

Economic Development, Transportation, and Natural Resources Subcommittee Meeting
Tuesday, September 20, 2022

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AGENDA

South Carolina
House of Representatives



Legislative Oversight Committee

***ECONOMIC DEVELOPMENT, TRANSPORTATION,
AND NATURAL RESOURCES SUBCOMMITTEE***

The Honorable William M. "Bill" Hixon, Chair

The Honorable Adam M. Morgan

The Honorable Russell L. Ott

The Honorable Marvin R. Pendarvis

Tuesday, September 20, 2022

10:30 a.m.

317 - Blatt Building

Pursuant to Committee Rule 6.8, S.C. ETV shall be allowed access for internet streaming whenever technologically feasible.

AGENDA

- I. Approval of Minutes**
- II. Discussion of the study of the Jobs Economic Development Authority**
- III. Adjournment**

MEETING MINUTES

Chair Wm. Weston J. Newton

*First Vice-Chair:
Joseph H. Jefferson, Jr.*

Legislative Oversight Committee

*Kambrell H. Garvin
Rosalyn D. Henderson-Myers
Max T. Hyde, Jr.
Kimberly O. Johnson
John R. McCravy, III
Travis A. Moore
Melissa Lackey Oremus
Marvin R. Pendarvis
John Taliaferro (Jay) West, IV*



South Carolina House of Representatives

*Gil Gatch
William M. "Bill" Hixon
Jeffrey E. "Jeff" Johnson
Josiah Magnuson
Timothy A. "Tim" McGinnis
Adam M. Morgan
Russell L. Ott
Michael F. Rivers, Sr.
Chris Wooten*

*Jennifer L. Dobson
Research Director*

*Cathy A. Greer
Administration Coordinator*

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*Charles L. Appleby, IV
Legal Counsel*

*Lewis Carter
Research Analyst/Auditor*

*Riley E. McCullough
Research Analyst*

Economic Development, Transportation, and Natural Resources Subcommittee

Tuesday, April 27, 2022

9:00 a.m.

Blatt Room 321

Archived Video Available

- I. Pursuant to House Legislative Oversight Committee Rule 6.7, South Carolina ETV was allowed access for streaming the meeting. You may access an archived video of this meeting by visiting the South Carolina General Assembly's website (<http://www.scstatehouse.gov>) and clicking on *Committee Postings and Reports*, then under *House Standing Committees* click on *Legislative Oversight*. Then, click on *Video Archives* for a listing of archived videos for the Committee.

Attendance

- I. The Economic Development, Transportation, and Natural Resources and Education and Cultural Subcommittee meeting was called to order by Subcommittee Chair William M. "Bill" Hixon on Wednesday, April 27, 2022, at 9:00 a.m. in Room 321 of the Blatt Building. Subcommittee Chair Hixon, Representative Adam M. Morgan; and Representative Russell L. Ott were present for all or a portion of the meeting

Minutes

- I. House Rule 4.5 requires standing committees to prepare and make available to the public the minutes of committee meetings, but the minutes do not have to be verbatim accounts of meetings. It is the practice of the Legislative Oversight Committee to provide minutes for its subcommittee meetings.
- II. Representative Ott made a motion to approve the meeting minutes from the prior two meetings held on August 5, 2021, and February 28, 2022. A roll call vote was held, and the motion passed.

Rep. Ott's motion to approve the meeting minutes	Yea	Nay	Not Voting
Rep. Hixon	✓		
Rep. Morgan	✓		
Rep. Ott	✓		
Rep. Pendarvis			✓

Discussion of the Study of the Department of Commerce

- I. Chair Hixon reminds all previously sworn in that they remain under oath. Secretary of Commerce Harry M. Lightsey III provided brief comments about the agency's involvement with the Carolina Panthers Rock Hill Development. Members ask questions, which Secretary Lightsey answers.
- II. Subcommittee Chair Hixon placed a statement into the record from Representative Pendarvis noting his approval of the findings and recommendations as presented in the meeting packet.
- III. Representative Ott made a motion to approve the subcommittee's findings and recommendations as presented in the meeting packet. A roll call vote was held, and the motion passed.

Rep. Ott's motion to approve the meeting minutes	Yea	Nay	Not Voting
Rep. Hixon	✓		
Rep. Morgan	✓		
Rep. Ott	✓		
Rep. Pendarvis			✓

- IV. Subcommittee Chair Hixon directed staff to draft the report and provide a copy of it to all subcommittee members by Wednesday, June 15, 2022.

If any member would like to provide a written statement for inclusion in the report, the deadline for providing those statements will be 5:00 p.m. on Wednesday, June 22, 2022. Subcommittee Chair Hixon will provide notice to the full Committee that a Subcommittee Study is available for consideration, unless he receives a written request for another meeting from a subcommittee member prior to 5:00 p.m. on Wednesday, June 22, 2022.

Deadlines are subject to change at the Subcommittee Chair's discretion.

Adjournment

- I. There being no further business, the meeting is adjourned.

STUDY TIMELINE

The House Legislative Oversight Committee's (Committee) process for studying the Department of Commerce (agency) includes actions by the full Committee; Economic Development, Transportation, and Natural Resources Subcommittee (Subcommittee); the agency; and the public. Key dates and actions are listed below in Figure 1.

Legislative Oversight Committee Actions

- December 9, 2019 – Holds **Meeting #1** and prioritizes the agency for study
- January 15, 2020 - Provides the agency notice about the oversight process
- February 28 – April 1, 2020 - Solicits input about the agency in the form of an online public survey
- April 8, 2021 - Holds **Meeting #2** to receive public input about the agency

Economic Development, Transportation, and Natural Resources Subcommittee

- September 20, 2022 – TODAY - Holds **Meeting #3** to discuss the agency's vision; mission; director responsibilities; organizational structure; history; finances, employees, and services.

Jobs Economic Development Authority

- February 27, 2015 - Submits its **Annual Restructuring and Seven-Year Plan Report**
- January 12, 2016 - Submits its **2016 Annual Restructuring Report**
- August 2016 - Submits its **2015-16 Accountability Report**
- August 2017 - Submits its **2016-17 Accountability Report**
- September 2018 - Submits its **2017-18 Accountability Report**
- September 2019 - Submits its **2018-19 Accountability Report**
- March 13, 2020 - Submits its **Program Evaluation Report**
- September 2020 - Submits its **2019-20 Accountability Report**
- January 2021 - Submits its **Updated Program Evaluation Report**
- September 2021 - Submits its **2020-21 Accountability Report**
- January, 2020 - Present - Responds to Subcommittee's inquiries

Public's Actions

- February 28 – April 1, 2020 - Provides input about the agency via an **online public survey**
- Ongoing - Submits written comments on the Committee's webpage on the General Assembly's website (www.scstatehouse.gov)

Figure 1. Key dates in the study process.

AGENCY SNAPSHOT

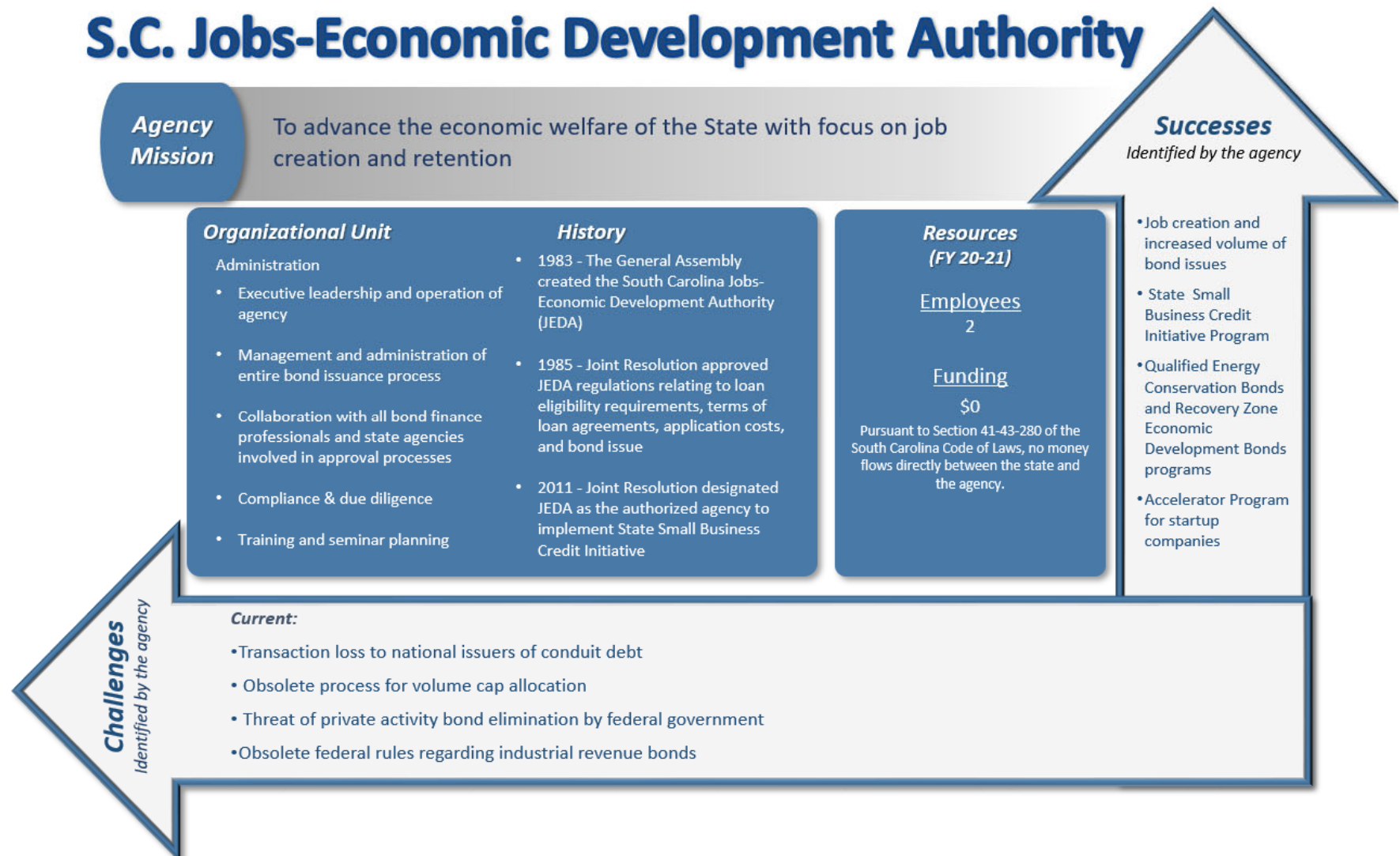
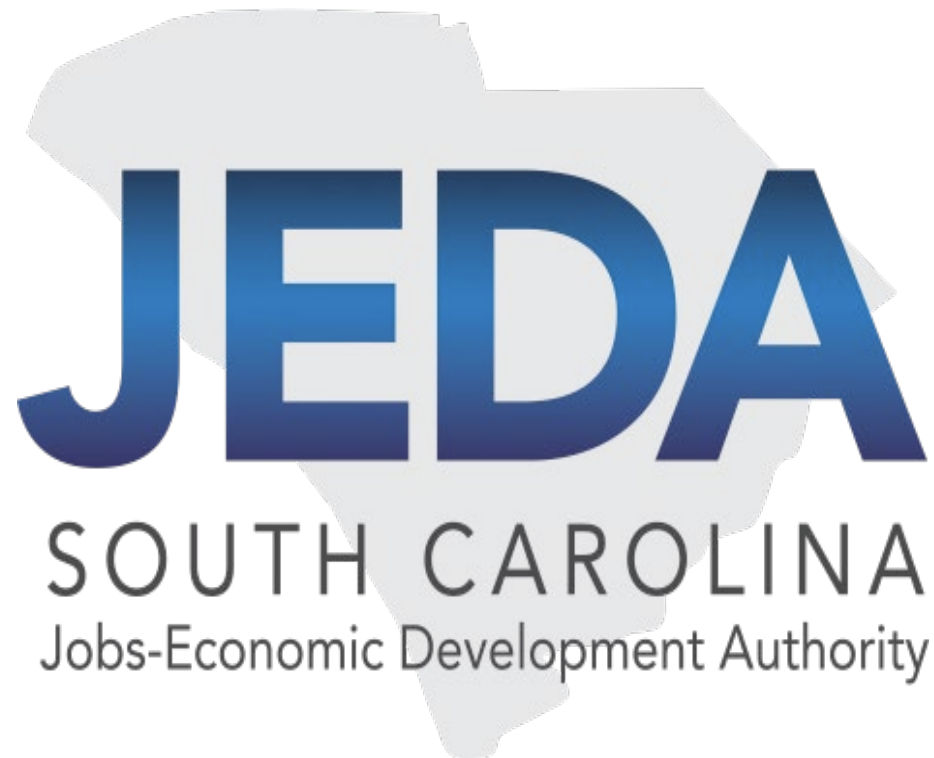


Figure 2. Snapshot of the agency's major organizational units, fiscal year 2020-21 resources (employees and funding), successes, and challenges.¹

AGENCY PRESENTATION



Mission

The mission of JEDA is to promote and develop the business and economic welfare of South Carolina by assisting in the financing of public and private projects throughout the state.

-S.C. Code Section 41-43-70

JEDA is a completely self-funded agency and operates at no cost to taxpayers.

HISTORY

The recession of 1981-1983 in South Carolina was due, in part, to the nationwide economic downturn, and also the inability to overcome the tremendous job losses sustained by the textile manufacturers across the State.

While certain manufacturing entities grew during this period, the overall loss in employment highlighted the need to transition from traditional manufacturing, especially textiles, to more employment in services and non-labor intensive manufacturing.

CREATION OF JEDA

A special task force by Governor Dick Riley was appointed in November, 1982, to create an agency with broad authority to meet the growing needs of businesses across the State. In 1983 the legislature created the South Carolina Jobs-Economic Development Fund Act.

JEDA was initially tasked with servicing Community Development Block Grant (CDBG) loans for the State, and relending the payments received, along with appropriations by the legislature, to businesses that were struggling to receive financing. JEDA also created Business Carolina, Inc. (BCI) to service and manage the loan process. In 2003 under Governor Mark Sanford, BCI was separated from JEDA.

Prior to the creation of JEDA, conduit bonds were issued by the counties, which were limited in their scope and lacked transparency. As the statewide qualified issuer, JEDA is able to issue all types of private activity bonds, providing a timely, predictable and transparent process for qualified borrowers across the State. JEDA has become the largest conduit issuer of private activity bonds in the State.

JEDA AS A CONDUIT ISSUER

JEDA serves as conduit issuer of bonds on behalf of a borrowing entity. Under the Internal Revenue Code, certain for-profit entities and Section 501(c)(3) organizations can finance their projects with tax-exempt bonds, but these entities cannot do so directly.

They must borrow through a “conduit” issuer of bonds in order to receive the tax-exempt financing.

Entities do not borrow from JEDA, but rather through JEDA, using JEDA as access to the capital markets at tax-exempt rates.

Bonds issued by JEDA are payable solely by the underlying borrower from the funds and assets pledged for each individual bond issue. JEDA does not enhance the credit of the underlying borrower.

