Law Changes

Making Commerce's legal framework reflect and clarify what Commerce does and can do to grow the economy and improve living standards for all South Carolinians.



## **Key Takeaways**

- Commerce can fulfill its mission under current enabling statutes, but . . .
- HOC review provides opportunity to update and streamline statutory framework for the future.
  - Repeal provisions no longer (or never) used.
  - Eliminate obsolescence.
  - Update to include new programs.
  - Codify and amend reporting requirements.
  - Amend former programs that could be used for current purposes.
  - Provide clarity on what Commerce does and what Commerce can do.



### Law Summary

#### **SECTION 1-30-25.**

Transfers former agencies, boards, and commissions into new Commerce Department during restructuring.

#### **SECTION 13-1-10**

Establishes Department of Commerce.

### Recommendation

#### **Eliminate References to:**

- Aeronautics Division
- Savannah Valley Authority/Savannah Valley Development Division

### Make technical changes:

➤ Eliminate "Advisory" from Coordinating Council.



### Law Summary

**SECTION 13-1-610 thru -810** 

Enabling legislation for the Division of Savannah Valley Development.

### Recommendation

Repeal. Division no longer exists.



### Law Summary

#### **SECTIONS 13-1-1000 thru 1-1090.**

Enabling legislation for the Aeronautics Commission.

### Recommendation

Relocate these provisions out of Commerce's enabling legislation to an appropriate location in SC Code.



### Law Summary

#### **SECTION 13-1-45.**

Creates the SC Water and Wastewater Infrastructure Fund and establishes the duties and powers of the Department of Commerce and criteria for selecting qualified projects.

### Recommendation

Modify to allow this statutory framework to be available for other infrastructure projects in the state, including possibly broadband.



**RECOMMENDATION:** Modify to allow framework to be available for other infrastructure projects.

- The South Carolina Water and Wastewater Infrastructure Fund was created in 2000 to distribute a portion of South Carolina's Tobacco Settlement proceeds.
  - ✓ Program was implemented and all grants are closed.
- Fund could be used for other purposes, including possibly broadband.

#### S. C. Code Ann. §13-1-45 (PER pp. 43-44)

There is established under the direction and control of the Secretary of Commerce the South Carolina Water and Wastewater Infrastructure Fund for the purposes of selecting, assisting, and financing major qualified projects by providing financing assistance to governmental units and private entities for constructing and improving water and wastewater facilities that are necessary for public purposes, including economic development and for technology-related infrastructure grants for local units of government.

- (A) As used in this section:
  - (1) "Fund" means the South Carolina Water and Wastewater Infrastructure Fund.
  - (8) "Qualified borrower" means any government unit, public or private nonprofit entity or private for profit entity fulfilling an <u>essential public purpose</u> approved by the department that is authorized to construct, operate, or own a qualified project and receives financing assistance pursuant to this section.

### Law Summary

#### **SECTION 13-1-320.**

Establishes the objectives of the Division of State Development.

### Recommendation

#### **Modify to update Commerce objectives:**

- ➤ Delete obsolete language.
- Add objectives related to promotion of strategic planning (moved from CCED statutes) and rural and workforce development.



## **RECOMMENDATION:** Modify and update objectives

- Commerce is not the "official state liaison office", but promotes coordination of functions and activities of various agencies at the state, federal and local level regarding planning, research and development.
- Commerce promotes, but does not implement, a system of transportation in the state.
- Since 2016, Commerce has provided staff support for the SC Coordinating Council for Workforce Development (§13-1-2030).
   Commerce also has responsibility for regional education centers (§13-1-1810 and -1820).

#### **S. C. Code Ann. §13-1-320 (2), (3), (4)** (PER p. 51)

The objectives of the division are to:

•••

- (2) promote coordination of the functions and activities of state agencies and act as the official state liaison office between the state, federal, and local planning, research, and development agencies;
- (3) promote a system of transportation for the State through development and expansion, by state, federal, and local government agencies, of the highway, railroad, port, waterway, and airport systems;
- (4) promote <u>strategic planning for economic</u> <u>development, through coordination and collaboration with state, federal, and local government agencies and other stakeholders, and correlate state and local activity in planning public works projects, all for the purpose of diversifying and expanding the economic base of the State;</u>

•••

## **RECOMMENDATION:** Modify and update objectives.

- Finding ways to overcome challenges faced by rural communities to attract jobs, investment and new residents is an important objective.
- Connecting education, communities and businesses regarding workforce has been an objective since 2003 Restructuring.
- Since 2014, Commerce has provided staff support for the SC Education and Economic Development Coordinating Council (§59-59-175). Commerce also has responsibility for regional education centers (§13-1-1810 and 1820).

