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Economic Development, Transportation, Natural Resources, and Regulatory Subcommittee

August 25, 2016

Archived Video Available

- I. Pursuant to House Legislative Oversight Committee Rule 6.8, South Carolina ETV was allowed access for streaming the meeting. You may access 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, Natural Resource, and Regulatory Subcommittee meeting was called to order by Chair Phyllis J. Henderson on Thursday, August 25, 2016, in Room 110 of the Blatt Building. The following members of the Subcommittee were present for the meeting: Chair Henderson; Representative Ralph W. Norman; Representative Robert L. Ridgeway, III, and Representative Samuel Rivers, Jr.
- II. Present on behalf of the State Transportation Infrastructure Bank (Bank) were: Mr. Vince Graham (Chair of the Transportation Infrastructure Bank)

Board), Mr. Jim Holley (General Counsel), and Ms. Tami Reed (Chief Financial Officer).

- III. Present on behalf of the Legislative Audit Council were: Mr. Earl Powell (Director), and Mr. Andrew M. Young (Audit Manager for the audit of the State Transportation Infrastructure Bank).
- IV. Present on behalf of the Department of Transportation were: Ms. Christy Hall (Secretary of Transportation) and Mr. Allen Hutto (Governmental Relations Officer).

Minutes

- I. House Rule 4.5 requires standing committees to prepare and make available to the public the minutes of committee meetings; 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 Norman moved to approve the minutes from the Subcommittee’s meeting on July 6, 2016. A roll call vote was held, and the motion passed.

Rep. Norman’s motion to approve the minutes from July 6, 2016:	Yea	Nay	Not Voting
Rep. Norman	✓		
Rep. Ridgeway	✓		
Rep. Rivers	✓		
Rep. Henderson	✓		

Discussion of the Department of Agriculture

- I. Chair Henderson provided an update on the Subcommittee’s study of the Department of Agriculture. Notably, the agency had submitted its Program Evaluation Report to the Committee on the previous day, August 24.
- II. Discussion of the Transportation Infrastructure Bank

Update on status of the study

Chair Henderson provided an update on the status of the Subcommittee’s study of the State Transportation Infrastructure Bank’s progress. She noted that the purpose of the meeting was to provide the Bank the ability to respond to the recommendations of the Legislative Audit Council and to

allow the Subcommittee members to ask any questions they may have of the Bank.

Discussion of the Agency's New Organizational Structure

Mr. Graham provided an explanation of the Bank's new organizational structure. The agency provided its new organizational chart to the Subcommittee, which is published online as a part of the agency's study materials.

Chair Henderson asked if the new positions identified in the Bank's updated organizational chart had been created by the most recent appropriations act. She asked how the role of the agency had changed necessitating the addition of the addition of four new full-time positions at the Bank, and she asked for an explanation of the duties of the new positions. Mr. Holley stated that the Bank had been understaffed for years with contract services providing support, and the level of activity is increasing, which provides more accountability in the process.

Representative Norman asked for an explanation of the ways in which the addition of new employees will address issues identified by the Legislative Audit Council in the Bank's operations. Additionally, he inquired as to the source of the recommendation that the Bank add new employees. Mr. Holly stated that he did not recall the Bank Board had a vote on this particular issue.

Further Discussion of the Agency's responses to the recommendations of the Legislative Audit Council

Mr. Graham provided the Subcommittee with an update on the Bank's responses to the recommendations of the Legislative Audit Council. Mr. Graham's presentation to the Subcommittee is available online as a part of the agency's study materials.

Representative Norman requested that the Bank begin providing specific refutations to the Legislative Audit Council's recommendations. He asked if the Bank disagreed with the Legislative Audit Council's recommendation that the Bank and DOT be consolidated. Mr. Holly noted that the Bank's previous responses to the Subcommittee expressed the agency's position on the issue and how this arrangement and structure provides certain benefits, e.g., financing, to the State that possible unwinding may remove. Additionally, Representative Norman noted that members of the Bank Board paid for their travel expenses out of pocket.

Later in the meeting, Chair Henderson asked the representatives of the Legislative Audit Council to provide an explanation about official audit recommendations. During discussion, it was noted the only official recommendations of the Council were those recommendations that were specifically numbered within the Council's audit of the Bank.

