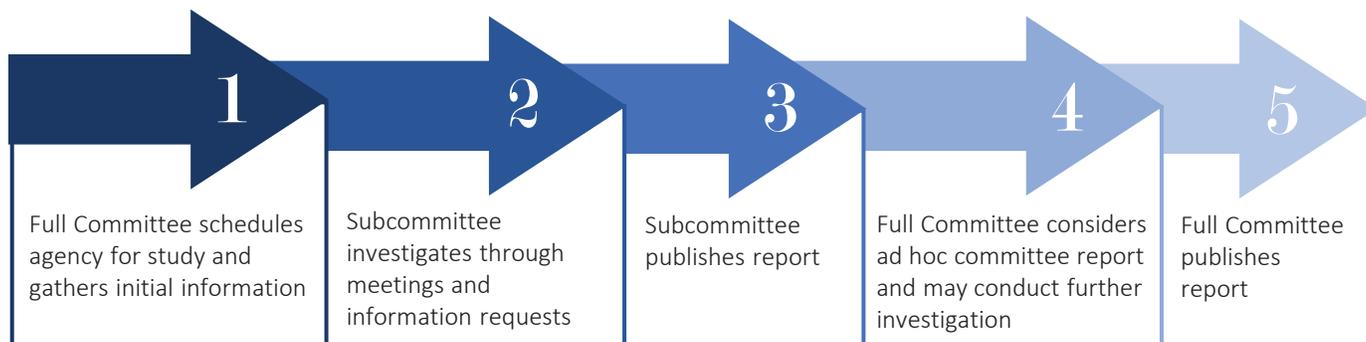
Methods

The Committee and Subcommittee evaluate:

- the application, administration, execution, and effectiveness of the agency's laws and programs;
- the organization and operation of the agency; and
- any conditions or circumstances that may indicate the necessity or desirability of enacting new or additional legislation pertaining to the agency.

S.C. Code Ann. § 2-2-20(B) and (C)

Study Process



Public Input



36

Responses to an online public survey



65

Online comments received



1

Constituent testified

Study Milestones

Meetings

Subcommittee Meetings

3/4/21 3/11/21
 5/12/21 5/27/21
 6/4/21 6/29/21
 8/5/21 2/28/22
 4/27/22

Full Meetings

12/9/19
 4/8/21

Agency Reports

March 2015

Seven-Year Plan Report

March 2020

Program Evaluation Report

September 2021

FY 2020-2021
 Accountability Report

Findings

The House Legislative Oversight Committee's (Committee) Economic Development, Transportation, and Natural Resources **Subcommittee** (Subcommittee) **has seven findings**. The Subcommittee has recommendations to address some, but not all, of these findings. However, the Subcommittee made the findings to note information that a member of the public, or General Assembly, may seek to know or on which they may desire to act.

Business Recruitment

1. From an aggregated statewide perspective, between 2006 and 2019, the companies the Department of Commerce landed created 57,306 jobs and invested \$16.5 billion in South Carolina, which accounts for 98% of the jobs and 129% of the investment required in associated incentive agreements with these companies. Additionally, during 2020 and 2021, the Department of Commerce increased transparency in informing the public about its processes.
2. Business recruitment involves multiple steps by various entities:
 - a. Each of the 46 individual counties must have a vision and strategy and their staff take steps to make the county attractive to those industries that may help achieve its vision;
 - b. Each regional alliance develops a vision and mission for its region;
 - c. Department of Commerce aligns the state's advantages/disadvantages with the various region/county visions, then coordinates activities to stay "top of mind" with companies in applicable industry sectors;
 - d. Each company decides if/when to expand or relocate,
 - e. When economic development staff with a county or Department of Commerce learns a company is considering South Carolina, Commerce staff work to have the company locate here;
 - f. Coordinating Council for Economic Development reviews and gives final approval on agreements in which state discretionary incentives are offered to a company in exchange for jobs and investment in South Carolina; and
 - g. Department of Commerce staff offer services to companies to help maintain jobs and investment in South Carolina and encourage companies to select the state for any expansion. SEE RECOMMENDATIONS #1-2 AND #4-#6
3. During the study, more than 75% of the Tier III and Tier IV counties (i.e., designations released annually by the Department of Revenue noting South Carolina counties with the highest three-year unemployment rate average and lowest per capita income) did not have an active, county specific strategic plan. SEE RECOMMENDATIONS #1
4. Regional Economic Development Alliances have geographical boundaries different from Regional Workforce Advisors and Local Workforce Development Boards. Efficiencies and focus may be gained by aligning the different geographical boundaries. SEE RECOMMENDATIONS #11
5. The Coordinating Council for Economic Development (CCED) is comprised of the agency head or board chair for eleven state agencies (i.e., Department of Agriculture, Department of Commerce, Department of Employment and Workforce, Department of Parks, Recreation and Tourism,

Department of Revenue, Department of Transportation, Jobs Economic Development Authority, Ports Authority, Public Service Authority, Research Authority, and State Board for Technical and Comprehensive Education), the Chair of House Ways and Means Committee, and the Chair of the Senate Finance Committee. While CCED is chaired by the Secretary of Commerce and council staff provide recommendations based on research and analysis, all members of CCED have equal authority (i.e., chair's vote weighs the same as other members) and responsibility relating to approval of discretionary incentives (i.e., CCED can structure those incentives as deemed most beneficial).