**S. C. Code Ann. §13-1-320 (9), (10), (11)** (PER p. 52)

The objectives of the division are to:

•••

(9) identify challenges facing rural communities in the State and solutions to overcome those challenges for the purpose of diversifying and expanding the economic base of the State;

(10) facilitate interaction by and among education, communities, and private businesses to ensure that all South Carolina citizens are knowledgeable and prepared to meet the current and future workforce needs of new and existing businesses in the State;

(911) advance the general welfare of the people.



### Law Summary

#### **SECTION 13-1-330.**

Requires that the Division of State
Development be made up of certain bureaus
and be headed by individuals with certain
qualifications.

### Recommendation

#### **Modify limiting language:**

- ➤ Give Secretary of Commerce discretion on how to organize division and staff with qualified personnel.
- ➤ Delete obsolete language.



**RECOMMENDATION:** Update obsolete language re: agency and staff organization

- Bureau language is outdated and does not reflect organization of Commerce since 1993 Restructuring.
- Removing limiting language clarifies that current and future Secretaries have the ability to organize the Division of State Development, or Commerce, in the way that best meets the needs of the state.

#### **S. C. Code Ann. §13-1-330** (PER p. 53)

The division shall be organized at the discretion of the director, with approval of the Secretary, and staffed by personnel with the necessary qualifications and experience to perform the duties required <del>consist of a bureau of research, a bureau of</del> planning, a bureau of development, and such other bureaus as the director may establish. Each bureau may be headed by a bureau chief selected on the basis of his technical and administrative qualifications and experience to perform the duties required by his position. The chief for the bureau of research shall be a person thoroughly familiar with the principles of, and experienced in, the methods and techniques of research and economics. The chief for the bureau of planning shall be an industrial engineer experienced in that type of work. The chief for the bureau of development shall be a person thoroughly familiar with the principles of, and experienced in, the methods and techniques of developing a program of advertising and salesmanship.



### Law Summary

#### **SECTION 13-1-340.**

Establishes duties, powers, and responsibilities of Director of Division of State Development.

### Recommendation

Modify and update to consolidate into this section the broad powers of former boards, commissions, and councils to the extent those duties, powers, and responsibilities are still relevant and useful. (See Law Change #8.)



**RECOMMENDATION:** Consolidate and update §13-1-340 and §13-1-350

This is the primary section outlining S.C. Commerce's duties, powers, and responsibilities, which have not been updated since 1993.

#### **S. C. Code Ann. §13-1-340(7) & (11)** (PER p. 55)

The director is vested with duties, powers, and responsibilities involved in accomplishing the division's objectives outlined in this article ... The director may:

(7) publish and distribute the division's findings through written reports, brochures, magazine and newspaper articles, and other appropriate forms and use the radio, periodicals, and other recognized forms of advertising and marketing, personal interviews, exhibits, and displays in order that governmental agencies, corporations, and individual citizens may become acquainted with the development program of the State;

(11) accept gifts, grants, loans, funds, and property to accomplish the division's objectives, administer and disburse gifts, grants, loans, and funds, and dispose of property to counties, municipalities, and local agencies performing a public service or function which may disburse the gifts, grants, and funds or make the property available to eligible participants in a program established to perform and implement the public service or function subject to the approval of the State Fiscal Accountability Authority.



**RECOMMENDATION:** Consolidate and update §13-1-340 and §13-1-350

■ While most of the duties, powers, and responsibilities under Section 13-1-340 are still relevant, many of the additional duties, powers, and responsibilities set forth in Section 13-1-350 are obsolete, unconstitutional, duplicative of duties being performed by other state agencies, or can be updated and consolidated into one section. (See Law Change #8.)