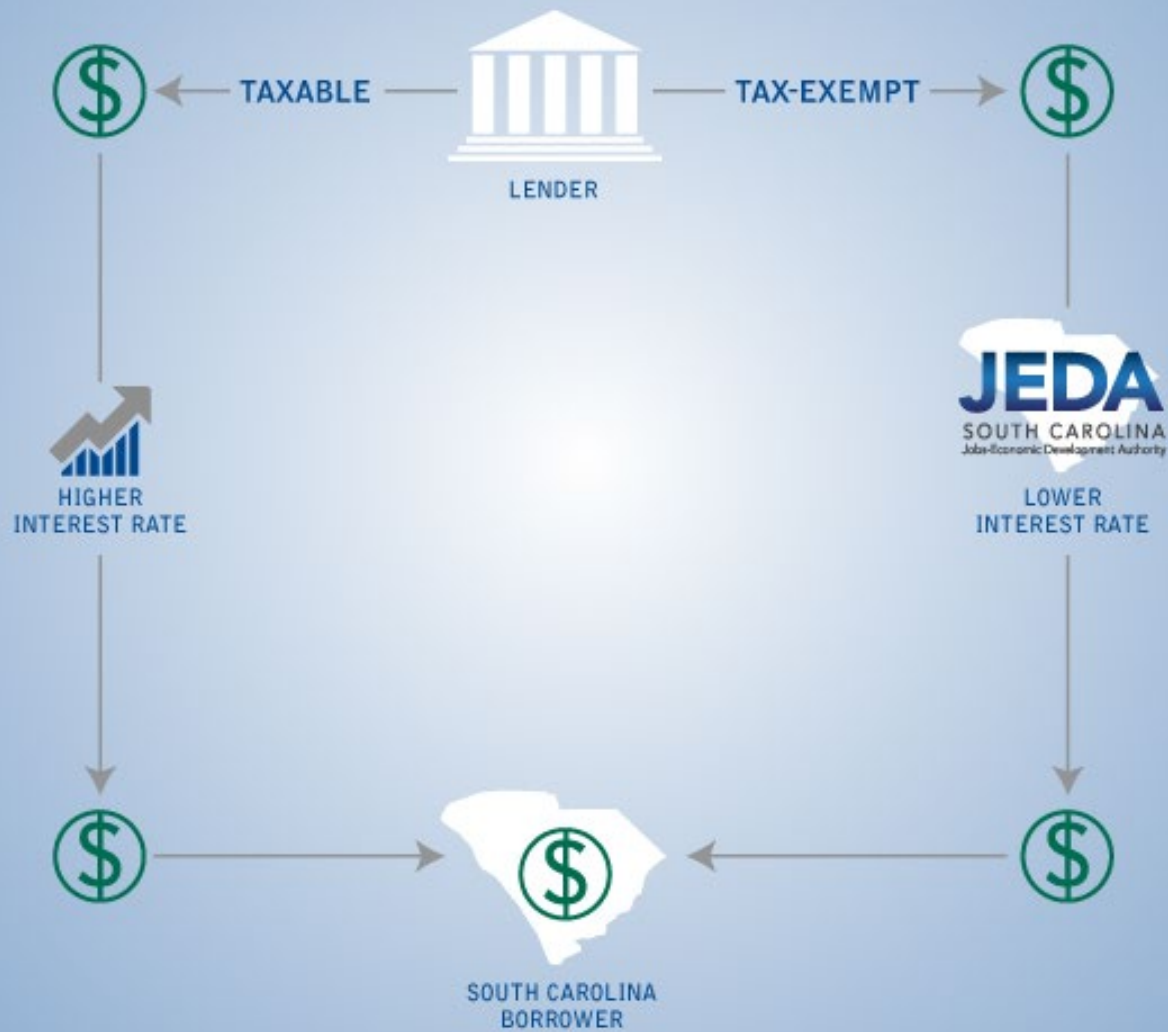
JEDA funds are not at risk in connection with the financing, and no funds of the State of South Carolina or any political subdivision thereof are at risk. Each JEDA bond contains language to that effect.

The marketplace determines if a bond is marketable, not JEDA.

JEDA and its counsel analyze each project's eligibility for tax-exempt bond financing, as specified by Federal law.

JEDA does not assume the responsibility of determining the creditworthiness of a project or borrower, nor does it assume the resulting legal liability from making such a determination.

How JEDA Reduces Borrowing Cost



AGENCY BOARD

ORGANIZATIONAL CHART

JEDA BOARD OF DIRECTORS

BOARD OF DIRECTORS

- Membership: Governor appoints, with advice and consent of the Senate, one Director from each Congressional District and one from the State at large, who serve as Chairman. Governor and Commerce Secretary [or their designees] serve as ex-officio members
- Terms:
 - To ensure a majority of the members' terms did not end in the same year, statute made the initial terms 3, 2, and 1 year for different congressional districts and stated vacancies must be filled for the unexpired term in the original appointment (41-43-40)
 - 3-year terms until successor is appointed and confirmed or they resign
 - May be removed by the Governor for cause or at will
- Experience: Must have experience in the fields of business, commerce, finance, banking, real estate or foreign trade. At least two Directors must have direct commercial lending experience

RESPONSIBILITIES OF THE JEDA BOARD

General Board Responsibilities

- Governing and policy-making body
- Adopt objectives and programs annually
- Appoint Executive Director
- Establish meeting and attendance guidelines
- Perform duties and responsibilities as mandated
- Monitor and confirm no conflict of interest with regard to bond projects

Individual Member Responsibilities

- Attend regular and telephonic Board meetings
- Participate fully regarding Agency policy
- Review and approve annual budget
- Communicate with Executive Director & Staff
- Assist and support economic development legislation
- Develop own local communication network
- Participate in project activities
- Maintain liaison with public and private development allies

JEDA BOARD

Officers

Chairman

- Presides over all meetings of the Board
- Serves as principal liaison with Governor
- Appoints and presides over Executive Committee

Vice-Chairman

- Presides over Board meetings in absence of Chairman

Meetings

Time & Place

- Meets monthly
- Quarterly meetings required
- Meetings may be conducted via conference call

Voting

- Directed by the Chairman
- Each attending member has one vote

Minutes Recorded & Reported

- Copies maintained in Board notebook

BOARD MEMBERS & TERMS

Seat	Name	Term
At Large Chairman	Michael W. Nix	July 27, 2022*
1 st Congressional District	Henry B. Fishburne	July 27, 2024
2 nd Congressional District	W. William “Bucky” Drake	July 27, 2018*
3 rd Congressional District	Richard K. Blackwell	July 28, 2023
4 th Congressional District	Vacant	
5 th Congressional District	Gregory A. Thompson	July 12, 2018*
6 th Congressional District	Vacant	
7 th Congressional District	Henry M. Swink	July 27, 2015*
Ex-Officio	Harry Lightsey SC Secretary of Commerce	Co-terminus with Position
Ex-Officio	Felton A. Lowrey Governor Designee	Co-terminus with Governor

* Continue to serve until a Successor is appointed and qualified

JEDA BOARD OF DIRECTORS

- **Chairman Michael Nix**- 9 ½ years of service, Greenwood, Chief Investment Officer, Verity Investment Partners
- **Henry B. Fishburne**, less than 1 year service; Charleston, retired Attorney [1st District]
- **“Bucky” Drake**- 7 ½ years of service; Columbia; retired; Drake Development Company [2nd District]
- **Richard K. Blackwell**- less than 1 year service; Seneca, VP Development, Agracel [3rd District]
- **Greg Thompson**- 7 years of service; Sumter; CEO Thompson Industries [5th District]
- **Henry W. Swink** - 9 year of service; Effingham, President, McCall Farms [7th District]
- **Felton A. Lowrey**- 8 ½ years of service; Columbia; retired Banker [Governor Designee]
- **Harry Lightsey**- less than 1 year of service- Secretary of Commerce

AGENCY DIRECTOR AND ORGANIZATIONAL STRUCTURE

ORGANIZATIONAL CHART

JEDA BOARD OF DIRECTORS



HARRY A. HUNTLEY
EXECUTIVE DIRECTOR



CONTRACT
BOOKKEEPER



CLAUDIA MILLER
ADMINISTRATIVE MANAGER

BOARD OF DIRECTORS

- Membership: Governor appoints, with advice and consent of the Senate, one Director from each Congressional District and one from the State at large, who serve as Chairman. Governor and Commerce Secretary [or their designees] serve as ex-officio members
- Terms: 3-year terms until successor is appointed and confirmed or they resign; may be removed by the Governor for cause or at will.
- Experience: Must have experience in the fields of business, commerce, finance, banking, real estate or foreign trade. At least two Directors must have direct commercial lending experience

JEDA PERSONNEL

- Executive Director appointed by Board of Directors
- Executive Director selects and controls all other personnel
- JEDA personnel are not state employees (41-43-90), but do
 - Participate in S.C. Retirement System;
 - Participate in State Health Insurance Group; and are
 - Protected by S.C. Tort Claims Act

Agency Head: HARRY A. HUNTLEY, CPA

- Executive Director of JEDA (2008-Present)
 - Elected by, and serves at the pleasure of the JEDA Board of Directors
 - Has direct supervision of all JEDA activities and is responsible for the implementation of policies and decisions of the Board.
 - Signs on behalf of JEDA all agreements, contracts, note and order for payment which may be required, except where Resolutions of the Board direct otherwise.
- Executive Director of InvestSC (2007-Present)
 - Nonprofit created by JEDA at request of Venture Capital Authority (per Section 41-43-240)
 - Elected by, and serves at pleasure of InvestSC Board of Directors

AGENCY HEAD DUTIES

- Report to and maintain effective communication with Board
- Develop and recommend policies and practices to ensure agency meets objectives and mission
- Serve as Authority representative on all bond issuance activities
- Develop, recommend, implement and administer programs to meet needs of constituents and goals of Authority
- Monitor statutory powers of the Authority and recommend and develop adjustments as needed to meet requirements of changing market practices
- Educate Authority members through general & educational discussions and member participations, and dissemination of information necessary to fulfill Board's responsibility
- Provide timely information to Board on relevant local, state and national issues
- Develop and maintain relationships with representatives for constituent institutions to ensure continued awareness of the Authority, its functions, policies, practices and programs.
- Establish ongoing relationships with relevant professional entities and organizations whose relationships are essential to Authority's operation
- Manage relationships with relevant State agencies and SC General Assembly
- Market Authority and its policies and programs to Borrowers and other interested parties to explain benefits of conduit bond issuance through JEDA
- Manage JEDA Board meetings and finance approval process

AGENCY HEAD DUTIES

- Direct day to day process by which Authority issues public and private debt and provide support and assistance throughout life of the transaction
- Manage JEDA Board meetings and finance approval process
- Direct day to day operation of Authority
- Develop annual budget of Authority and oversee financial recordkeeping and report results to Board
- Work with state selected audit firm on annual audited financials
- Direct, plan and coordinate annual JEDA Bond Summit
- Authority to select, direct & control staff
- Responsible for duties of Agency staff
- Responsible to Board for program operation and budget
- Serves as spokesman for JEDA
- Signs all contract, agreements, documents
- Designs organizational structure of JEDA

AUTHORITY V. AGENCY

Authority = State Agency, except for certain purposes. Those purposes are outlined in each authorities' applicable statute.

Examples of Authorities

- Jobs Economic Development Authority
- Rural Infrastructure Authority
- State Ports Authority
- State Housing and Finance Authority

AGENCY FINANCES

Self-funded agency

- JEDA operates at no cost to S.C. taxpayers nor from tax dollars appropriated by the S.C. General Assembly.
- JEDA received appropriations from the General Assembly from 1984 to 1995 for loan programs.
- HUD required state funding (approximately \$75,000) for administering remaining CDBG loans from the Budget and Control Board until 2008.
- JEDA is a completely self-funded authority and an enterprise agency that is not part of the State SCEIS or payroll system.

Deposits, Withdrawals, and Accounts

See Handout, as well as next slides

Deposits/Funding Sources

Deposits

Federal funds from the State Small Business Credit Initiative (SSBCI) for which JEDA applies on behalf of the state (\$17M so far)

State Small Business Credit Initiative (SSBCI) administrative fees (program fee) which JEDA collects from Federal Government

Interest on SSBCI loan to BDC (see SSBCI-Flow doc for details) which JEDA collects from BDC

Taxable and tax exempt bond fees Borrower pays JEDA for serving as conduit. Fees include: (1) Application; (2) Issuer; and (3) Annual (Note: in 2017 one Annual Fee was inadvertently logged as A/R)

JEDA Bond Summit / Conference registration fees (JEDA hosts costs annually)

InvestSC payment for services (e.g., office space, accounting, administrative work)

Matured CD and Interest – Purchased at Banks to earn higher revenue than STO obtained. All of these will be cashed out by ???

Derivative Settlement/Federal Contribution (began receiving in 2013) – fines and penalties paid by banks for actions pre-2008 as a result of multi-state suit brought by AG's of 26 states.

Annual Parking Reimbursement from financial advisory contractor (only in 2019)

Funds Transfer from General Revenue Account to Countybank Greenwood

- All matured CDs went into Greenwood Capital. JEDA not required to invest through STO because JEDA money is not state money 41-43-90(K)

Returns from Investments through Investment Account (reinvested)

Payroll Transfer from General Revenue Account

Community Development Block Grant (CDBG) loans

- Lease income (Only remaining CDBG loan is to Hilton Head Water with monthly payment of \$1,500)
- Income will end in 2023 and JEDA currently has no plans for future involvement with CDBG

JEDA's sources of regular funding includes the following:

- Fees to serve as conduit issuer of taxable and tax exempt bonds (main revenue source)
- Administrative fees from State Small Business Credit Initiative (SSBCI)
- Funds from Federal government's SSBCI (41-43-300)
- Interest on SSBCI loan to Business Development Corporation (BDC) (see SSBCI slides for further detail)
- Fees from registration at JEDA's annual Bond Summit Conference
- Fees for services provided to InvestSC, Inc.
- Returns on investments through Greenwood Capital Investment Account

JEDA's sources of non-regular funding during one or more of last couple years include the following:

- Contribution from derivative settlements
- Lease payment collected on federal community development block grant (CDBG) loan for which JEDA serves as Servicing Agency and refunds to Commerce quarterly (ends in 2023)

Fee Schedule

- Statute permits JEDA to “Fix, alter, charge, and collect reasonable tolls, fees, rents, charges, and assessments for the use of the facilities of, or for the services rendered by, the authority the rates to be at least sufficient to provide for payment of all expenses of the authority.” (41-43-90)
- In 2022, the JEDA regulations were amended and the current fee schedule, adopted in 2009, are now included in the Regulation (68-30).
- JEDA’s fee schedule is also available on the authority’s website.

Accounts

Accounts	1	2	3	4
	JEDA's General Revenue Account	JEDA's Investment Account^	JEDA's Payroll Account	JEDA's CDBG Revenue Account
	<ul style="list-style-type: none"> • Opened at Wells Fargo pre 2008 • Under heading of State Treasurer • Composite reservoir account* • Serves as operating account for JEDA • All funds in account are Program Funds as defined in 41-43-20(C) (41-43-20(C) defines program funds as monies, including, but not limited to, the proceeds from bond sales, the sale or disposition of any assets, or any other source available to the authority, other than administrative funds and the earnings on the funds) 	<ul style="list-style-type: none"> • Opened at Greenwood Capital, after JEDA Board, in 2016, adopted formal investment policy and issued RFP to select investment manager 	<ul style="list-style-type: none"> • Opened at BB&T in Oct. 2017 • Previously at TD Bank until JEDA stopped receiving statements in timely manner, if at all, in early 2017) • Needed because JEDA employees are not state employees paid through state accounting system, SCEIS 	<ul style="list-style-type: none"> • Opened at Wells Fargo pre 2008 • Under heading of State Treasurer • Composite reservoir account*

JEDA has four accounts:

(1) General Revenue Account @ Wells Fargo

Under the heading of State Treasurer. Serves as the operating account for JEDA. All funds in this account are Program Funds as defined in 41-43-20(E). Note: JEDA receives no Administrative Funds as described in 41-43-20(C).