Education and Workforce Development

6. There are numerous state agencies, councils, and committees involved in the process of education and workforce development with varying levels of coordination. During the study, representatives of ten state agencies (Commission for the Blind, Commission on Higher Education, Department of Commerce, Department of Education, Department of Employment and Workforce, Department of Social Services, Department of Veterans' Affairs, First Steps, State Technical College System, and Vocational Rehabilitation Department) expressed a willingness to work together toward a unified plan. SEE RECOMMENDATIONS #7-#16
7. Currently, South Carolina does not have established systems to assess whether investments in education and training produce employment in specific industries or what combination of programs assist an individual in obtaining economic advancement. SEE RECOMMENDATIONS #7-#16

Recommendations

The **Subcommittee has 32 recommendations** to various entities that continue, curtail, and/or eliminate agency programs, and include areas for potential improvement. The Subcommittee recognizes these recommendations will not satisfy everyone nor address every issue or potential area of improvement at the agency.

Business Recruitment¹

1. **Department of Commerce** and **Department of Employment and Workforce** personnel meet annually with Tier III and IV county economic development personnel, document the meeting, and work with the regional alliance and county personnel to ensure at least two individuals involved in the county's strategic planning attend each economic development education opportunity. SEE FINDINGS #2 AND #3
2. **Department of Commerce** include performance measures in the agency's annual accountability report to quantify the actual results versus expected outcomes of the agency's marketing strategy to show Commerce personnel regularly analyze tangible results obtained from marketing efforts and regularly revise methods/amounts of investment based on past results. SEE FINDING #2
3. **Department of Commerce** provide the General Assembly and public recommendations on statewide strategic economic development infrastructure investments (e.g., water, road, rail, etc.), explain how the recommendations facilitate and support the plans and visions of each region and county, and update the plan/recommendations every three years.
4. **Coordinating Council for Economic Development (CCED)** establish a policy where CCED members annually provide guidance to staff on the following: (1) cost/benefit and analysis (i.e., update the analysis regularly and include list of economists that verify its validity and/or recommend update); (2) violation of contract terms (e.g., job and investment requirement, etc.); and (3) potential amendments to current and future contracts with companies. SEE FINDING #2
5. **Department of Commerce** implement a more structured internal process to transfer closed projects to the business services division to provide new companies an introduction to the ongoing resources available from the Department of Commerce and discuss with **Human Affairs Commission** potential training for companies available from them. SEE FINDING #2
6. **Department of Commerce** and **CCED** consolidate economic development information from disparate locations into a central source. SEE FINDING #2

¹ Terms: CCED includes all entities that are members of the Coordinating Council for Economic Development (i.e., Department of Commerce, Department of Revenue; Santee Cooper; Department of Agriculture; Department of Transportation; S.C. Research Authority; Department of Parks, Recreation and Tourism; State Technical College System; Department of Employment and Workforce; State Ports Authority; Jobs Economic Development Authority; Chairman, Senate Finance Committee; and Chairman, House Ways and Means Committee)

Education and Workforce Development²

Efficiency and Effectiveness through Creation of Unified State Plan

7. **Coordinating Council for Workforce Development (CCWD)** create a comprehensive statewide education and workforce development plan in collaboration with entities including, but not limited to, the **Department of Administration's Division of State Human Resources** and agencies involved in the state **Early Childhood Advisory Council (ECAC)** and the federal **Workforce Innovation and Opportunity Act (WIOA)**. Consider existing frameworks, such as the one in the EEDA, as starting points and ensure the plan can be utilized and submitted in compliance with any agency's requirements in state or federal law to submit a plan and/or track metrics related to education and/or workforce (e.g., federal laws: WIOA, Perkins V, Every Student Succeeds Act, and state laws: Education Accountability Act, etc.). Regularly report status on implementation and metrics of plan to **EOC**, which will publish online dashboards. Request a meeting with the Committee to provide an update on the progress at the end of each of the first two years. SEE FINDINGS #6 AND #7
8. **Department of Social Services** personnel research and collaborate on sustainable options for addressing obstacles lack of available and affordable child care throughout S.C., and in particular in underserved areas, plays in individuals working and/or obtaining additional education (e.g., business utilization of the childcare program credits in S.C. Code Section 12-6-3440), with the **Department of Commerce, Department of Revenue, Department of Employment and Workforce, ECAC (e.g., First Steps, Department of Education)**, and other applicable entities (e.g., **State Technical College System, Human Affairs Commission**). Provide a joint report with information learned within one year after issuance of the House Legislative Oversight study. SEE FINDINGS #6 AND #7

