COMMITTEE REPORT

May 15, 2014

**S. 535**

Introduced by Senators Peeler, Alexander, L. Martin, McGill, Coleman, Jackson, Campbell, Setzler, Cromer, O’Dell, Sheheen, Turner, Fair, Ford, Nicholson, Hayes and Pinckney

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Read the first time May 14, 2013.

**THE COMMITTEE ON WAYS AND MEANS**

To whom was referred a Bill (S. 535) to amend the Code of Laws of South Carolina, 1976, by adding Article 11 to Chapter 119, Title 59, enacting the “Clemson University Enterprise Act”, so as to allow, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass with amendment:

Amend the bill, as and if amended, by striking all after the enacting words and inserting:

/ SECTION 1. Chapter 101, Title 59 of the 1976 Code is amended by adding:

“Article 5

Permanent Improvement Project Review

Section 59‑101‑1310. The purpose of this article is to specify the manner and time in which Joint Bond Review Committee approval is necessary for a permanent improvement project of a public institution of higher learning. To the extent that the provisions of this article conflict with any other provisions of law, the provisions of this article shall govern.

Section 59‑101‑1320. As used in this article:

(1) ‘Committee’ means the Joint Bond Review Committee.

(2) ‘Authority’ means the State Budget and Control Board or its successor entity the State Fiscal Accountability Authority.

(3) ‘Public institution of higher learning’ has the meaning provided in Section 59‑103‑5.

(4) ‘Phase one construction submittal’ or ‘POCS’ means a request to acquire professional services for predesign or design work, or both, through development of concept design and preparation of a project budget for complete project design and construction. The product of these services must be a statement of project scope and budget. Predesign and design services must include, but not be limited to, design objectives, site requirements, project schedule, human, vehicular, and material flow patterns, general space allocations, site measurements, environmental considerations/impacts, utility systems, deed and zoning analyses, and preliminary building plans and elevations.

(5) ‘Phase two construction submittal’ or ‘PTCS’ means a request to acquire and complete final design and construction documents and to execute construction documents to begin and complete construction.

(6) ‘Limited review’, with respect to new construction, renovations, or acquisitions, means that a permanent improvement project is exempt from receiving approval for a POCS from both the committee and the authority. However, projects are still required to receive PTCS approval from both the committee and the authority.

(7) ‘Modified review’, with respect to new construction, renovations or acquisitions, means that a permanent improvement project’s POCS is considered approved by the committee unless a member of the committee objects within fifteen days of being provided a copy of the POCS by committee staff. If no objection is noted and the POCS stands approved, approval from the authority is not required. However, projects are still required to receive PTCS approval from both the committee and the authority. With respect to leases, ‘modified review’ means the lease request is considered approved by the committee unless a member of the committee objects within fifteen days of being provided a copy of the submission by committee staff. If no objection is noted and the approval stands, approval from the authority is not required and the lease request is considered to have received final approval.

(8) ‘Full review’, with respect to new construction, renovations or acquisitions, means the permanent improvement project must receive both POCS and PTCS approval from both the committee and the authority.

(9) ‘Highly rated’ means a public institution of higher learning receiving AAA credit ratings from either Standard and Poor’s Ratings Services or Fitch Ratings or Aaa ratings from Moody’s Investors Service.

(10) ‘Well rated’ means a public institution of higher learning receiving AA+, AA, or AA‑ credit ratings from either Standard and Poor’s Ratings Services or Fitch Ratings or Aa1, Aa2, or Aa3 ratings from Moody’s Investors Service.

(11) ‘Medium Rated’ means a public institution of higher learning receiving A+, A, or A‑ credit ratings from either Standard and Poor’s Ratings Services or Fitch Ratings or A1, A2, or A3 ratings from Moody’s Investors Service.

(12) ‘Low or unrated’ means a public institution of higher learning receiving BBB+ or lower credit ratings from either Standard and Poor’s Ratings Services or Fitch Ratings or Baa1 or lower rating from Moody’s Investors Service or a public institution of higher learning that has not received a credit rating from Standard and Poor’s Ratings Services, Fitch Ratings or Moody’s Investors Service in the past two years.

Section 59‑101‑1330. For a public institution of higher learning, a permanent improvement project funded in whole or in part with the use of institutional bonds of a public institution of higher learning requires a full review by the committee and authority.

Section 59‑101‑1340. (A) For a highly rated public institution of higher learning, a permanent improvement project funded in whole or in part by revenue bonds of the institution requires a:

(1) limited review for a project for which the total cost is less than forty million dollars; and

(2) modified review for a project for which the total cost is equal to or greater than forty million dollars.