The director is vested with duties, powers, and responsibilities involved in accomplishing the division's objectives outlined in this article ...The director may:

(12) compile surveys showing the nature and extent of the natural resources and of the manufactured products and raw materials found or produced in the State which may move in domestic or foreign commerce;

(13) determine the areas throughout the world where commodities and products of this State may find advantageous markets and secure perfection of arrangements between citizens of this State and producers and consumers in other areas whereby there may be carried on greater interchange of commerce.

(14) purchase, hold, use, lease, sell, transfer, convey, assign, or otherwise to acquire or dispose of any property, real, personal or mixed, or any estate or interest therein, all subject to requisite approvals;



•••

**RECOMMENDATION:** Consolidate and update §13-1-340 and §13-1-350

While most of the duties, powers, and responsibilities under Section 13-1-340 are still relevant, many of the additional duties, powers, and responsibilities set forth in Section 13-1-350 are obsolete, unconstitutional, duplicative of duties being performed by other state agencies, or can be updated and consolidated into one section. (See Law Change #8.)



The director is vested with duties, powers, and responsibilities involved in accomplishing the division's objectives outlined in this article ...The director may:

•••

- (15) employ attorneys and other consultants and contractors upon such reasonable basis of compensation commensurate with the services rendered or to be rendered to the end that no excessive or unreasonable fees or compensation shall be allowed;
- (16) Promulgate regulations in accordance with Chapter 23 of Title 1;
- (17) have the power of eminent domain;
- (18) borrow money from the United States or any corporation or agency created, designed or established by the United States;
- (19) have all additional powers, not inconsistent with this article, that are vested by law in corporations generally.



### Law Summary

#### **SECTION 13-1-350.**

Outlines additional duties and powers vested in Commerce from former entities that were restructured into the Division of State Development.

### Recommendation

Repeal and consolidate duties that are still relevant and useful (and not duplicative of duties being performed by other agencies, obsolete and/or unconstitutional) into Section 13-1-340. (See Law Change #7.)



**RECOMMENDATION:** Consolidate §13-1-350 as appropriate into §13-1-340

Repeal and consolidate duties that are still relevant and useful (and not duplicative of duties being performed by other agencies, obsolete and/or unconstitutional) into Section 13-1-340. (See Law Change #7.) S. C. Code Ann. §13-1-350

For proposed statutory revisions and whether proposed language is recommended to be **MOVED** or repealed as **DUPLICATIVE**, **OBSOLETE** or **UNCONSTITUTIONAL...** 

Please see *PER pp. 56 – 63* 



### Law Summary

#### **SECTION 13-7-20.**

Designates Division of State Development as agency responsible for promotion and development of atomic energy resources in South Carolina.

### Recommendation

Repeal as obsolete (and duplicative of existing statutory authority related to all industrial activities).



### Law Summary

#### **SECTION 13-1-370.**

Allows Secretary to establish advisory committee to the Division of State Development.

### Recommendation

Repeal as duplicative, but move identification of challenges facing rural communities and solutions to agency objectives under Section 13-1-320. (See Law Change #5.)



### Law Summary

#### **SECTION 13-1-380.**

Establishes Recycling Market Development Advisory Council (RMDAC).

### Recommendation

Modify manner of funding and move annual reporting date to one month after DHEC's report to General Assembly is due. (*See* Law Change #18, codifying and updating Proviso 50.12.)



**RECOMMENDATION:** Modify and update funding and annual reporting language.

- The Solid Waste Management Trust Fund is funding expenses of the Recycling Market Development Advisory Council (RMDAC) as originally contemplated by the statute.
- Moving the annual report to one month after the date DHEC's annual report to the General Assembly is due allows RMDAC to take DHEC's report into account. This amendment also codifies and updates Proviso 50.12. (See Law Change 18.)

#### S. C. Code Ann. §13-1-380 (D) & (G) (PER pp. 71 & 73)

- (D) Each member of the advisory council shall serve a two-year term beginning on the date of his appointment and shall serve until a successor is appointed and qualified. Members shall serve at the pleasure of their appointing authority and shall receive the usual mileage, per diem, and subsistence provided by law for members of boards, committees, and commissions. Until sufficient funds have accumulated in the Solid Waste Management Trust Fund shall to cover the advisory council's expenses, the appointing authorities shall provide the mileage, per diem, and subsistence for their respective appointees. Any other expenses of the advisory council shall be shared equally by the appointing authorities until the trust fund has sufficient funds to cover the expenses.
- (G) Following its initial report, the council shall submit to the Governor and to the General Assembly the end of each calendar year an annual report on recycling activities in this State for the previous calendar year. The report shall be submitted one month after the date the annual report on recycling activities is submitted by the Department of Health and Environmental Control and which shall, at a minimum, include...