(2) Investment Account @ Greenwood Capital

In 2016 JEDA Board adopted formal investment policy; issued RFP to select investment manager; selected Greenwood Capital. Account holds investments in U.S. agency securities, municipal bonds and money market mutual funds, which JEDA's external auditors review annually to ensure compliance with state statutes.

(3) Payroll Account @ Truist

Opened in October 2017; JEDA's payroll processor, ADP, is the only writer of checks on this account

(4) CDBG Revenue Account @ Wells Fargo

Under the heading of State Treasurer. Only receives funds from the one remaining CDBG loan serviced by JEDA. JEDA remits the funds to the Department of Commerce on a quarterly basis. This CDBG loan is to Hilton Head Water and the monthly payment, which will end in 2023, is \$1,500.

Withdrawals/Payments

Withdrawals

State Small Business Credit Initiative (SSBCI) funds that JEDA provides BDC, who JEDA contracts with to administer SSBCI (\$17M)

- Operating Expenses
- Employer Health Insurance Expense
 - Employer Retirement Expense
 - Dues/Membership/Publications
 - Car Allowance
 - Parking Expense
 - Marketing Expenses
 - Rent Expense
 - Accounting Fees
 - Professional Fees
 - Insurance

CDs at Banks

Transfer to JEDA's Investment Account (only matured CDs and Interest)

Transfer to JEDA's Payroll Account

JEDA Bond Summit Expenses

- U.S. agency securities (80+% of funds are here)
- Municipal bonds
- Money Market Mutual Funds

NOTE: ADP, JEDA's payroll processor, is the only entity able to withdraw from this account

JEDA contract Bookkeeper salary

JEDA full time employee salary and

NOTE: Loan Fees are sent on a quarterly basis

Department of Commerce

JEDA's regular withdrawals include the following:

- Funds from federal government's State Small Business Credit Initiative (SSBCI) withdrawn and sent to Business Development Corporation who administers the SSBCI
- Operating Expenses
- Expenses for JEDA's Annual Bond Summit
- Returns on investments through Greenwood Capital Investment Account are reinvested through the investment account
- Payroll amounts are withdrawn from the general revenue account, deposited in the payroll account, then withdrawn by ADP to make payroll

JEDA's non-regular withdrawals during one or more of last couple years include the following:

- Matured CDs and related interest withdrawn and deposited in investment account
- Lease income from federal community development block grant (CDBG) loan withdrawn and sent to Department of Commerce (income ends in 2023)

Budget Submissions

1992 Act 404, Section 11, amended JEDA statute 41-43-280 to read:

- Notwithstanding any provision of law or regulation to the contrary, the authority shall continue to be an "agency" for purposes of Chapter 78 of Title 15, but the **authority is not considered an "agency" or "state agency" or any other form of state institution for purposes of Sections 2-7-65 and 2-57-60.** Section 2-57-60 repealed

SECTION 2-7-65. Agencies, departments and institutions to justify amount of requested appropriations. The Governor shall, prior to making annual recommendations to the General Assembly of the amounts to be appropriated to the various state agencies, departments and institutions, as required by Section 2-7-60 of the 1976 Code, require them to justify the entire amount of money they are requesting. It is the intent of this section that each state agency, department or institution shall be required to justify its recurring expenses, as well as any new or additional expenses. For the purpose of justification as set forth in this provision, the Budget and Control Board shall require each state agency, department and institution to submit for each program the purposes, objectives and such quantitative measurements regarding services provided as the Budget and Control Board in consultation with the Joint Legislative Appropriations Review Committee might deem necessary for program evaluation.

Budget Submissions

- JEDA submits a budget to the Budget Office each year. Based on statutory language on prior slide, JEDA does not believe this should be required. In 2005 and 2013, the Budget Office requested that JEDA be removed from the budget process, but no further action has been taken.
- Since JEDA receives no state appropriations, in 2013 the Budget Office requested that we not change the annual budget submissions. We followed this practice for several years and in 2021 began submitting a budget reflecting operating expenses. It should be noted, however, that GASB 68 (pension liabilities) and GASB 75 (OPEB liabilities) are items on JEDA's audited financial statements that other state agencies do not report.
- JEDA is audited annually by a CPA firm selected by the State Auditor's Office.
- Per Section 41-43-50, the net earnings of the Authority, beyond that necessary for retirement of its bonds or other obligations or to implement the purposes of this act, shall not inure to the benefit of any person other than the authority. The authority shall retain unexpended funds at the close of the state fiscal year regardless of the source of the funds and expend the funds in subsequent fiscal years.

OVERVIEW OF FINANCING OPTIONS AVAILABLE TO BUSINESSES

Financing Options Available to Businesses

Options, from highest to lowest rates

- Mezzanine Debt
 - Loan based on the business, as opposed to assets; similar to equity capital (e.g., ownership/stocks)
 - It is when a hybrid debt issue is subordinate to another debt issue from the same issuer. It bridges the gap between debt and equity financing and is one of the highest-risk forms of debt—being subordinate to pure debt but senior to pure equity
 - Available for those growing a business that may not have enough assets to obtain funds through other options
- Bank Financing
 - Loan based on assets
- Loan from JEDA program
- Taxable Bond
- Tax-Exempt Bond

Parties

Borrower

Borrower's
Attorney

Borrower's
Financial
Advisor

FINANCING OPTIONS

	Bank Loan	Loan from JEDA Program (not primary service)	Taxable Bond	Tax-Exempt Bond
Interest rate Borrower must pay	Market Rate, 100% taxable	Market Rate or less, 100% taxable	100% of taxable rate; may be fixed or variable	70-80% of taxable rate (generally) because interest investor earns is not taxed; may be fixed or variable
Transferable	Generally, No	No	Yes	Yes
Length	Long term amortization with 5-year balloon payment	Typically, 5 years	May run 30 years or more	May not be greater than 120% of average expected economic life of asset(s) financed
How Borrower can use money	Any purpose	Any purpose	Capital assets, working capital, and issuance cost	95% must be spent on capital assets (e.g., land, buildings, machinery/equipment)
What Borrower must provide	Good credit and/or collateral (e.g., property, investments)	Good credit and/or collateral (e.g., property, investments)	Good credit and collateral (e.g., property, investments)	Good credit and collateral (e.g., property, investments)
Penalties for paying off early	May exist	None	May exist (e.g., if paid outside redemption period)	May exist (e.g., if paid outside redemption period)
Disclosures	None	No public disclosure of sensitive or confidential information	No public disclosure of sensitive or confidential information	No public disclosure of sensitive or confidential information

Note: A business may utilize one or more of these options in combination

JEDA's Authorized Services

JEDA is authorized to perform the services below

Currently Performs

- making grants, loans, or investments utilizing its program funds (S.C. Code 41-43-90(J))
- issuing and refunding bonds (S.C. Code 41-43-100 & 41-43-110)
- purchasing from lending institutions loans to eligible business enterprises (S.C. Code 41-43-160)
- establishing profit and not-for-profit corporations to carry out the purposes of the SC Jobs-Economic Development Fund Act (S.C. Code 41-43-240)
- implementing the State Small Business Credit Initiative program within the State and to contract with the BDC to serve as administrator for the program (S.C. Code 41-43-300)

Currently Do Not Perform

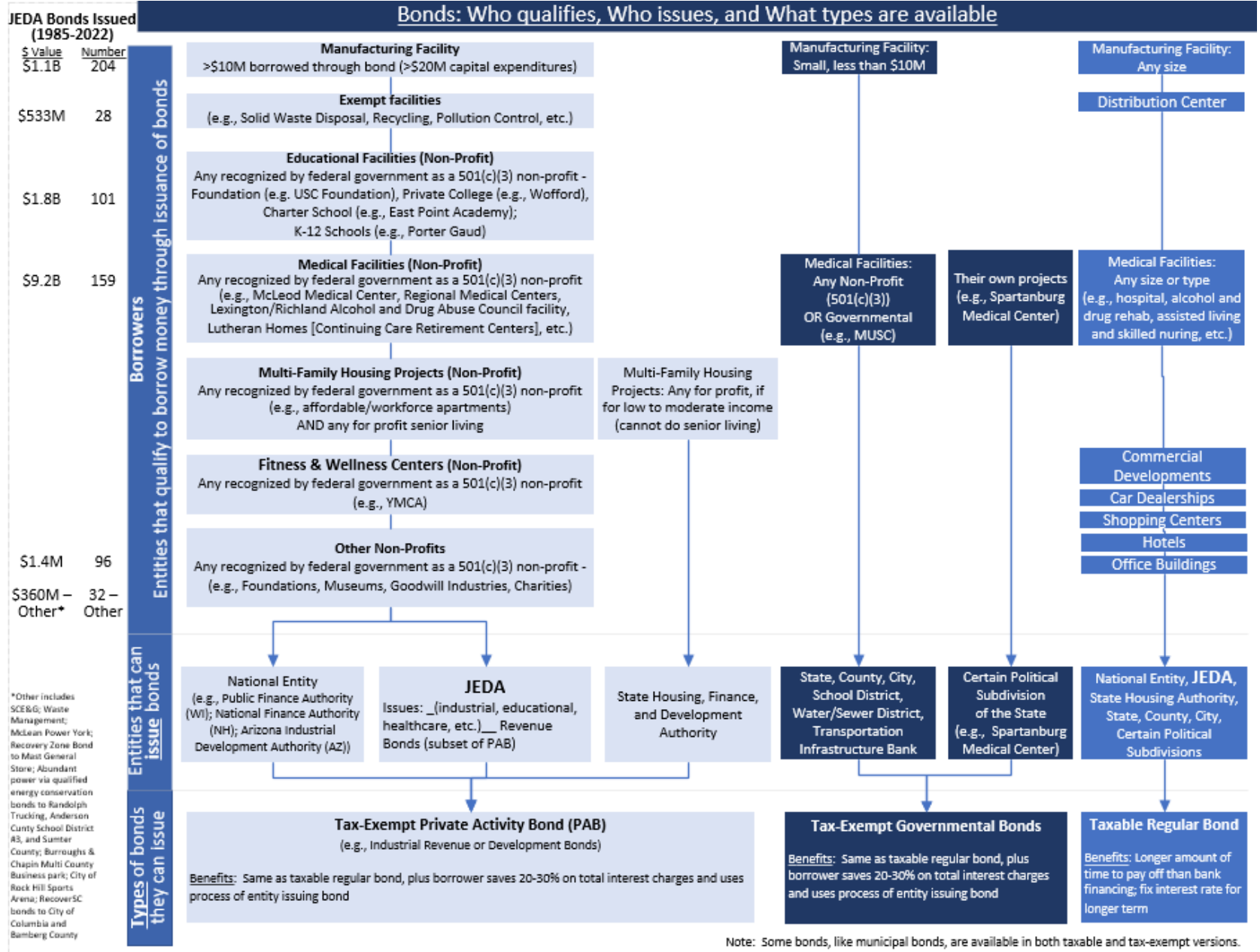
- creating an insurance fund and/or a guarantee fund (S.C. Code 41-43-140 and -170)
- developing programs to encourage the export of goods, services, etc. to which value is added to the State (S.C. Code 41-43-190) (this function is now performed by Commerce)

JEDA's SERVICES

- **Issuing and refunding bonds**
- **Annual Bond Summit**
- Making grants, loans, or investments utilizing its program funds; Establishing loan programs to reduce the cost of capital to business enterprises
- Establishing profit and not-for-profit corporations to carry out the purposes of the SC Jobs-Economic Development Fund Act
- Run State Small Business Credit Initiative (SSBCI)
- Services agency is permitted to perform, but not currently performing

**WHO QUALIFIES, WHO ISSUES, AND
WHAT TYPES ARE AVAILABLE?**

We will be walking through the one-page document in your materials



WHAT IS THE PROCESS?

BOND ISSUE PARTICIPANTS

- JEDA
 - ISSUER COUNSEL
 - BORROWER
 - BORROWER'S COUNSEL
 - BOND COUNSEL
 - LENDER & COUNSEL
 - TRUSTEE & COUNSEL
 - UNDERWRITER & COUNSEL
 - FINANCIAL ADVISOR

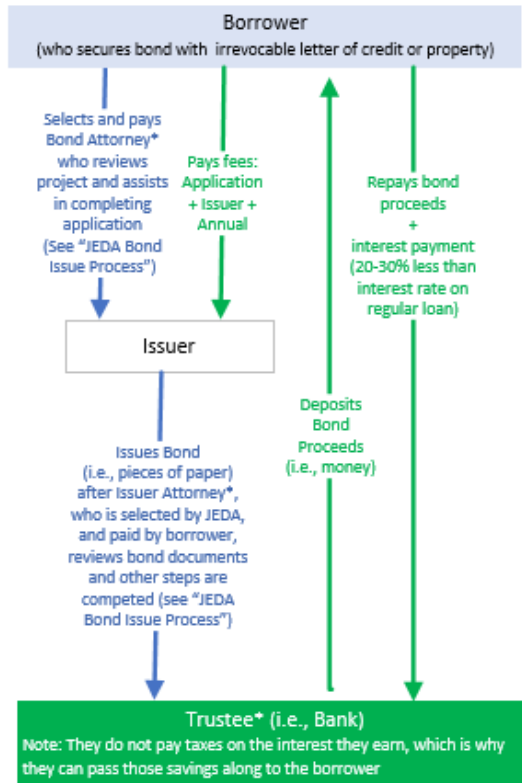
We will be walking through the one-page document in your materials

Overview of Obtaining Funds through Sale of Bonds

Borrower determines whether sale occurs in private placement or public market

Bond Sale in Private Placement

*Indicates individual/entity must be on list approved by the State Treasurer's Office



Parties Involved

Borrower The Borrower, NOT JEDA NOR THE STATE, is solely responsible for repayment

Borrower's Attorney

Borrower's Financial Advisor

Bond Attorney

Issuer (e.g., JEDA, state, county, city, etc.)

Issuer Attorney

Trustee The Trustee or Underwriter, NOT JEDA determines if a project or borrower is creditworthy

Trustee's Attorney

Underwriter

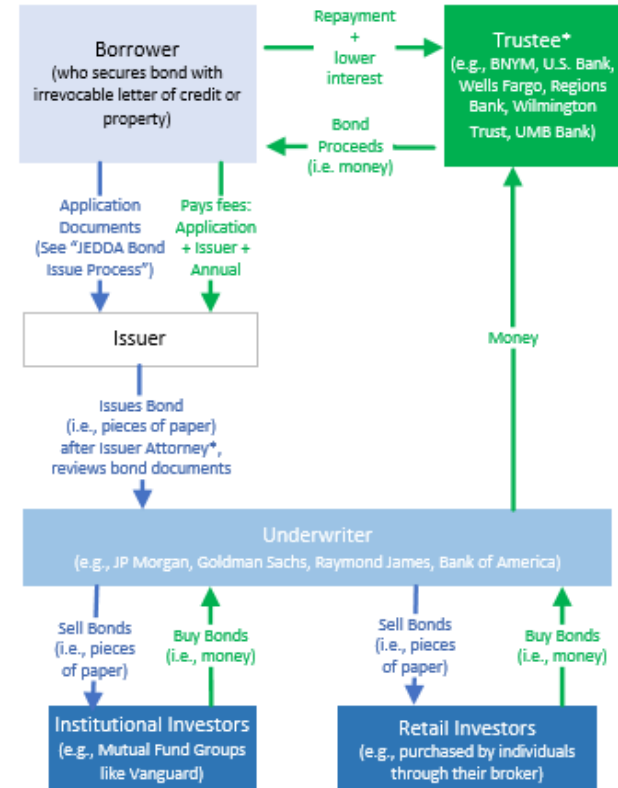
Underwriter's Attorney

Retail Investors

Institutional Investors

Bond Sale in Public Market

*Indicates individual/entity must be on list approved by the State Treasurer's Office



JEDA Bond Issue Process

(If all steps proceed smoothly, the process can be completed in approx. 60-75 days)

Step 1: Borrower must do the following:

- contact an attorney from the list of bond law firms approved by Office of State Treasurer
- meet with Bond attorney to review the borrower's project to ensure it qualifies (at borrower's expense)
- with assistance of Bond attorney, complete/submit bond application with \$1,000 non-refundable application fee

Step 2: Once JEDA ensures application is complete...