Representative Norman asked if, in the opinion of the Council, the Bank had responded to each of the Council's recommendations. Mr. Young stated that there remained differences of opinions between the Legislative Audit Council and the agency with regards to certain recommendations.

Discussion of the Agency's new Operating Guidelines

The agency provided the Subcommittee with a written explanation of its new operating guidelines adopted in May. The operating guidelines are published online as a part of the agency's study materials; the operating guidelines are published on the agency's website as well.

Chair Henderson asked whether the operating guidelines that the Bank had submitted to the Subcommittee were newly developed or newly updated. Mr. Holly stated that the Bank Board had been working on these new operating guidelines, which were adopted in May, for quite some time.

Chair Henderson asked if the Bank had decided how to address an application that reached the statutory minimum project cost of \$25,000,000 only by bundling a set of less expensive projects. She expressed a concern about the practice of bundling projects. Later in the meeting, Representative Norman asked if the Bank about this issue.

Chair Henderson suggested that the Board publicly defined its criteria for approving a project and the definition of the "local match." She noted that the issue of a local match had caused some confusion for applicants in the past.

Chair Henderson asked if there was any requirement that the Bank to spend its money only on state roads. Mr. Holly explained how not every project would necessarily be a Department of Transportation project.

Representative Norman asked for an explanation of the ease with which the Bank could post information about grants on its website. Mr. Young made brief comments about issues the Legislative Audit Council had with reviewing internal documents. Representative Norman requested that every member of the Subcommittee receive the complete list of all projects that have been funded by the Bank. He questioned the Bank about a project in I-

73 in Horry County. Also, he requested that the Subcommittee not conclude its study of the Bank at this time.

Recommendations

Chair Henderson stated that she would like for the Subcommittee Study to include recommendations that the Bank no longer fund bundled projects, define the term “local match,” and be statutorily prohibited from funding the construction or repair of county roads. Representative Rivers requested that each of the issues raised be voted on individually as he had concerns about a prohibition on the construction or repair of county roads. The Subcommittee addressed each issue individually.

Representative Norman moved that the Subcommittee Study include a recommendation that the Bank not fund projects that have been bundled together since the smaller projects individually do not reach the \$25,000,000 minimum project cost required by statute. A roll call vote was held, and the motion was passed.

Rep. Norman’s motion that the Subcommittee Study include a recommendation that the Transportation Infrastructure Bank not fund projects that have been bundled together if the smaller projects individually do not reach the \$25,000,000 minimum project cost required by statute:	Yea	Nay	Not Voting
Rep. Norman	✓		
Rep. Ridgeway	✓		
Rep. Rivers	✓		
Rep. Henderson	✓		

Chair Henderson moved that the Subcommittee Study include a recommendation that the Bank adopt in its publicly available operating guidelines a definition of the term “local match.” A roll call vote was held, and the motion passed.

Chair Henderson’s motion that the Subcommittee Study include a recommendation that the Transportation Infrastructure Bank adopt in its publicly available operating guidelines a definition of the term “local match”:	Yea	Nay	Not Voting
Rep. Norman	✓		
Rep. Ridgeway	✓		
Rep. Rivers	✓		
Rep. Henderson	✓		

As it was noted during the course of the meeting that the Bank and DOT were still in the process of determining how Act 275 would be implemented, Chair Henderson moved that the Subcommittee Study include a recommendation that the Subcommittee follow up with the Bank in the subsequent year to find more information about the working relationship between the Bank and DOT in light of the changes effected by Act 275. A roll call vote was held, and the motion passed.

Chair Henderson’s motion that the Subcommittee Study include a recommendation that the Subcommittee follow up with the Transportation Infrastructure Bank in the subsequent year so that the Subcommittee could learn more about the working relationship between the Transportation Infrastructure Bank and the Department of Transportation in light of the changes effected by Act 275:	Yea	Nay	Not Voting
Rep. Norman	✓		
Rep. Ridgeway	✓		
Rep. Rivers	✓		
Rep. Henderson	✓		

It was noted that the next Bank Board meeting is scheduled for September 13, 2016.

III. There being no further business, the meeting was adjourned.