Transparency and Accountability through Central Location of Plan, Results, and Other Information

9. **Coordinating Council for Workforce Development** ensure creation of a single online landing page for policy makers and the public, which contains the state unified education and workforce plan and access to reports and dashboards with information related to education and workforce, in collaboration with applicable agencies, including, but not limited to, agencies involved in the **ECAC, WIOA, and EEDA**. SEE FINDINGS #6 AND #7
10. **Coordinating Council for Workforce Development, Department of Administration, and Revenue and Fiscal Affairs Office** staff have discussions to explore the feasibility of a regular applied analytics training program through partnerships with state institutions of higher education and others to

² Terms: (1) CCWD includes all entities that are members of the Coordinating Council for Workforce Development and the strategic partner group (i.e., Department of Commerce, Department of Education, Department of Employment and Workforce, Commission on Higher Education, State Technical College System, First Steps, Workforce Development Board, Revenue and Fiscal Affairs Office); (2) ECAC includes all entities that are members of the Early Childhood Advisory Council and the interagency Collaboration Committee (i.e., First Steps, Department of Education, Commission on Higher Education, Department of Social Services, Department of Health and Environmental Control, Department of Health and Human Services, Department of Disabilities and Special needs, Department of Mental Health, Education Television Network, State Library, Head Start, and Children's Trust); (3) EEDA includes all entities that are members of the Education and Economic Development Coordinating Council (i.e., Department of Education, Department of Commerce, Department of Employment and Workforce, Commission on Higher Education, Technical College System, First Steps, and Education Oversight Committee); (4) EOC means the Education Oversight Committee; (5) RFA means the Revenue and Fiscal Affairs Office; (6) WIOA means all agencies that must comply with the federal Workforce Innovation and Opportunity Act (i.e., Department of Employment and Workforce, Department of Education, Department of Social Services, Vocational Rehabilitation Department, and Commission for the Blind).

create an annual class fostering the generation of ideas and samples of more effective ways to utilize state agency data. SEE FINDINGS #6 AND #7

Efficiency and Effectiveness through Utilization of Common Terminology and Sharing of Information

11. **Commission on Higher Education (CHE), State Technical College System (STCS), and Department of Employment and Workforce** ensure annual publication of a return-on-investment catalogue that contains (1) return on investment for students, parents, businesses, and the state in higher education programs and post-secondary training; and (2) industry supply gap analysis at the state and region level that shows the most high-demand occupations and assesses the number of completers for relevant secondary, post-secondary education, and work-based learning through Registered Apprenticeships. CHE and STCS collaborate with applicable agencies, including, but not limited to, agencies involved in the **ECAC, WOIA, and EEDA**. SEE FINDINGS #4, #6 AND #7
12. **CCWD** publish (i.e., update and issue after communicating with applicable parties): (1) new editions of the Education and Workforce Dictionary; (2) Workforce Development Program mapping and federal funding inventory, and (3) mapping and analysis from the February 2022 Subcommittee meeting. SEE FINDINGS #6 AND #7
13. **CCWD** ensure applicable memorandums of understanding with necessary entities are entered within six months after issuance of the full House Oversight study report for establishment of evidence building system to analyze and improve long term outcomes of education and workforce programs; then work with **Revenue and Fiscal Affairs Office (RFA)** and **Education Oversight Committee (EOC)** to construct said system. SEE FINDINGS #6 AND #7
14. **Agencies participating in various education and workforce development collaborative groups discussed in the February 2022 Subcommittee meeting (i.e., CCWD, CCED, ECAC, EEDA, and WIOA)** determine any other state entities with information on credentials and licenses for workforce and request those entities enter data sharing agreements with **RFA**. As part of the data sharing agreements, they should, at a minimum, provide **RFA** permission to continuously utilize data in answering **CCWD** questions applicable to aggregate information on credentialed/licensed individuals in the state for supply/gap analysis (e.g., number of credentialed nurses, number who may retire in the next five to ten years, and number the state will need educational entities to produce). SEE FINDINGS #6 AND #7
15. **Department of Education** collaborate with the **EOC** and **RFA** to determine how school districts obtain, collect, and transmit information within the education system from the initial person with access to the information (e.g., student, teacher, etc.) forward and determine who owns and may access data at the local, state, and federal level. SEE FINDINGS #6 AND #7
16. **CCWD** convene **applicable stakeholders** and, within a year after issuance of the Committee's study report, provide the Committee options for how to efficiently obtain occupational codes and wage and hour information (e.g., central portal, etc.) to improve the value of the evidence building system along with the short- and long-term benefits to the state, businesses, education entities, and individuals of having this information and the potential burdens of each option. SEE FINDINGS #6 AND #7