- Bond attorney prepares inducement documents as an agenda item for the next JEDA Board meeting.
 - Inducement resolution represents preliminary approval and is non-binding to all parties
 - Issuer attorney, who is selected by JEDA and paid by borrower, reviews documents
- JEDA posts notice required by federal regulations on JEDA's website and in a paper of general circulation where project is located.
 - Federal regulations require a public hearing prior to final approval; notice must be published at least 7 days prior to hearing.

- **Step 3 (or 1A):** Borrower and borrower's team (counsel, financial advisor, etc.) negotiate with financial institutions for sale of bonds via public sale or private placement (Note: It may have occurred prior to borrower submitting initial application)
- **Step 4:** JEDA project undergoes review by S.C. Coordinating Council for Economic Development (CCED) and hearing before SFAA for allocation of State Volume Cap
- **Step 5:** If CCED approves, JEDA Board adopts final bond resolution approving issuance of bonds and Trustee deposits bond proceeds at closing

JEDA BONDS

Step 1: Borrower must do the following:

- Contact an attorney from the list of bond law firms approved by Office of State Treasurer
- Meet with Bond attorney to review the borrower's project to ensure it qualifies (at borrower's expense)
- With assistance of Bond attorney, complete/submit bond application to JEDA with \$1,000 non-refundable application fee

Step 2: Once JEDA ensures application is complete...

- Bond attorney prepares inducement documents as an agenda item for the next JEDA Board meeting
 - An inducement resolution is the resolution passed by the bond issuer communicating the intent to issue bonds for a specific activity. Inducement resolution represents preliminary approval and is non-binding to all parties
 - Issuer attorney, who is selected by JEDA and paid by borrower, reviews documents
- JEDA posts notice required by federal regulations on JEDA's website and in a paper of general circulation where project is located
 - Federal regulations require a public hearing prior to final approval; notice must be published at least 7 days prior to hearing

NOTE:

JEDA will accept the application and induce the project, if the Bond Attorney asserted it qualified under the federal statutes and regulations. Many projects do not proceed to closing due to inability to receive financing.

JEDA BONDS

Step 3 (or 1A): Borrower and borrower's team (counsel, financial advisor, etc.) negotiate with financial institutions for sale of bonds via public sale* or private placement* (*explained on later slides)

- Note: It may have occurred prior to borrower submitting initial application

Step 4: JEDA project undergoes review by S.C. Coordinating Council for Economic Development (CCED) and hearing before State Fiscal Accountability Authority (SFAA) for allocation of State Volume Cap* (*explained on later slides)

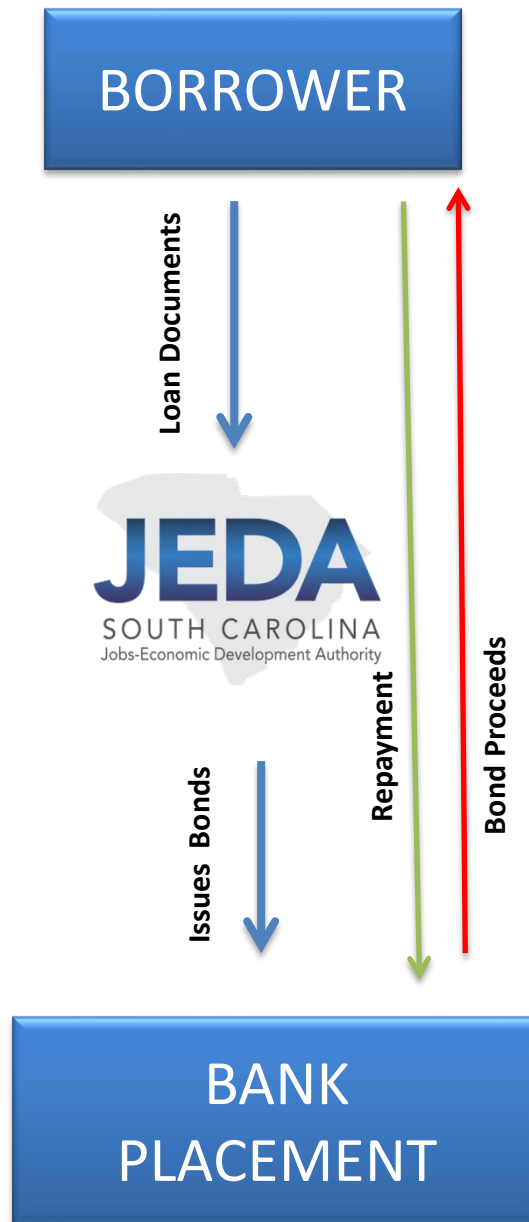
Step 5: If CCED approves, JEDA Board adopts final bond resolution approving issuance of bonds and Trustee deposits bond proceeds at closing

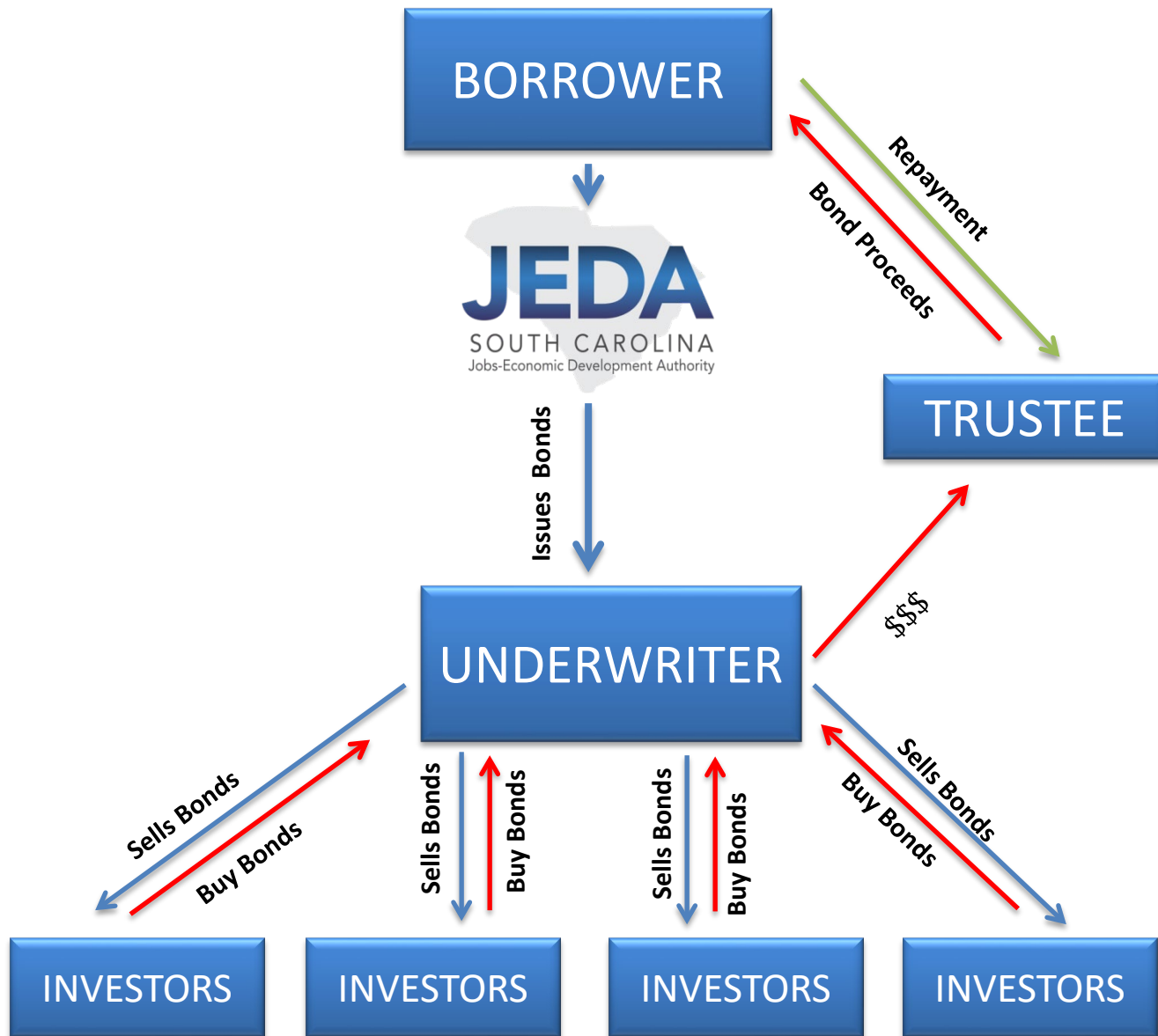
NOTE:

Borrower determines whether sale of bonds occurs via private placement or public sale

TYPES OF FINANCINGS

- ✓ Bank Placement
- ✓ Public Offering- Rated Deal -\$5k denominations
- ✓ Limited Offering
 - to QIBs and AI's - \$100K min. denominations
- ✓ Single Purchaser
- ✓ Hamlin Model -Investment Advisor
- ✓ Legacy Bonds





Small Issue Manufacturing Facilities

- \$10MM maximum tax-exempt bond issue per project
- \$20MM capital expenditures limit (3 years prior and subsequent to bond issue)
- \$40MM aggregate nationwide limit of tax-exempt bonds for any borrower
- Subject to State Volume Cap Allocation

Acquisition, rehabilitation or construction of manufacturing facilities

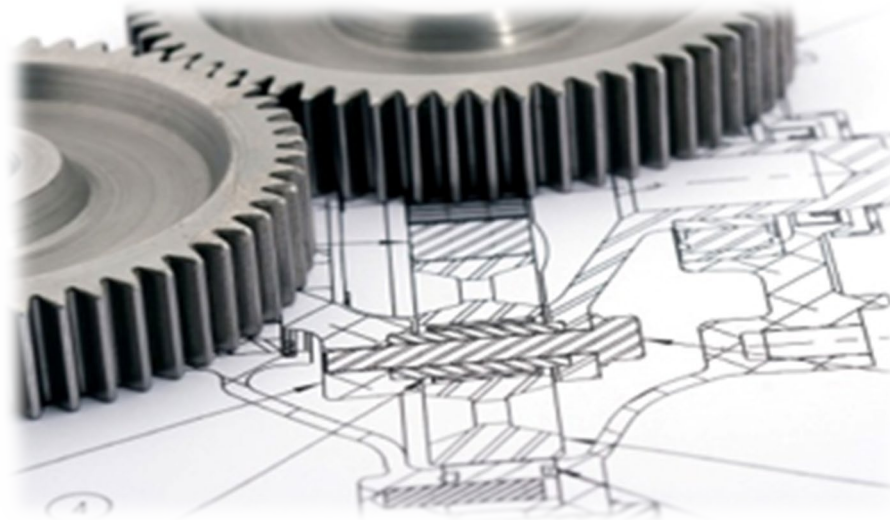
- existing structures require substantial rehabilitation (>15% of building costs)

Purchase of land may not exceed 25% of tax-exempt bond

Acquisition of new equipment

- used equipment may be financed if contained in an acquired building/facility

Bonus Depreciation not allowed if using tax-exempt bonds



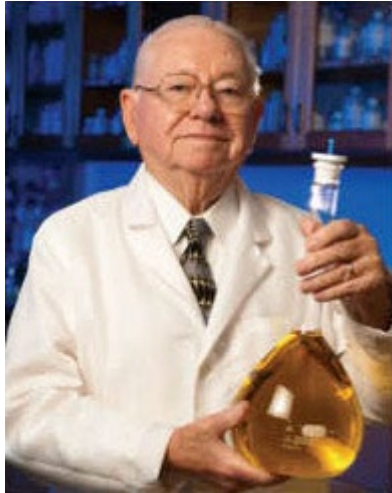
\$13.5MM Revenue Bond



AAC EAST, LLC

- Purchase and install new equipment to complete and expand an autoclaved aerated concrete (AAC) production facility in Bennettsville
- Pay off an existing mortgage and make leasehold improvement on existing facility

*2 existing Employees
Creates 30 new jobs*



\$2MM Revenue Bond



HIGH PURITY STANDARDS

- Manufactures single and multi-elemental standards, including specialized chemical mixes and filters for calibration of analytical instruments.
- Build manufacturing facility to provide additional space for specialized lab for hazardous materials and additional fume hood space

*Retains 36 existing jobs
Creates 8 new jobs*

C.R. JACKSON- \$3.25M



Acquire and renovate an asphalt plant in Holly Hill for the manufacture of asphalt for paving and resurfacing

Creates 20 new jobs
Retains 287 existing jobs

\$5MM Revenue Bond



SUPERMETAL HOLDINGS USA

- Builds bridges, office towers and research centers throughout US
- Establish first manufacturing facility in US
- Plant will produce steel structures used in commercial, industrial and civil engineering projects across North America

Creates up to 100 new jobs

EDUCATIONAL FACILITIES



Primary and Secondary (K-12) Schools
Private Colleges
Student Housing
Charter Schools



\$17.825M Revenue Bond



ROYAL LIVE OAKS ACADEMY

- Interim financings for costs to acquire, construct and equip a new K-12 Charter School in Hardeeville
- Addition of 75,000 sq. ft. building used to operate this 450 student charter school originally opened in 2012
- Permanent financing will be USDA 40 yr. loan

85 existing Employees

Creates 7-10 new jobs

Approximately 375 indirect construction jobs



East Point Academy Charter School

\$24.4 Million
in Tax Exempt Bonds

71
Jobs Retained

7
Jobs Created

EAST POINT ACADEMY CHARTER SCHOOL

- Only Mandarin Chinese immersion public Charter school for pre K-Grade 8 in South Carolina
- Upgrade existing facility and build new facility to accommodate growing enrollment

*Retains 71 Jobs Retained
7 Jobs Created*

\$34.5MM Revenue Bond



YORK PREPARTORY ACADEMY

- Provide permanent financing for the acquisition of the campus and facilities of the Charter School facility in Rock Hill, SC
- Financed acquisition of the 43 acre, 4-building campus
- K5 through Grade 12 and over 1,300 students

Creates 10 new jobs
Retains 116 existing jobs

\$64.4MM Revenue Bonds



FURMAN UNIVERSITY

- Renovations and additions to Furman's South Housing Residence Halls
- Other capital improvements at the 2,800 student University founded in 1826 at the school's Greenville Campus

961 existing Employees



University of South Carolina
Development Foundation

75
New Jobs Created

\$88,100,000
Tax-Exempt Bonds

\$4,600,000
Taxable Revenue Bonds

University of South Carolina Development Foundation

Creative Public-Private Partnership

University of South Carolina

- Construction of new 878 bed student housing complex
- Benefits both community and the University by providing increased state of the art housing options to accommodate increased enrollment at this Tier 1 research and teaching university