### Law Summary

#### Proviso 50.12

Requires annual report by Recycling Market Development Advisory Council (RMDAC) by March 15 annually.

### Recommendation

#### Modify & codify:

- ➤ Change date to April 15 to allow RMDAC to receive and consider DHEC's final report on recycling activities due on March 15.
- ➤ Reporting requirement should be codified in Section 13-1-380. (See Law Change #11.)



### Law Summary

SECTIONS 13-1-1720, -1730, -1740, -1750, -1770, -1780.

These sections comprise most of the statutory framework authorizing the South Carolina Coordinating Council for Economic Development.

### Recommendation

#### **Modify and update:**

- > Remove obsolete mandates and programs.
- ➤ Add authorization to administer and require reporting on post-1993 programs.
- ➤ Update funding mechanism for Council. (See Law Change #16.)
- > Other technical clarifying updates.



**RECOMMENDATION:** Modify
Coordinating Council duties regarding
strategic planning & move to Division of
Development

- Coordinating Council mandates related to strategic planning predated 1993 creation of the Department of Commerce.
- Coordinating Council commissioned a strategic plan for economic development in late 1980s.
- Following 1993 Restructuring, Commerce has been responsible for strategic planning in collaboration with other public and private stakeholders in the State. (See Law Change #5.)

#### **S.C. Code Ann. §13-1-1720** (PER p. 77)

- (A) ... It shall enhance the economic growth and development of the State through strategic planning and coordinating activities that include:
- (1) development and revision of a strategic state plan for economic development. "Strategic state plan for economic development" means a planning document that outlines strategies and activities designed to continue, diversify, or expand the economic base of South Carolina, based on the natural, physical, social, and economic needs of the State;
- (2) monitoring implementation of a strategic plan for economic development through an annual review of economic development activities of the previous year and modifying the plan as necessary;

•••

- (24) use of federal funds, foundation grants, and private funds in the development, implementation and, revision, and promotion of a strategic plan for economic development...
- (<u>35</u>) evaluation of plans and programs in terms of their compatibility with state objectives and priorities as outlined in the strategic plan for economic development;

**RECOMMENDATION:** Add programs under Coordinating Council jurisdiction that post-dated 1993 Restructuring

- Approval of Rural Infrastructure grants pursuant to Section 12-10-85.
- Approval of Enterprise Zone Act applications and negotiation of revitalization agreements pursuant to Chapter 10 of Title 12 of the Code.
- Approval of Port Volume Increase credits pursuant to Section 12-6-3375.

#### **S.C. Code Ann. § 13-1-1720** (PER p. 78)

(<u>46</u>) approval of infrastructure and other economic development grants for local units of government pursuant to <u>Section 12-10-85</u>, Section 12-28-2910 or any <u>other source designated for administration by the council</u>;

(<u>5</u>7) approval of infrastructure development grants for local units of government pursuant to Section 12-21-6540;

(68) approval of applications submitted under the Enterprise Zone Act of 1996 and negotiation of revitalization agreements pursuant to Section 12-10-60;

(7<u>9</u>) approval of applications submitted under Section 12-6-3375.

•••



**RECOMMENDATION:** Repeal Council's responsibility to review Commerce appropriation requests and to report on strategic planning; update reporting.

- Since 1993 Restructuring, the Council has no role in reviewing Commerce's budget; as a cabinet agency, Commerce submits its budget to the Governor.
- Update Coordinating Council reporting requirements to include grants that do not otherwise have a statutory reporting requirement.



#### **S.C. Code Ann. § 13-1-1730** (PER p. 78)

The coordinating council shall make reports to the Governor, the chairmen of the Senate Finance and House Ways and Means Committees, and the General Assembly at least annually <u>regarding</u> grant programs administered by the council that do not otherwise have a statutory reporting requirement. Such reports shall itemize the expenditures for the preceding calendar year and include, at a minimum, the following information:

- (a) company name or confidential project number;
- (b) location of the project;
- (c) amount of the grant award; and
- (d) scope of grant award.