Statute Modernization

Agency administration

17. **General Assembly** consider amending S.C. Code of Laws Section 13-1-320, which establishes Commerce's Division of State Development, to delete obsolete language and add objectives related to promotion of strategic planning and rural and workforce development. SEE AGENCY LAW CHANGE PER RECOMMENDATIONS #1, #5 AND #10
18. **General Assembly** consider amending S.C. Code of Laws Section 13-1-330, which outlines specific division of Commerce and specific requirements for agency leadership. SEE AGENCY LAW CHANGE PER RECOMMENDATION #6
19. **General Assembly** consider amending S.C. Code of Laws Section 13-1-340, which outlines the director's duties, powers, and responsibilities, to remove obsolete, unconstitutional, or duplicative duties performed by other state agencies. SEE AGENCY LAW CHANGE PER RECOMMENDATION #7
20. **General Assembly** consider amending S.C. Code of Laws Section 13-1-350, which requires the director to assume duties of former boards, commissions, and councils to remove obsolete, unconstitutional, or duplicative duties performed by other state agencies. SEE AGENCY LAW CHANGE PER RECOMMENDATION #8
21. **General Assembly** consider repealing S.C. Code of Laws Section 13-1-370, which allows the Secretary of Commerce to establish an advisory committee to the Division of State Development, as provisions are duplicate. Move identification of challenges facing rural communities and solutions to agency objectives under S.C. Code of Laws Section 13-1-320. SEE AGENCY LAW CHANGE PER RECOMMENDATION #10

Outdated provisions relating to Commerce's interaction with the Aeronautics Commission

22. **General Assembly** consider relocating the Aeronautics Commission's enabling legislation (Title 13, Chapter 1 of the South Carolina Code of Laws) out of middle of statutes relating to Commerce to reduce confusion as the Commission is no longer a division of Commerce. SEE AGENCY LAW CHANGE PER RECOMMENDATION #3
23. **General Assembly** consider amending S.C. Code of Laws Section 15-9-390 to revert to the Aeronautics Commission from Secretary of Commerce serving as the agent for service of process of nonresident operators of aircraft. Commerce was substituted for the Commission when Aeronautics was a division of Commerce; however, now the Aeronautics Commission has been reconstituted. SEE AGENCY LAW CHANGE PER RECOMMENDATION #21

Outdated provisions relating to Commerce's interaction with other state entities

24. **General Assembly** consider repealing S.C. Code Section 11-37-200, which establishes the Water Resources Coordinating Council and makes the Secretary of Commerce a member, as the Council is defunct. SEE AGENCY LAW CHANGE PER RECOMMENDATION #19
25. **General Assembly** consider removing references to the Department of Commerce in S.C. Code Section 24-1-290, pertaining to the Prison Industries Program at the Department of Corrections, as agency personnel assert Commerce does not have the data to provide the statutorily mandated certification. SEE AGENCY LAW CHANGE PER RECOMMENDATION #14

26. **General Assembly** consider removing references in various statutes to the Department of Commerce's oversight role in housing related matters. SEE AGENCY LAW CHANGE PER RECOMMENDATIONS #15 AND #20

Outdated provisions relating to Coordinating Council for Economic Development

27. **General Assembly** consider updating the enabling legislation for the Coordinating Council for Economic Development, which is chaired by the Secretary of Commerce. SEE AGENCY LAW CHANGE PER RECOMMENDATIONS #12 AND #17

State Personnel

28. **Department of Administration** personnel work with **Department of Commerce** personnel to ensure the data entered in NeoGov is accurate so Commerce can fully maximize the benefits of current auto-reporting capabilities, including, but not limited to, those required by **Human Affairs Commission**.

General

29. **Agencies involved in the February 2022 Subcommittee meeting** (i.e., Commission for the Blind, Commission on Higher Education, Department of Commerce, Department of Education, Department of Employment and Workforce, Department of Social Services, Department of Veterans' Affairs, First Steps, State Technical College System, and Vocational Rehabilitation Department) enter a data sharing agreement with RFA to facilitate analysis that may assist the General Assembly with policy decisions.
30. **General Assembly** consider options to further ensure the accountability of funds that pass-through agencies to other entities.
31. **Department of Administration** personnel discuss with the **Department of Commerce** personnel the potential benefits of using a digital onboarding tool to determine if it may be useful to the Division of State Human Resources in addressing high turnover in some agencies across state government.
32. **Department of Administration** track the number of agency personnel projects from the certified public manager training that are implemented by agencies.



Legislative Oversight Committee

<https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee.php>
HCommLegOv@schouse.gov • (803) 212-6810