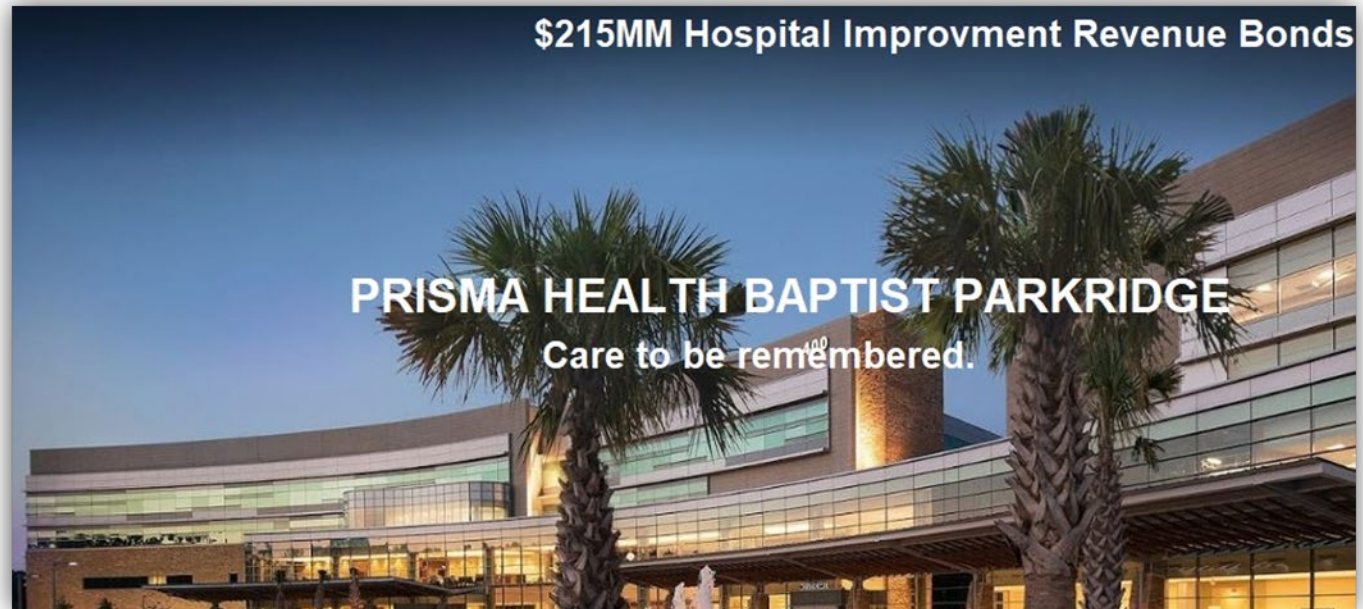
Creates 75 new jobs

MEDICAL FACILITIES (NON-PROFIT)

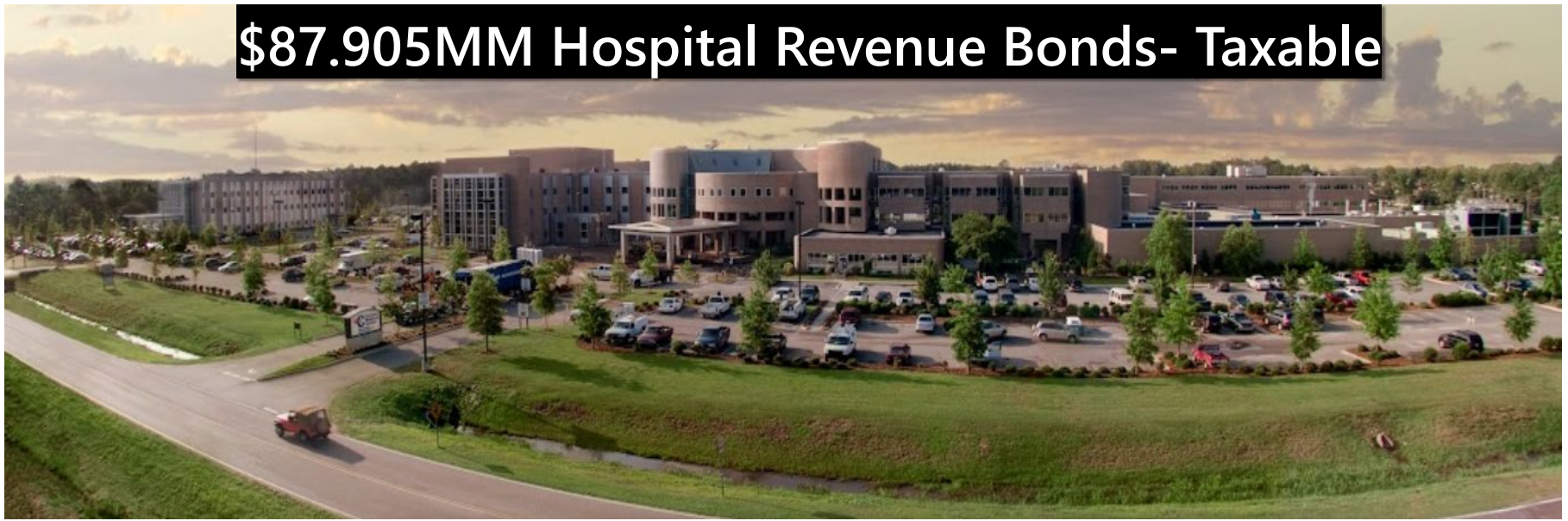
Prisma Health Baptist Parkridge (\$215M)

- Construction and equipping of a new full service 76-bed state of the art hospital in Irmo, South Carolina
- Medical and Surgical inpatient units, an ICU and six operating rooms
- Outpatient diagnostic/treatment services including lab & imaging
- Designated Blue Distinction Center for spine care
- Offers full service spa treatment and cosmetic procedures

*Retains 7,562 jobs
Creates 270 new jobs*



\$87.905MM Hospital Revenue Bonds- Taxable



CONWAY HOSPITAL

- Finance multi-specialty physician office building, including Ambulatory Surgery Center
- Expand Cardiology and Cath Lab services
- Purchase land & construction of new primary care facilities
- 12 bed rehabilitation unit
- Refund Series 2011A and Series 2019 JEDA Bonds

961 existing Employees
30 new Jobs

\$56.6MM Revenue Bond



BISHOP GADSDEN EPISCOPAL RETIREMENT COMMUNITY

- Founded in 1850 - occupying 100 acres
- Construction of 45 unit apartment-style CCRC
- Offers Assisted Living, Skilled Nursing and Memory Care Units in addition to Independent Living.

Retains 350 jobs

Creates 20 new jobs

Creates 600 temporary construction jobs

SC EPISCOPAL HOME AT STILL HOPES

\$91MM Revenue Bond

Financed construction of the WellPointe expansion at its West Columbia campus- a five story, 81 unit independent living apartment building, as well as improvements to existing health care and service facilities and refunding 2014 bonds what financed prior projects.



*Creates 28 new jobs
Retains 539 existing jobs*

OTHER NON-PROFITS

Goodwill Industries (\$3.3M)

- Construct a new 28,000 sq. ft. facility, including a donation drive-thru, retail facility and career center in Aiken, SC



*Creates 24 new jobs
Retains 30 existing jobs*





\$20MM Revenue Bond

WE ARE SHARING HOPE SC

- Construct, furnish and equip a 50,000 sq. ft. facility for organ, eye and tissue donation headquarters and training center in Charleston
- Serves as the organ and tissue donation program for SC and is federally designated as organ procurement organization facilitating organ and tissue donation for transplant and research

*105 existing Employees
Creates 5 new jobs*

\$14MM Revenue Bond



UPPER PALMETTO YMCA

Provides recreational, rehabilitation, and childcare programs for families and individuals living in York and Chester Counties

- Refinance costs of acquisition and construction of facilities in:
- Rock Hill
- Ft. Mill
- Chester
- Clover
- York

Retains 476 existing jobs

ROCK HILL ARENA

\$21.3 Million Public Private Partnership



Creates 11 Full Time and 19 Part Time Jobs

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY



The South Carolina Aquarium

\$2.7

Million (tax exempt revenue bonds)

135

Jobs Retained

SOUTH CAROLINA AQUARIUM

- Refinance upgrades and replacement of certain equipment and fixtures
- Aquarium located in Charleston Harbor
- Viable part of Charleston tourism industry
- Conservation efforts and community education about South Carolina's natural environment from the mountains to the sea
- Opened in 2000 and has approximately 400 volunteers

Retains 135 existing jobs

Solid Waste Disposal Facilities

- Solid waste disposal facilities are defined by the IRS as facilities used for the collection, storage, treatment, utilization, processing, or final disposal of solid waste
- Subject to State Volume Cap Allocation
- Project size limited by available volume cap allocation



AFFORDABLE HOUSING (NON-PROFIT)

JEDA has become an active issuer of tax-exempt bonds for affordable and workforce housing in the State. Because of the timing and difficulty of accessing the low-income housing tax credits in South Carolina, many developers are partnering with nonprofit housing entities to purchase and rehabilitate existing apartments and construct new apartments to provide quality affordable and workforce housing. The mix of tenants has been shown to provide a safer environment and upward mobility compared to the traditional subsidized low income housing.

IRS safe harbor rules must be met to qualify for the tax-exempt financing. These rules require a certain mix of tenants having a median family income that is less than the area median income, and are monitored annually.

During the past two years, JEDA has issued bonds for 21 affordable housing complexes for over \$500 million.

\$17.4MM Revenue Bond



THE BLUFFS APARTMENTS

- Finance acquisition, renovation and equipping of 144-unit affordable workforce housing apartment community, including swimming pool, playground and other recreational areas
- Located at 100 Vanderbilt Lane in Spartanburg

*1 existing Employee
Creates 3 new jobs*

\$18.095MM Revenue Bond



CR SENIOR LIVING- RIVER PARK SENIOR LIVING

- Construction of a 60,000 sq. ft. 66 room, 80-bed assisted living facility located off SC. 9 in Little River near McLeod Seacoast Hospital

Creates 65 new jobs



**SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT
AUTHORITY BOND CLOSINGS FISCAL YEAR 2022
JUL 1, 2021 - JUNE 30, 2022**

COMPANY	COUNTY	FINAL BOND AMOUNT	DATE CLOSED	EXISTING JOBS	JOBS CREATED	Notes
AHP Woodwinds Apartment Homes	Greenville	\$18,900,000	7/16/2021	2	2	New Money Construction
FAH Oasis at West Ashley	Charleston	\$3,700,000	7/27/2021	5	3	Partial Funding/New Money
Lexington Health, Inc.	Lexington	\$20,189,000	8/5/2021	1448	0	Refunding
Green Charter Schools	Char/Green/Rich	\$50,255,000	8/12/2021	220	4	Refunding & New money construction
Kiawah Life Plan Village	Charleston	\$24,735,000	8/16/2021	0	60	New Money/Development costs
KershawHealth Medical Center	Kershaw	\$33,000,000	9/22/2021	111	37	New Money Construction
York Preparatory Academy	York	\$40,082,000	9/27/2021	205	0	Refunding & capital improvements
FMU Student Housing	Florence	\$7,555,000	10/14/2021	9	0	Refunding
Palmetto Goodwill	Beau/Chas/Geor/Ho	\$16,000,000	10/14/2021	21	55	Refinancing existing debt
FAH Sterling Pelham Apartments	Greenville	\$6,600,000	10/21/2021	5	3	Partial Funding/New Money
FAH Sterling Westchester Apartments	Greenville	\$2,850,000	10/21/2021	5	3	Partial Funding/New Money
CR Lake Portfolio	Lex/Spart	\$36,760,000	11/5/2021	86	0	Refunding
FAH- Cherry Grove Apartments	York	\$14,368,000	11/12/2021	3	3	New Money construction
Virtus Academy	Florence	\$11,555,000	11/30/2021	72	4	Finaced leased facility/capital imprvmnts
AHPC- Vista Towers	Richland	\$65,885,000	12/14/2021	2	5	New Money Construction
FAH- Riverstone Apartment Homes	York	\$23,030,000	12/15/2021	3	3	New Money Construction
AHPC- Orchard Park & Willowbrook	Greenville	\$65,935,000	12/16/2021	2	5	New Money Construcion
FAH- Boundary at Silver Bluff Apt Homes	Aiken	\$3,300,000	12/23/2021	3	3	Partial Funding/New Money
Furman University	Greenville	\$66,410,000	1/26/2022	961	0	Renovations and capital improvements
Prisma Health 2022A	Greenville	\$90,010,000	2/1/2022	29000	0	Refunding
Cross Schools	Beaufort	\$12,500,000	2/15/2022	120	48	Renovations and capital improvements
FAH- Village Station Apartments	York	\$4,200,000	2/25/2022	4	3	Partial Funding/New Money
Polaris Tech Charter School	Jasper	\$18,850,000	4/14/2022	38	22	Finaced leased facility/capital imprvmnts
Prisma Health 2022C	Oconee	\$68,360,000	5/2/2022	29000	0	Refunding
Lutheran Homes SC 2022	Aik/Chas/Rich/Spart	\$27,500,000	5/18/2022	890	0	Refunding and capital improvements
Lexington Health, Inc.	Lex/Rich	\$150,000,000	5/27/2022	7380	575	Capital improvements/renovations
AHPC- Columbia Portfolio	Richland	\$100,899,444	6/10/2022	10	13	New money construction
FAH- Paces Run Apartments	Richland	\$5,800,000	6/10/2022	5	3	Partial Funding/New Money
PSG-Patriot's Place Apartments	Berkeley	\$33,243,001	6/29/2022	10	13	New Money constuction

TOTAL ISSUES FY 2022>>>

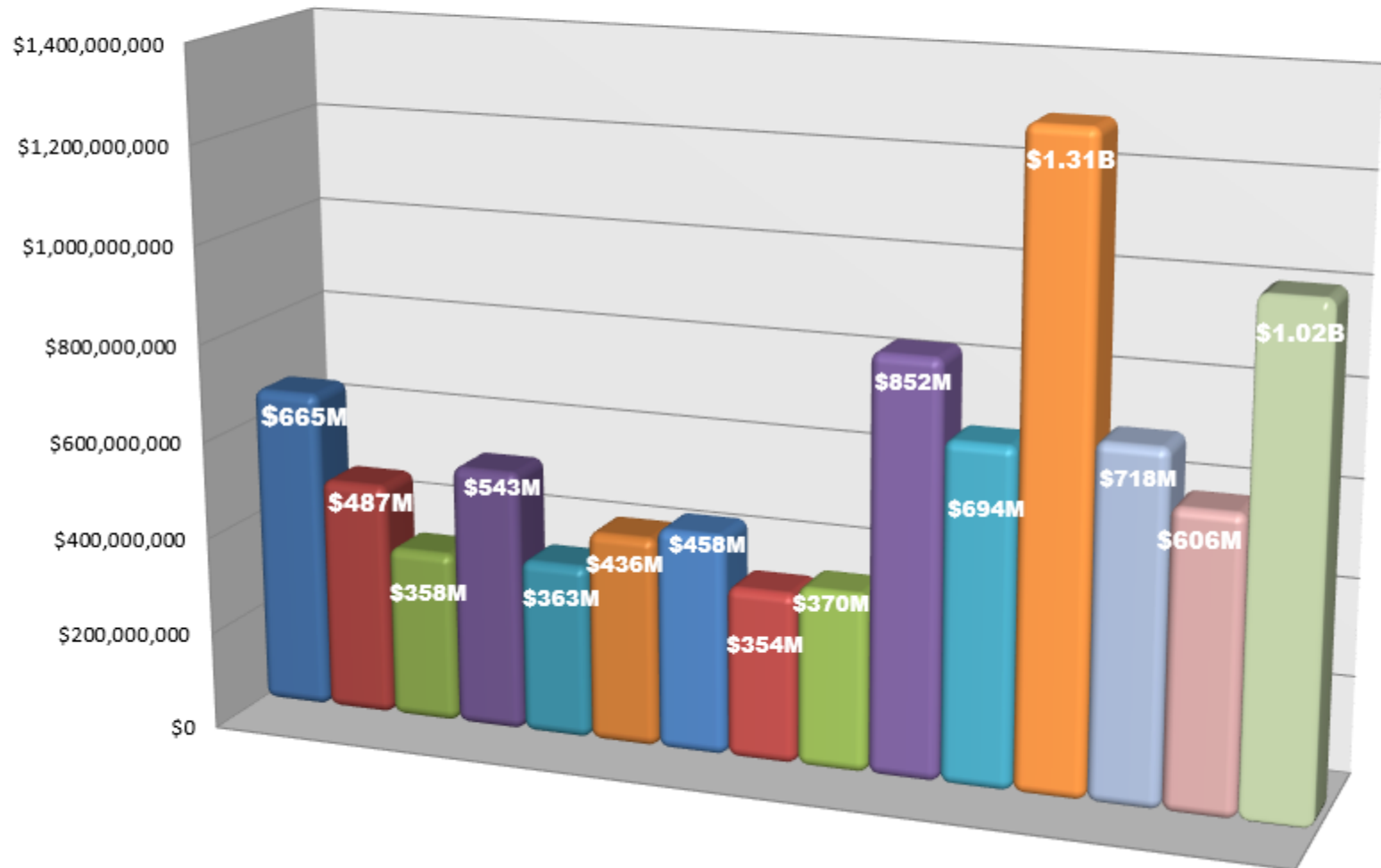
\$1,022,471,445



SOUTH CAROLINA
Jobs-Economic Development Authority

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY
ANALYSIS OF ANNUAL BOND ISSUES
FY 2008-FY 2022