Reports required by this section are in addition to any other reporting requirements applicable to the council. in the Department of Commerce's annual report, on the status and progress of economic development goals which have been set for the State as a part of the ongoing planning process and on the commitments, expenditures, and balance of the Economic Development Account, with appropriate recommendations.

**RECOMMENDATION:** Repeal Council duties to make strategic planning recommendations and to review agency appropriation requests

- The Coordinating Council is no longer involved in strategic planning or in reviewing agency appropriation requests.
- Following 1993 Restructuring, Commerce has been responsible for strategic planning in collaboration with other public and private stakeholders in the State. (See Law Change #5.)
- Commerce reports annually on economic development goals and status.



#### **S.C. Code Ann. § 13-1-1740** (PER p. 79)

(A) The coordinating council shall make recommendations to the Governor, the General Assembly, and the State Fiscal Accountability Authority as to the policies and programs involved in the state's economic development it considers necessary to carry out the objectives of the strategic plan.

(B) The coordinating council shall review agency requests for legislative appropriations for economic development and may make recommendations to the Office of the Governor and the State Fiscal Accountability Authority and the General Assembly concerning requests compatible with the objectives of the strategic plan. This section does not limit an agency's direct access to the General Assembly, and comment by the coordinating council is not a part of the budget process.

**RECOMMENDATION:** Update funding of Coordinating Council: repeal funding mechanism in §13-1-1750 and codify Proviso 50.2 (See Law Change 17)

- Funding mechanism in §13-1-1750 is obsolete.
- For over 20 years, staff support for the Council has been authorized by proviso and funded via a percentage of the Set Aside Fund. (See Law Change #17)

**S.C. Code Ann. § 13-1-1750** (PER pp. 79-80)

**SECTION 13-1-1750.** Funding; technical advisory committees; data sources.

Funds for technical, administrative, and clerical assistance and other expenses of the coordinating council must be provided by the member agencies. The coordinating council may establish technical advisory committees to assist in the development of a strategic plan for economic development. The coordinating council shall seek to utilize data available from the Department of Transportation, the University of South Carolina, Clemson University, and other state agencies and organizations and relevant to the economic growth and development of the State.

From the amount set aside in Section 12-28-2910, the council is authorized to use up to ten percent of such amount for actual operating expenses in support of administrative program costs and business recruitment and retention and up to \$60,000 to support the Geographic Information Systems (GIS) program, as approved by council. Any balance on June thirtieth of the prior fiscal year may be carried forward and expended for the same purposes in the current fiscal year.



### Law Summary

#### Proviso 50.2

Provides for funding administration of Coordinating Council from up to 10% of Set Aside Fund and authorizes up to \$60k to be spent on GIS system.

### Recommendation

#### **Codify:**

- Commerce has funded staff for the Council for 20 years pursuant to this proviso.
- ➤ Section 13-1-1750 should be updated to reflect existing funding model in proviso. (See Law Change #12.)



**RECOMMENDATION:** Modify language regarding Downtown Redevelopment Program to make discretionary

- Mandate originated in a 1998 proviso.
- While a formal downtown redevelopment program was never officially established, the Coordinating Council has funded these types of activities with Rural Infrastructure Funds and Commerce has done so with CDBG funds.

### **S.C. Code Ann. § 13-1-1770** (PER p. 80)

(A) The coordinating council shall may establish the "Downtown Redevelopment Program" for the purpose of making grants for revitalizing and enhancing the viability of downtown areas through partnerships of municipal government, county government, and private investors.

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**RECOMMENDATION:** Update language in §13-1-1780

- The language in §13-1-1780 uses an incorrect fund name.
- Department of Agriculture agrees with the proposed change.

**S.C. Code Ann. § 13-1-1780** (PER p. 80)

In awarding grants or other incentives benefits for economic development projects, including awards from the Governor's Closing Fund, the Department of Commerce and the coordinating council must consider agricultural businesses. The Department of Commerce and the coordinating council must consider the number of jobs created, including full-time, part-time, and seasonal jobs, and the total investment made, including the cost of the real property.



### Law Summary

#### **SECTION 11-56-10.**

Enabling legislation for Microenterprise
Development Act contained in Editor's Note,
which established a Clean Energy Industry
Manufacturing Market Development Advisory
Commission.