TOTAL BONDS ISSUED



BONDS ISSUED BY COUNTY AS OF 06.30.22

COUNTY	NUMBER OF BONDS	BOND AMOUNT	TOTAL JOBS CREATED/RETAINED
Abbeville	3	\$14,930,000	1,912
Aiken	10	\$74,650,000	752
Anderson	38	\$863,386,240	23,294
Bamberg	2	\$1,975,000	51
Barnwell	1	\$8,000,000	133
Beaufort	10	\$133,492,956	832
Berkeley	11	\$164,793,001	5,391
Charleston	71	\$1,776,601,120	37,206
Cherokee	8	\$40,390,000	1,296
Chester	3	\$77,000,000	120
Chesterfield	4	\$34,560,000	123
Clarendon	3	\$7,500,000	260
Colleton	5	\$12,300,000	731
Darlington	6	\$37,251,742	1,967
Dillon	1	\$7,500,000	75
Dorchester	13	\$145,997,434	1,899
Fairfield	1	\$54,215,000	651
Florence	19	\$292,980,000	9,879
Georgetown	10	\$428,430,000	9,279
Greenville	77	\$2,562,282,591	65,266
Greenwood	12	\$148,375,000	2,176

COUNTY	NUMBER OF BONDS	BOND AMOUNT	TOTAL JOBS CREATED/RETAINED
Hampton	3	\$74,150,000	491
Horry	22	\$706,738,000	12,801
Jasper	3	\$49,175,000	265
Kershaw	3	\$57,595,000	1,212
Lancaster	9	\$89,485,000	936
Laurens	21	\$211,718,000	3,554
Lee	2	\$9,200,000	169
Lexington	20	\$563,407,327	13,923
Marion	2	\$19,500,000	313
Marlboro	5	\$35,945,000	527
McCormick	1	\$600,000	43
Newberry	2	\$9,000,000	130
Oconee	10	\$239,825,000	4,466
Orangeburg	11	\$161,880,000	4,613
Pickens	9	\$47,664,000	1,989
Richland	81	\$3,943,031,269	77,379
Saluda	1	\$9,000,000	55
Spartanburg	54	\$621,115,600	8,989
Sumter	15	\$344,697,000	10,030
Union	1	\$20,750,000	623
York	37	\$444,773,125	4,362

2022 TOTALS:

620
BONDS ISSUED

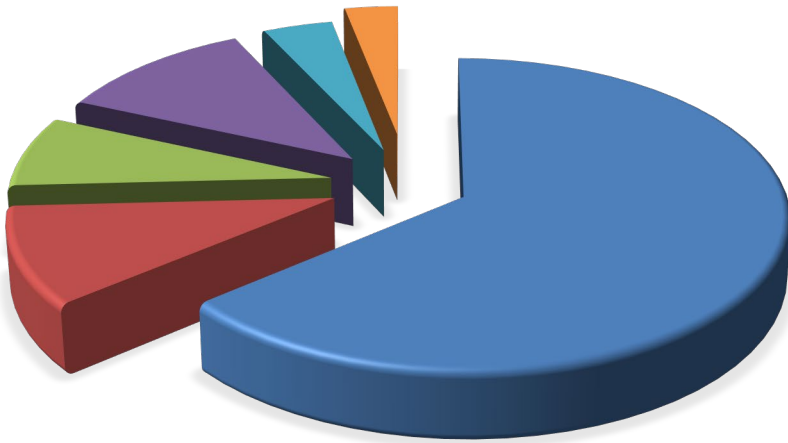
\$14,545,859,405
TOTAL BOND AMOUNT

310,331
TOTAL JOBS

JEDA BONDS ISSUED 1985-2022

By Dollar Amount

BOND ISSUE TOTALS BY DOLLAR AMOUNT



\$1.1 Billion
Manufacturing

\$1.4 Million Non Profits

\$360 Million Other

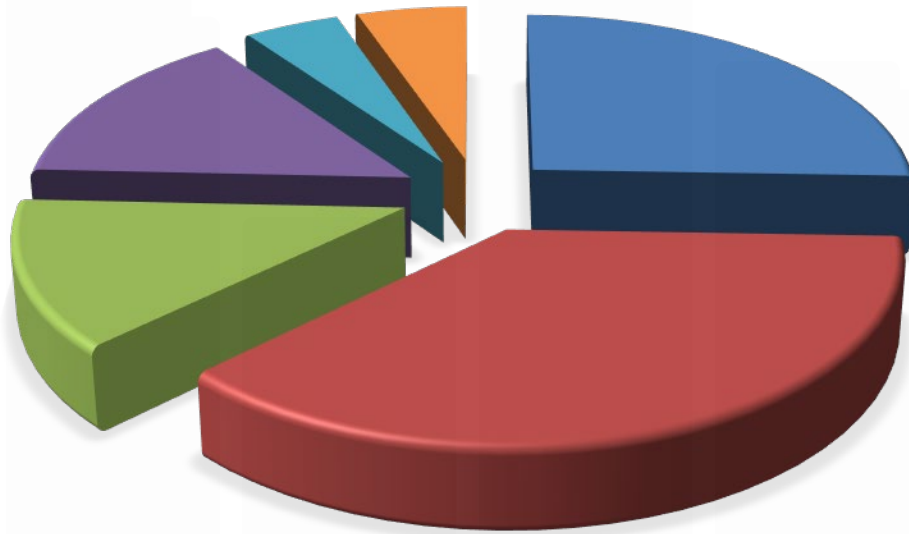
\$1.8 Billion Education

\$533 Million Solid Waste

\$ 9.2 Billion
Hospital & HealthCare

JEDA BONDS ISSUED 1985-2022

By Number of Bonds Issued



204 Manufacturing

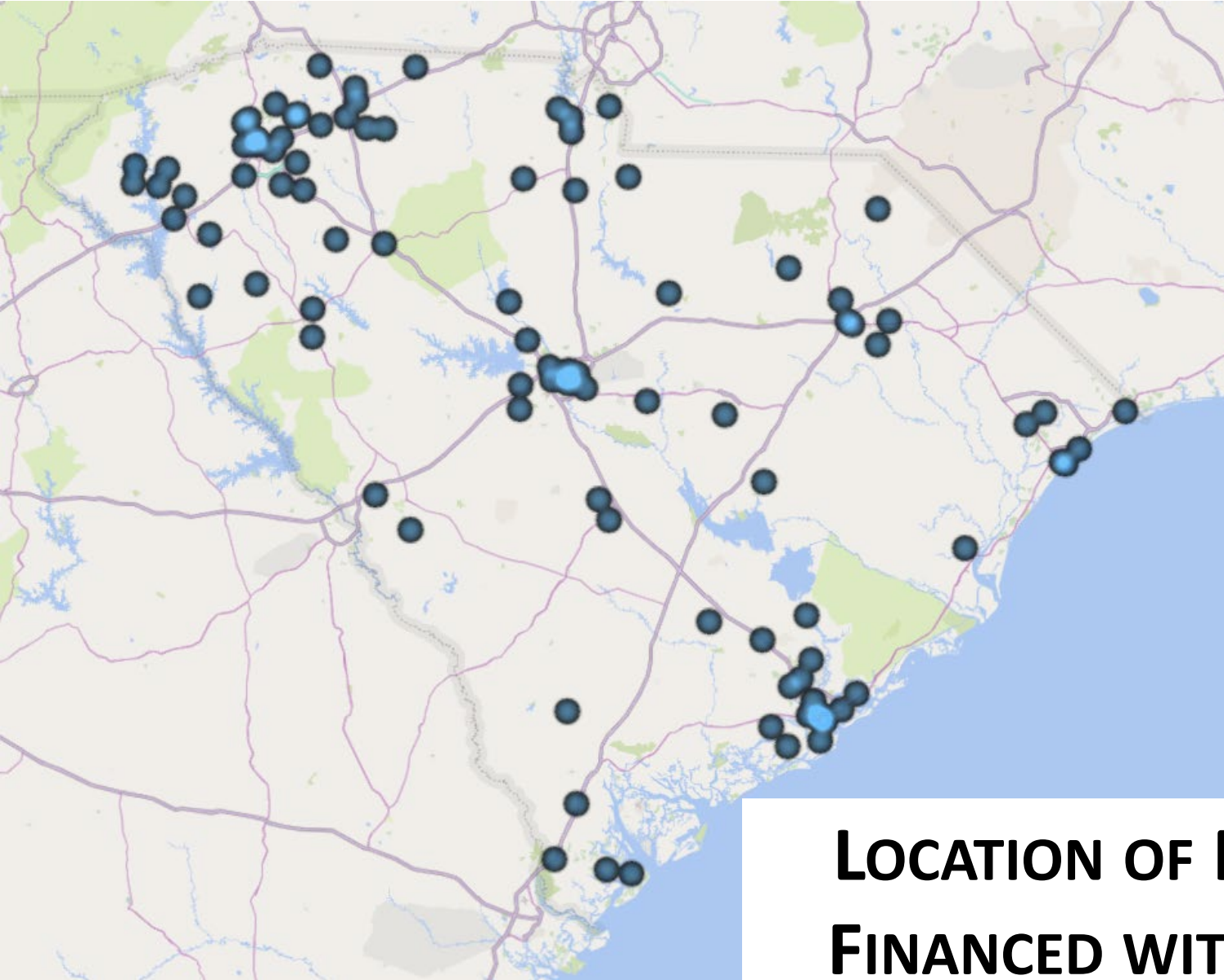
96 Non-Profits

32 Other

101 Education

28 Solid Waste

159 Hospital &
Health Care



LOCATION OF PROJECTS FINANCED WITH BONDS THROUGH JEDA

JEDA's SERVICES

- Issuing and refunding bonds
- **Annual Bond Summit**
- Making grants, loans, or investments utilizing its program funds; Establishing loan programs to reduce the cost of capital to business enterprises
- Establishing profit and not-for-profit corporations to carry out the purposes of the SC Jobs-Economic Development Fund Act
- Run State Small Business Credit Initiative (SSBCI)
- Services agency is permitted to perform, but not currently performing

ANNUAL BOND SUMMIT

- Annually held in Charleston in October since 2012 (except COVID years)
- All professionals involved in JEDA's bond process are invited (attorneys, bankers, underwriters, financial advisors, trustees)
- All attending pay a registration fee (\$185)
- No sponsorships allowed
- Purpose: Brainstorming of new ideas and improving personal relationships
- Educational sessions cover topics including:
 - Federal update; financing trends; economic updates

CHALLENGE: NATIONAL ISSUERS

Several national entities with the authority to issue conduit debt nationwide have been created.

- Direct competitors to JEDA
- Have issued conduit debt in S.C.
- Some states issue bonds on property out of state if the borrower has property in its state

Public Finance Authority

(<https://www.pfauthority.org/>)

Created by Wisconsin Legislature

National Finance Authority

(<https://www.nfabonds.com/>)

Created by New Hampshire Legislature

Arizona Industrial Development Authority

Why can national issuers compete?

- Ability to do deals in multiple states makes it more efficient for companies that want to finance projects in more than one state simultaneously (hospitals, senior living facilities, charter schools)

Why should S.C. want JEDA to be used instead of national issuers?

- Help S.C. non-profits save issuance costs by consolidating financings with a single issuer
- Fees remain within the state
- Local bond attorneys, financial advisors, and other S.C. professionals are used

CHALLENGE: NATIONAL ISSUERS

Why should we want JEDA to be allowed to issue debt in other states (like national issuers)?

JEDA could help current borrowers (i.e., nonprofits headquartered in S.C.) if allowed to provide bonds for projects in other states.

Arguments Against

- Don't want to help economic development in other states

Arguments For

- Would only apply to select entities (e.g., hospitals, senior living facilities)
- Would only apply to entities that currently have operations in S.C.
- Would have to meet federal requirements to qualify for financing, like all other projects

CHALLENGE: VOLUME CAP ALLOCATION

What is Volume Cap?

Federal government limits the total amount of Private Activity Bonds (PAB) a state can issue each year

- NOT FEDERAL DOLLARS
- Just federal limit on how much can be issued in tax exempt bonds for certain purposes, which helps protect the federal government from too many tax-exempt projects
- Volume cap **does not** apply to nonprofit projects

Annual state volume cap allocation based on annual state population

- 2022 per capita PAB volume cap is \$110 per capita
- 2022 annual cap for S.C. is approximately \$570M
 - S.C. can have any mix of PABs that total \$570M

Which of JEDA's Bonds does this impact?

- Small Manufacturing facilities
- Solid Waste Disposal, Recycling, Pollution Control, etc.
- For profit senior living facilities

CHALLENGE: VOLUME CAP ALLOCATION

Who controls allocation in S.C.?

- State Fiscal Accountability Authority (SFAA)

Which entities use the allocation in S.C.?

- In the past, State Housing Authority has been the biggest user, mostly going toward multi-family housing and mortgage revenue bonds.

What happens if the entire allocation is not used by the end of the year?

- Unused allocation at year end must be assigned to an entity and is then available to that entity for the next three years
- Generally, it is assigned to the Housing Authority
 - State Housing currently has over \$500M in carryforward, plus current year allocation. Some of this unused carryforward expires each year.

What is the procedure for allocating the volume cap within S.C.?

- As a result of Act 202 of 2022, SFAA is developing new procedures for Volume Cap allocation

CHALLENGE: VOLUME CAP ALLOCATION

- Bonds utilizing volume cap cannot go for sale until all approvals are obtained, which includes:
 - SFAA approval on volume cap allocation to the project
 - Agency regulatory permits applicable to project that will receive the bond proceeds
 - JEDA Board approval
 - Coordinating Council for Economic Development approval
 - Public hearings
- Frequency of SFAA meeting have decreased over last 10 years, submission deadlines have increased, placing additional constraints on setting financing timelines for projects.
- Per State statute, volume cap allocation expires after 90 days, if bonds are not issued.

JEDA's SERVICES

- Issuing and refunding bonds
- **Making grants, loans, or investments utilizing its program funds; Establishing loan programs to reduce the cost of capital to business enterprises**
- Establishing profit and not-for-profit corporations to carry out the purposes of the SC Jobs-Economic Development Fund Act
- Run State Small Business Credit Initiative (SSBCI)
- Services agency is permitted to perform, but not currently performing

MAKING GRANTS AND LOANS

- Originally, JEDA serviced Community Development Block Grant Loans (CDBG) for Commerce and recycled the funds by making direct loans
 - JEDA currently services only one CDBG loan made by Commerce 20 years ago. Payments are returned to Commerce quarterly.
- JEDA discontinued direct loan program before 2000 and transferred servicing to BCI (predecessor to PSGF)
- Since 2017, JEDA has participated in specialized loans with:
 - Business Development Corporation (BDC) for State Small Business Credit Initiative (SSBCI)
 - Payroll Protection Program
 - Bridge financing for innovation project in Greenville

	Loan from JEDA Program (not primary service)
Interest rate Borrower must pay	Market Rate or less, 100% taxable
Transferable	No
Length	Varies
How Borrower can use money	Any purpose
What Borrower must provide	Good credit and/or collateral (e.g., property, investments)
Penalties for paying off early	None
Disclosures	No public disclosure of sensitive or confidential information

MAKING LOANS

Loan to Business Development Corporation for State Small Business Credit Initiative

- In 2011, JEDA received funds from the federal State Small Business Credit Initiative (SSBCI).
- JEDA entered an agreement with the S.C. Business Development Corporation (BDC) for BDC to administer the funds, as instructed in statute.
- Initial agreement stated JEDA would provide the funds to BDC and at the end of the federal program, 80% would remain in Loan Participation Program operated by BDC, and 20% would be returned to JEDA for its own loan program.
- Due to the success of the program, JEDA reinvested its 20% with BDC to enable additional funding for loan participations.
- Treasury recognized the S.C. SSBCI program as an exemplary program.

MAKING LOANS

Payroll Protection Program (PPP)

- In 2020, federal government guaranteed PPP loans
- Companies could apply for loan forgiveness if they could verify maintenance of existing employees
- Business Development Corporation had exhausted their credit line with the partner banks
- JEDA loaned BDC \$2M at 1% interest so they could continue to make PPP loans
- Loan was repaid in full in July 2021

MAKING LOANS

Innovation Project in Greenville

- In September 2021, JEDA and Palmetto State Growth Fund provided a \$1.5M bridge loan for an innovation center on Poinsett Highway in Greenville
- The \$12.5 million project anticipates closing on its permanent financing in Fall 2022

MAKING INVESTMENTS

JEDA's Board approves JEDA's investment policies

MAKING INVESTMENTS

JEDA's Investment Policy

ETHICS & CONFLICTS

- Refrain from personal business activities which could conflict with execution and management of investment program
- Disclose any material interest in financial institutions with which they conduct business

INVESTMENT GUIDELINES

- Obligations of the United States and its agencies, principal and interest which is fully guaranteed by the United States
- Obligations issued by the Federal Financing Bank, Federal Farm Credit, Bank of Cooperatives, Federal Intermediate Credit Bank, Federal Land Bank, Federal Home Loan Banks, Government National Mortgage Association, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Housing Administration
- General obligations of the State of South Carolina or any political subdivisions; or revenue obligations of the State of S.C. or political subdivisions
- Savings & Loan Associations insured by any agency of the federal government
- CDs collateralized by securities described by securities in items 1 or 2 above
- Repurchase agreements when collateralized as set forth above

MAKING INVESTMENTS

JEDA's Investment Policy

INVESTMENT GUIDELINES (continued)

- No-load open ended management investment companies (as defined by Investment Act of 1940) where investments are managed by registered investment advisory firm investing solely in permitted securities
- Obligations issued by companies incorporated in the US with investment rating of Investment Grade rating by Moody's or Standard & Poor's.

PORTFOLIO

JEDA does not wish to assume significant interest or credit rate risk. Primary investment objectives in descending order of priority:

- Safety of principal by limiting interest rate and credit risk by only investing in securities approved within Investment guidelines
- Maximize income and return subject to maintaining credit quality and taking only moderate market credit risk relative to Barclays's Intermediate Government/Cred Index used as benchmark index
- Maximum of 20% of portfolio may be held in single security, exclusive of US Treasuries
- Quarterly statements of activity and holdings are provided to the JEDA Board

MAKING INVESTMENTS

Greenwood Capital

- In response to an Investment Management Services RFP circulated by JEDA in the fall of 2016, on Oct. 21, 2016, JEDA awarded the bid on Oct. 21, 2022, to Greenwood Capital
- Greenwood Capital is a S.C. domiciled investment firm with over 25 years experience working for government entities, providing significant expertise managing assets for municipalities and political subdivisions subject to S.C. statutes.
- Their Portfolio management utilizes macro driven, top-down philosophy directing strategic and tactical portfolio decisions to meet client objectives
- Director of Fixed Income (John Wiseman) provides additional perspective of municipal finance from his years of working in the Office of State Treasurer in managing the Local Government Investment Pool and Retirement System Funds

MAKING INVESTMENTS

Innovation Investment – Small Businesses that obtain federal awards

- S.C. Department of Commerce
 - is working with the USC Research Foundation on the “3Phase” innovation program.
 - Commerce and the State are providing administrative funds for the program.
(Commerce cannot make equity investments)
- 3Phase
 - launched in February 2018, in partnership with the USC Columbia Technology Incubator. Its purpose is to assist small businesses with pursuing and successfully acquiring Federal Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) awards.
- Small Business Innovation Research and Small Business Technology Transfer awards
 - Congressionally-mandated research and development (R&D) funding programs (created in 1982) designed to help small businesses turn innovative ideas into market-worthy products.
 - STTR requires the small business to partner with a not-for-profit research institution in their proposal.

MAKING INVESTMENTS

Innovation Investment – Small Businesses that obtain federal awards

- To further support the 3Phase innovation program, JEDA and Palmetto State Growth Fund (PSGF)* have agreed to make equity investments in selected companies
 - Total investment (across all companies selected) up to \$1M, split evenly between JEDA and PSGF. JEDA will match up to \$100K per individual company investment.
- ***How does JEDA decide the companies in which it will invest?***
 - 3Phase presents companies JEDA and PSGF for approval and funding
- ***How much has JEDA invested to date?***
 - 3Phase is currently working with companies, but does not have any ready to bring for investment yet

PRESS RELEASE ABOUT THE PROGRAM

Sept. 2021 – The S.C. Department of Commerce Office of Innovation, in partnership with the South Carolina Jobs-Economic Development Authority (JEDA) and 3Phase, today announced the launch of the state's first Phase IIB Match Fund for Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) grants. "The South Carolina SBIR/STTR Phase IIB Matching Fund represents the next milestone in S.C. Commerce's ongoing mission to promote the state's innovation economy," said Secretary of Commerce Harry M. Lightsey III. "The creation of this matching fund provides another resource for companies and another opportunity to recruit new business and create high-paying jobs within our borders."

Several federal agencies administer supplemental funding opportunities for small businesses that have received a Phase II award. These supplemental funds provide additional research and development resources to further accelerate commercialization of the Phase II awarded project. To qualify, small businesses must obtain private investment or capital. "Federal grant funding, partnered with matching private equity capital provides necessary investment to assist these vetted private, early stage start-up companies in South Carolina," said Harry Huntley, JEDA's executive director. "This program will help spur additional private equity and capital funding for South Carolina's new and innovative companies." JEDA will match up to \$100,000 in SBIR/STTR Phase II awards received by high-tech small businesses located in South Carolina and/or those willing to relocate to become S.C.-based businesses. The new fund will be managed by 3Phase, which will make recommendations to JEDA for equity investment.

JEDA's SERVICES

- Issuing and refunding bonds
- Making grants, loans, or investments utilizing its program funds; Establishing loan programs to reduce the cost of capital to business enterprises
- **Establishing profit and not-for-profit corporations to carry out the purposes of the SC Jobs-Economic Development Fund Act**
- Run State Small Business Credit Initiative (SSBCI)
- Services agency is permitted to perform, but not currently performing

ESTABLISHMENT OF PROFIT AND NOT-FOR-PROFIT CORPORATIONS

The General Assembly gave JEDA authority to establish profit and not-for-profit corporations to carry out the purposes of the SC Jobs-Economic Development Fund Act. Officials or employees of JEDA may act as officials or employees without additional compensation of a corporation created pursuant to this section. (S.C. Code Section 41-43-240)

Entities established by JEDA include:

- **InvestSC, Inc.**
- **Carolina Capital Investment Corporation (CCIC)**

NOTE: JEDA does not fund or control either entity

INVESTSC, INC.

History

- In 2005, the Venture Capital Investment Act was created by the state legislature to promote the availability of capital for creating and building business ventures in South Carolina. (2004 Act No. 187, Section 5; 2005 Act No. 125, Section 1)
- Venture Capital Authority (VCA) was established as an agency within S.C. Commerce to identify and select qualified professional investors who will invest in S.C. companies.
- VCA is a seven-member board selected by the Governor and state lawmakers.
- 2007, the VCA received financing by a private institutional lender secured by state tax credits; and four venture capital firms were selected.
- InvestSC, Inc. was formed by JEDA at the specific request of the VCA, because the VCA, a “state entity” under Commerce, cannot make equity investments.
 - InvestSC was organized in 2007 as a nonprofit corporation and received 501(c)(3) tax-exempt status
 - Governed by a Board of Directors consisting of 5 members; one member is the JEDA Board Chair
 - JEDA does not provide financial support or control InvestSC activities
- InvestSC is audited by Elliott Davis, CPAs and a detailed report of all activities is provided to the VCA each year.

INVESTSC, INC.

History

- VCA selected InvestSC to serve as a “Designated Investor Group” to assist the VCA in meeting the goals and objectives of the Venture Capital Investment Act.
- VCA Board approved DBAH, LLC (Deutsche Bank) as a lender under the Act and received approval from the State Budget and Control Board.
- On June 22, 2007,
 - InvestSC executed the Designated Investor Contract with the VCA to make investments and borrow funds as directed by the VCA.
 - InvestSC and DBAH signed a Securities Purchase Agreement for \$50 million in notes.
 - The VCA issued \$50 million in tax credit certificates held by Regions Bank as trustee.
 - InvestSC entered into limited partnership agreements with four venture capital funds selected by the VCA
- The notes were secured by all venture capital fund investments and tax credit certificates issued by VCA.
- On February 16, 2022, all notes were paid off with DBAH.
- Two of the venture capital funds still have investments valued at approximately \$10 million.

INVESTSC, INC.

The decision to borrow money to make venture capital investments is not a model to be followed.

- The notes were at a fixed rate of interest for 15 years with no prepayment allowed.
- Interest and fees paid to DBAH were \$45 million and origination costs were another \$1.2 million.
- Tax credit certificates of \$49 million had to be sold at a discount beginning in 2010 to meet the interest and principal payments in order not to default on the loan.
- It should be noted, however, that the VCA program began one year before the Great Recession of 2008.

Investments by the funds did retain and create a significant number of jobs, which has generated substantial personal income and sales tax revenue for the State. A study was commissioned in 2014 that showed direct State tax revenue of over \$5 million a year alone from the salaries of workers at companies supported by the venture capital fund investments.

INVESTSC, INC.

Current Status

Venture Capital Authority

(from Department of Commerce)

- VCA Board is not active and has not met since 2012
- Terms of all VCA Board members are expired

InvestSC, Inc.

- No liabilities outstanding
- Anticipate approximately \$10 million in returns from remaining investments in future years

Plan Forward

- None currently

- JEDA has contracted with InvestSC to invest 50% of the SSBCI 2.0 funds using a fund of funds model. Unlike the VCA model, the funds do not have to be repaid.

CCIC becomes BCI

History

1992

- Carolina Capital Investment Corporation (CCIC) formed as a 501(c)(4) nonprofit corporation through statute by JEDA for the purpose of promoting economic development.
- CCIC also will provide loan processing and servicing on behalf of local government units and will be compensated for such services from federal CDBG funds.
- CCIC was formed to continue JEDA's functions by acting as a secondary lender or 'gap' financier to businesses creating jobs in South Carolina.
- JEDA appoints all of CCIC's board members.

1995

- CCIC amended its bylaws to provide that a minority of its directors would be JEDA directors.
- To be an SBA/USDA lender, the CCIC board could not have a majority of JEDA directors because SBA lenders can not be controlled by a governmental entity.
- CCIC changed its name to Business Carolina Inc. (BCI) and becomes a Small Business Administration (SBA)/USDA lender and a Certified Development Financial Institution.

BCI becomes PSGF

2003

- JEDA Board separates BCI from JEDA

2014

- BCI sells most of its assets, primarily SBA and USDA loans, to United Community Bank, including the name “Business Carolina, Inc.”
- Former BCI entity changes name to Palmetto State Loan Fund, Inc., and later to Palmetto State Growth Fund, Inc. (PSGF)

2016

- PSGF agrees to create a steering committee chaired by the Secretary of Commerce to identify economic development and employment needs, focusing on investments in rural communities
 - PSGF partners with lenders with specific expertise to conduct program operations, thus reducing administrative expenses.

PALMETTO STATE GROWTH FUND (PSGF)

- PSGF is a 501(c)(3) nonprofit. It is organized to lessen the burdens of government by assisting JEDA in promoting the state's business and economic welfare. It does so by encouraging new and existing businesses through loans, investments and similar means and by acting in conjunction with other organizations, public and private, to promote economic development in the state.
- JEDA does not control PSGF activities
- PSGF is governed by a Board of Directors consisting of five members, one of which is the JEDA Board Chair.
- PSGF receives no financial support from JEDA and JEDA does not consider it a component unit.

JEDA's SERVICES

- Issuing and refunding bonds
- Making grants, loans, or investments utilizing its program funds; Establishing loan programs to reduce the cost of capital to business enterprises
- Establishing profit and not-for-profit corporations to carry out the purposes of the SC Jobs-Economic Development Fund Act
- **Implement State Small Business Credit Initiative (SSBCI)**
- Services agency is permitted to perform, but not currently performing

STATE SMALL BUSINESS CREDIT INITIATIVE (SSBCI)

What is it?

SSBCI Program 1.0 was a collaborative program authorized/funded by Small Business Jobs Act of 2010

- **Funded by the U.S. Department of the Treasury**
 - Provided \$1.5B for state programs that support access to credit for small businesses
 - States do not repay the SSBCI funds
 - SSBCI Funds remain with state to be recycled as an 'evergreen' loan fund.
- **Managed by the states and their contractors (S.C. JEDA and BDC)**
 - States implement the program through state agencies, quasi-public authorities or private contractors. This allows a state to operate its SSBCI program through whatever organizational structure exists in the state with the business lending experience and capacity to execute.
 - Federal program money supports private sector lending or investing by sharing in the lender or investor's risk of loss.
- **Implemented through the participation of private sector lenders and investors (Banks in S.C.)**
 - Private sector bears a significant responsibility for evaluating creditworthiness and program compliance.

STATE SMALL BUSINESS CREDIT INITIATIVE (SSBCI)

How did JEDA get involved?

- Business Development Corporation (BDC), created by statute in 1958, as a non-bank commercial lender and CDFI, along with State Bankers Association, informed JEDA and the General Assembly about the SSBCI program.
 - BDC was already running the state Capital Access Program (CAP).
 - Because BDC had the lending experience and network of commercial banks, it was a natural fit to administer and launch the SSBCI program quickly. However, since BDC was not a state agency, JEDA served as the agency to apply for, receive the funds and implement the program.
- May 2011, General Assembly passed S.C. Code Section 41-43-300, which directed JEDA to:
 - Serve as the state agency to apply for, receive the allocation and implement the SSBCI Program, and
 - Contract with BDC to administer the program.

STATE SMALL BUSINESS CREDIT INITIATIVE (SSBCI)

ELIGIBLE PROGRAMS

States could choose from five basic types of programs (four loan programs or a state-run venture capital program), and they customize the rules to suit local market conditions.