### Recommendation

#### Repeal/delete language in Editor's Note

- Commission was dissolved automatically with submission of Commission's final report in 2015.
- Secretary of Commerce has separate authority to form advisory councils as necessary, including on Clean Energy.



### Law Summary

#### **SECTION 24-1-290.**

Requires Commerce to assist Corrections in marketing its Prison Industries Program and to certify that there is no unfair competitive wage disadvantage created by contracts using prison labor.

### Recommendation

#### **Modify to remove Commerce:**

- ➤ Program has value, but Corrections can administer without Commerce.
- Commerce has no role in recruiting these industries and does not have access to data needed for mandated certification.



# **RECOMMENDATION:** Eliminate Commerce involvement with prison industries program

- S.C. Commerce:
  - has no role in recruiting or marketing the types of companies that perform the services that the prison industries program provides; and
  - cannot make the certification required by statute because Commerce does not have the data required.
- The Prison Industries Program has value, but Corrections can provide public notice and take note of any objections without S.C. Commerce.

#### **S.C. Code Ann. § 24-1-290** (PER pp. 84-85)

- (A) The Department of Corrections, in conjunction with the Department of Commerce, shall develop and maintain a marketing plan to attract private sector service businesses for the employment of inmates through the prison industries program.
- (B) Prior to entering into new contracts and renewals of existing contracts with private sector service entities that want to hire inmates through the prison industries program, the Department of Corrections must provide public notice of its intention to establish or continue a prison-based industry at a particular facility and receive certification by the Department of Commerce that an unfair competitive wage disadvantage to the local economy is not created by each new contract for prison labor.
- (B)(1)(a) The Department of Commerce Corrections must maintain a copy of any objections filed for a period of three years from the date that the objections were received.
- (B)(1)(C) No contract may be negotiated or executed prior to forty days after the last date that the notice required by subsection (A) appears. New contracts and renewals of existing contracts between private sector entities and the Department of Corrections must be negotiated in accordance with procedures established jointly by the Department of Commerce and the Department of Corrections. The procedures must be drafted to ensure fairness and consistency in establishing contracts with private sector entities seeking to establish or continue prison-based operations whenever the wage to be paid is less than the federally established minimum wage.

...



### Law Summary

SECTIONS 31-1-30, 31-1-110 through -230; 31-3-20, -340, -370, 390, -750.

Establishes duties of Commerce related to housing, limited dividend housing corporations, and oversight over municipal housing authorities/commissions.

### Recommendation

## Repeal/remove Commerce from housing matters:

- ➤ Move statutory duties and authorization to Secretary of State; or
- Repeal to the extent obsolete. (See Law Change #8.)



**RECOMMENDATION:** Remove participation of Secretary of Commerce from housing-related matters and move duties to Secretary of State

- Many of these statutory provisions are likely obsolete or should be handled by Secretary of State.
- The Secretary of Commerce should not have oversight over housing-related matters. (See Law Change #8.)

SC Housing and the SC State Library have provided information and background to Commerce, which is included in the Proposed Revisions to Law Wording found on pp. 87 – 88 of the PER.

Commerce takes no position on the disposition of these statutes other than that any housing-related responsibilities do not appropriately reside with the Secretary of Commerce.



### Law Summary

#### **SECTION 11-37-200.**

Establishes Water Resources Coordinating Council and makes Secretary of Commerce a member.

### Recommendation

Repeal because Water Resources Coordinating Council is defunct. (See Rural Infrastructure Authority Law Change #4.)



### Law Summary

#### **SECTION 38-75-470.**

Establishes membership of Advisory
Committee to Director and SC Building Codes
Council Loss Mitigation Grant Program, and
SC Comprehensive Hurricane Damage
Mitigation Program.

### Recommendation

#### Modify:

- Remove Commerce representative because membership originates from obsolete duties related to housing.
- ➤ Commerce currently designates a private construction company executive to serve.



### Law Summary

#### **SECTION 15-9-390.**

Provides for service of process on nonresident operators of aircraft and requires service on Secretary of Commerce as agent of nonresident operator.

### Recommendation

#### Modify:

- ➤ Remove Secretary of Commerce and replace with Aeronautics Commission.
- Commerce was substituted for Commission during 1993 Restructuring when Aeronautics was made a division of Commerce.
- ➤ Aeronautics Commission has been reconstituted.