Loan Programs

- **Capital Access Programs (CAPs):** These programs provide portfolio insurance in the form of a loan loss reserve fund into which the lender and borrower contribute, supplemented with SSBCI funds
- **Loan Participation Programs:** States buy an interest in the loans made by lenders or lend directly alongside private lenders, providing direct lending to finance small businesses.
- **Loan Guarantee Programs:** States use SSBCI funds to provide an assurance to lenders that they will be partially repaid in the event of default, after the lender makes every reasonable effort to collect, helping small businesses secure loans that may have otherwise been inaccessible or prohibitively expensive.
- **Collateral Support Programs:** The programs in this model set aside funds as collateral for new loans, enabling start-ups to borrow funds to help their businesses grow with the assistance of SSBCI capital.

State-Run Venture Capital Program

- **Venture Capital Programs:** States set up public-private partnerships for equity investing. These investments are focused on providing capital to underserved startups and democratizing venture capital across geography and to diverse founders.

SSBCI Program 1.0 Amount and Program Options

- \$18M allocation to S.C.
- JEDA, as S.C.'s designated agency chooses the following:
 - Capital access (less than 10% of funds for this program), and
 - Loan participation programs (more than 90% of funds for this program)
- S.C. utilized its full \$18M allocation

SSBCI PROGRAM 1.0 PROCESS

See Handout

SSBCI 1.0 – S.C. using it for Loan Participation

Federal Government

- Funds available 2011 through 2017 – S.C. applied for and received all funds available
- 90%+ of funds went to loan participation program, remaining went to Capital Access Program (BCD was already running the CAP)
- Requires 1:1 match of SSBCI to private funds
- 10:1 leverage of private to SSBCI funds over 10 year period is required
- Loan must be to business headquartered in S.C. and not allowed for passive investments (e.g., buy apartment or office building you are solely going to rent out)

Step 1

- Applies for Tranche 1 funding
- Receives Tranche 1 funding
- Applies for Tranche 2 funding when 80% of Tranche 1 funding has been loaned out
- Receives Tranche 2 funding
- Applies for Tranche 3 funding when 80% of both Tranche 1 and Tranche 2 funding has been loaned out
- Receives Tranche 3 funding

JEDA

- JEDA completes all necessary paperwork and agreements with the Federal Government (separate application, etc. for each Tranche) and receives money
- Initial agreement was that 20% would go back to JEDA at the end of the program in case JEDA wanted to do a loan program and 80% would stay with BDC as long as BDC maintained the program. Program was successful so JEDA loaned the 20% it was owed back to BDC to enable BDC to make more loans, instead of JEDA running its own separate loan program.
- JEDA contracts with BDC to administer the program (see S.C. Code 41-43-300)
- *No money is owed back to federal government

Step 2

- Sends Tranche 1 funding
- Sends Tranche 2 funding
- Sends Tranche 3 funding

Business Development Corporation

- (owned by 35 member banks – basically every bank in the state; BDC is an SBA lender)
- 1:1 match of SSBCI to private funds
 - Inform everyone it is available, but must enter contract with BDC to take part.
 - 18 banks initially enter contracts with BDC; banks can be added at anytime
 - Once bank has contract with BDC, bank can come to BDC and ask BDC to participate in a loan if the bank is unable to loan any more loans (federal regulations limit amount banks can loan – loan to value ratio)
 - BDC did not have to participate in every loan a bank brought to them (BDC turned down ??%)
 - \$1,056 total in loan loss during existence of program (2011-2021)

Step 3

Ex] Bank can only provide \$800K so bank goes to BDC
BDC reviews, decides to be partner in the loan, and adds \$200K so business can get total loan of \$1M)

Ex] Bank sends BDC the portion of the loan repayment and interest owed to BDC
Based on \$200K BDC contributed

Community Bank(s)

Ex] Bank provides business \$1M
(\$800K from Bank and \$200K from BDC)

Repayment on loan
Plus interest

Step 4

Business headquartered in S.C. wants to borrow \$ (Ex - \$1M)

S.C. SMALL BUSINESS CREDIT INITIATIVE

What resulted from SSBCI Program 1.0 in S.C.?

As of December 31, 2021

- \$18M allocated in federal dollars
 - BDC has turned this into over \$50M in loan participations by recycling the funds
 - Achieved a private to SSBCI leverage ratio of 18 times
 - Utilized by 18 different banks in S.C. to make gross loans of \$290M
 - Loans averaged in excess of \$908,349
 - Only one loan loss of \$1,056
- Companies served have 4,528 total employees
 - 3,345 jobs retained at impacted borrowers
 - 1,183 new jobs were created

STATE SMALL BUSINESS CREDIT INITIATIVE (SSBCI)

What is it?

SSBCI Program 2.0 is a collaborative program reauthorized/funded by American Rescue Plan Act of 2021

- **Funded by the U.S. Department of the Treasury**
 - Providing \$10B for state programs that support access to credit for small businesses and small manufacturers. Funds will also support recipient jurisdictions in promoting American entrepreneurship and democratizing access to startup capital across the country, including in underserved communities
 - States do not repay the SSBCI funds
 - SSBCI funds remain with state to be recycled as an 'evergreen' loan fund.
- **Managed by the states and their contractors (S.C. JEDA and BDC)**
 - States implement the program through state agencies, quasi-public authorities or private contractors. This allows a state to operate its SSBCI program through whatever organizational structure exists in the state with the business lending experience and capacity to execute.
 - Federal program money supports private sector lending or investing by sharing in the lender or investor's risk of loss.
- **Implemented through the participation of private sector lenders and investors**
 - Private sector bears a significant responsibility for evaluating creditworthiness and program compliance.

STATE SMALL BUSINESS CREDIT INITIATIVE (SSBCI)

Eligible Programs

States can choose from those in Program 1.0. The SSBCI 2.0 program, however, puts an emphasis on loans or investments to business enterprises owned and controlled by socially and economically disadvantaged individuals (SEDI-owned businesses). States can qualify for additional incentive funds by demonstrating robust support for SEDI-owned businesses. The SEDI objective for South Carolina is 55.66% and is based on the percentage of CDFI census tracts in the State. While not a requirement of SSBCI 1.0, BDC calculated that 69% of its loans qualified for SEDI.

Loan Programs

- **Capital Access Programs (CAPs)**
- **Loan Participation Programs**
- **Loan Guarantee Programs**
- **Collateral Support Programs**

State-Run Venture Capital Program

- **Venture Capital Programs**
 - Fund of Funds model
 - Direct Investment model

SSBCI Program 2.0

Amount and Program Options

- \$101M potential allocation to S.C.
- JEDA, as S.C.'s designated agency chooses the following:
 - Venture Capital Fund of Funds (50% of funds for this program), and
 - Loan participation programs (50% of funds for this program)

SSBCI PROGRAM 2.0 PROCESS

See Handout

SSBCI 2.0 – S.C. using it for Loan Participation & Venture Capital

Federal Government

- Requires 1:1 match of SSBCI to private funds
- Requires 10:1 leverage of private to SSBCI funds over 10 year period
- Overall program must meet 55.66% SEDI (Socially and Economically Disadvantaged Individuals) with money going into businesses: (1) owned by individuals that qualify under SEDI requirements; (2) located in SEDI business tract; or (3) business owned by an individual that lives in SEDI census tract (includes community banks, businesses borrowing from them, venture capital funds and the companies they are investing in)
- SEDI requirements mean a good portion of money will be invested in smaller companies

Applies for
Tranche 1
funding

Receives
Tranche 1
funding

Applies for Tranche 2
funding when 80%
of Tranche 1 funding
has been loaned out

Receives
Tranche 2
funding

Applies for Tranche 3
funding when 80%
of both Tranche 1 and
Tranche 2 funding
has been loaned out

Receives
Tranche 3
funding

JEDA

- JEDA completes all necessary paperwork for tranche 1 by the February deadline, but the federal government then changed the requirements in March
- Application outlines S.C.'s plan for the SSBCI program funds. Application this time is for 50% loan participation and 50% venture capital, as opposed to in SSBCI 1.0 in which most went to loan participation and some to CAP). Application had to include who JEDA was contracting with to do the program (i.e., loan participation with BDC and venture capital with InvestSC). InvestSC was used because it already had past experience in doing a venture capital program. Application required lots of documentation from the entities JEDA would be contracting with (e.g., audited financial statements, etc.)
- *No money is owed back to federal government

Sends 50% of Tranche 1 Funding
for Loan participation

Sends 50% of Tranche 1 Funding
for Venture Capital

Business Development Corporation

BDC makes part
of the loan the bank
wants to make to the
S.C. company

Bank sends BDC the
portion of the loan
repayment and
interest owed to BDC

Community Bank

Loan

Repayment + Interest

Business headquartered in S.C.
wants to borrow \$

InvestSC

- Purpose is to create an evergreen fund that outlasts the SSBCI 10 years so there is continual money to invest in future new companies
- Becomes limited partner that does not make decisions on which companies to invest in. Those over the venture capital funds make those decisions.

Investment

Return on investment

Six to Ten Different Venture Capital Funds

- 90% of money must be invested in S.C. companies
- Management Fees (typically 2%)

Equity Investment

Percentage of
Company profits

Company headquartered in S.C.

Step 1

Step 2

Step 3

Step 4

S.C. SMALL BUSINESS CREDIT INITIATIVE

JEDA submitted its SSBCI 2.0 application on February 10, 2022 and was approved on June 8, 2022. It is one of only 14 states which has been approved (all 50 states applied). The total potential allocation for SC is \$101 million. We received the first tranche of \$28.7 million on June 14. We are currently executing contracts with BDC for the loan participation program and several venture capital funds in the state.

Expected Outcomes over the 10 year program projection:

- Loan Participation Program (\$50 million)
 - Expects to make 892 loans totaling over \$800 million.
 - Create 3,286 new jobs and retain 9,292 jobs
- Venture Capital Program (\$51 million)
 - Initially invest in 8 funds with a private match over \$120 million
 - Create 2,500 new jobs
 - Increase income and sales tax revenue by \$18 million annually

Misc. SERVICES

INFORMATION & REPORTING

- JEDA Website www.scjeda.com
 - Annual Reports
 - Board Meeting
 - Approvals
 - Closings
 - TEFRA Notices
 - Fee Schedules
 - Project Summaries/Success Stories
 - Bond Summit
 - Programs
 - JEDA Bond Application
 - Post Issuance Compliance and Continuing Disclosure Procedures
 - Industrial Revenue Brochure
 - Approved South Carolina Bond Firms
- Report to JBRC
- Audited financials to State Auditor and Comptroller
- Budget
- Accountability Report
- Bank Account Transparency Report

RECOVERSC LOCAL GOVERNMENT LIQUIDITY PROGRAM

In 2020, JEDA created the RecoverSC Local Government Liquidity Program.

Purpose: Help S.C. local governments bridge financial gaps resulting from lost revenues or delayed collections from a variety of sources (e.g., hospitality fees, accommodations taxes, business license fees, property taxes, etc.) during the COVID-19 pandemic

Funding available: Up to \$100 million in total program funding available to qualifying municipalities and counties.

Bonds Issued (Nov. 2020):

City of Columbia - \$10M

Bamberg County - \$1.325M

No follow on bonds were issued; Federal Government funded American Rescue Plan in March 2021

The “Bond Buyer” named JEDA’s RecoverSC program the honoree in the Innovative Financing Category at their Deal of the Year Honors in the Publication’s 20th Annual Recognition of Outstanding Achievement in Municipal Finance (December 2021)

JEDA's SERVICES

- Issuing and refunding bonds
- Making grants, loans, or investments utilizing its program funds; Establishing loan programs to reduce the cost of capital to business enterprises
- Establishing profit and not-for-profit corporations to carry out the purposes of the SC Jobs-Economic Development Fund Act
- Run State Small Business Credit Initiative (SSBCI)
- **Services agency is permitted to perform, but not currently performing**

Services agency is permitted to perform, but not currently performing

JEDA is authorized, but not required, to perform the services listed below.

- **Creating an insurance fund and/or a guarantee fund** (41-43-140 & 41-43-170)

An insurance or loan guarantee fund is a type of credit support program often used in microlending or with small loans where the borrower does not have sufficient collateral or credit to support the loan. A portion of the loan (usually 30 to 70%) is guaranteed against loss. The default rate of these loans is more than a retail lender would want to risk. While loan guarantee funds are an allowed other credit support program with SSBCI, it is not used as much as loan participation and venture capital.

- **Developing programs to encourage the export of goods, services, etc. to which value is added to the State** (41-43-190)

JEDA tried to develop this program in 1990, but the decision was made to allow Commerce to pursue this as an additional tool for attracting new industries to the State.

INTERNAL CHANGES MADE AS A RESULT OF THE OVERSIGHT PROCESS

INTERNAL CHANGES MADE

- The agency reviewed its Regulations and has updated them due to their obsolescence, in accordance with S.C. Code Section 1-23-120(J)
 - Drafting Notice was published in *The State Register* on February 28, 2020.
 - Final Regulation published in *The State Register* on May 27, 2022
 - Eliminated all outdated and obsolete regulations
 - Added current fee schedule into the regulations
- Due to doubling of conduit bond issuances since 2017 and the increased requirements of SSBCI 2.0 program, JEDA is conducting a search to hire a full-time CPA.



Harry A. Huntley, CPA

Executive Director

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Entities

- **Business Development Corporation (BDC):** Corporation created by the General Assembly in the 1950s. Comprised of representatives from almost every bank operating in S.C.
- **Coordinating Council on Economic Development (CCED):** Council comprised of cabinet agency directors or board chairs, plus House Ways and Means Chair and Senate Finance Chair
- **Department of Commerce:** Cabinet Agency
- **InvestSC, Inc.:** Non-profit entity created by, but not controlled or funded by, JEDA. JEDA created the entity at the request of the Venture Capital Authority (VCA). VCA is an authority within Commerce that was created by the General Assembly. InvestSC has its own board and finances. JEDA does not control InvestSC's activities, nor provide it financial support
- **Jobs Economic Development Authority (JEDA):** Authority created by the General Assembly
- **Palmetto State Growth Fund, Inc.:** BCI, the predecessor to PSGF, was an entity created by JEDA; does not receive any funding from JEDA
- **State Fiscal Accountability Authority (SFAA):** Authority created by the General Assembly. Consists of Comptroller General, State Treasurer, Chair of House Ways and Means, and Chair of Senate Finance

Terms

- **Public Sale of Bond**
- **Private Sale of Bond**
- **State Volume Cap**

Programs

- **Bonds**
 - **Taxable Bonds**
 - **Tax-Exempt Bonds**
- **Grants:** Recipient of the money is not required to repay it. Grants may be awarded by government departments, trusts, or corporations and given to individuals, businesses, educational institutions, or non-profits. (Example – Federal Community Development Block Grant Program)
- **Loan:** Recipient of the money is required to repay the money. (Example – Loan from a bank)
- **State Small Business Credit Initiative**

COMMITTEE CONTACT INFORMATION AND UPCOMING MEETINGS

Legislative Oversight Committee



South Carolina House of Representatives

Committee Mission

Determine if agency laws and programs are being implemented and carried out in accordance with the intent of the General Assembly and whether they should be continued, curtailed or eliminated. Inform the public about state agencies.

Website: <https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee.php>

Phone Number: 803-212-6810

Email Address: HCommLegOv@schouse.gov

Location: Blatt Building, Room 228

UPCOMING MEETINGS

Economic Development, Transportation, and Natural Resources Subcommittee

Monday, September 26th
10:30am
Blatt Room 317

END NOTES

¹ Visual Summary Figure 2 is compiled from information in the Department of Commerce study materials available online under “Citizens’ Interest,” under “House Legislative Oversight Committee Postings and Reports,” and then under “Jobs Economic Development Authority”

<https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyPHPFiles/JobsEconomicDevelopmentAuthority.php> (accessed September 12, 2022).