(B) For a well rated public institution of higher learning, a permanent improvement project funded in whole or in part by revenue bonds of the institution requires a:

(1) limited review for a project for which the total cost is less than forty million dollars; and

(2) full review for a project for which the total cost is equal to or greater than forty million dollars.

(C) For a medium rated public institution of higher learning, a permanent improvement project funded in whole or in part by revenue bonds of the institution requires a:

(1) modified review for a project for which the total cost is less than forty million dollars;

(2) full review for a project for which the total cost is equal to or greater than forty million dollars.

(D) For a low or unrated public institution of higher learning, a permanent improvement project funded in whole or in part by revenue bonds of the institution requires full review regardless of total cost.

Section 59‑101‑1350. (A) For a highly rated public institution of higher learning, a permanent improvement project involving new construction utilizing one hundred percent private funds or gifts requires a limited review for a project for which the total cost is greater than five hundred thousand dollars.

(B) For a well rated public institution of higher learning, a permanent improvement project involving new construction utilizing one hundred percent private funds or gifts requires a:

(1) limited review for a project for which the total cost is greater than five hundred thousand dollars but less than ten million dollars; and

(2) modified review for a project for which the total cost is equal to or greater than ten million dollars.

(C) For a medium rated public institution of higher learning, a permanent improvement project involving new construction utilizing one hundred percent private funds or gifts requires a:

(1) limited review for a project for which the total cost is greater than five hundred thousand dollars but less than five million dollars;

(2) modified review for a project for which the total cost is equal to or greater than five million dollars but less than ten million dollars; and

(3) full review for a project for which the total cost is equal to or greater than ten million dollars.

(D) For a low or unrated public institution of higher learning, a permanent improvement project involving new construction utilizing one hundred percent private funds or gifts requires a full review for a project for which the total cost is equal to or greater than five hundred thousand dollars.

Section 59‑101‑1360. (A) For a highly rated public institution of higher learning, a permanent improvement project involving renovations utilizing one hundred percent private funds or gifts requires a limited review for a project for which the total cost is greater than one million dollars.

(B) For a well rated public institution of higher learning, a permanent improvement project involving renovations utilizing one hundred percent private funds or gifts requires a:

(1) limited review for a project for which the total cost is greater than one million dollars but less than ten million dollars; and

(2) modified review for a project for which the total cost is equal to or greater than ten million dollars.

(C) For a medium rated public institution of higher learning, a permanent improvement project involving renovations utilizing one hundred percent private funds or gifts requires a:

(1) limited review for a project for which the total cost is greater than one million dollars but less than five million dollars;

(2) modified review for a project for which the total cost is equal to or greater than five million dollars but less than ten million dollars; and

(3) full review for a project for which the total cost is equal to or greater than ten million dollars.

(D) For a low or unrated public institution of higher learning, a permanent improvement project involving renovations utilizing one hundred percent private funds or gifts requires a full review for a project for which the total cost is equal to or greater than one million dollars.

Section 59‑101‑1370. (A) For a highly rated public institution of higher learning, a permanent improvement project involving new construction utilizing sources of funds that are not debt requires a:

(1) limited review for a project for which the total cost is greater than five hundred thousand dollars but less than seven million dollars; and

(2) modified review for a project for which the total cost is equal to or greater than seven million dollars.

(B) For a well rated public institution of higher learning, a permanent improvement project involving new construction utilizing sources of funds that are not debt requires a:

(1) limited review for a project for which the total cost is greater than five hundred thousand dollars but less than five million dollars; and

(2) modified review for a project for which the total cost is equal to or greater than five million dollars.

(C) For a medium rated public institution of higher learning, a permanent improvement project involving new construction utilizing sources of funds that are not debt requires a:

(1) limited review for a project for which the total cost is greater than five hundred thousand dollars but less than five million dollars;

(2) modified review for a project for which the total cost is equal to or greater than five million dollars but less than seven million dollars; and

(3) full review for a project for which the total cost is equal to or greater than seven million dollars.

(D) For a low or unrated public institution of higher learning, a permanent improvement project involving new construction utilizing sources of funds that are not debt requires a full review for a project for which the total cost is equal to or greater than five hundred thousand dollars.

Section 59‑101‑1380. (A) For a highly rated public institution of higher learning, a permanent improvement project involving renovations utilizing sources of funds that are not debt requires a:

(1) limited review for a project for which the total cost is equal to or greater than one million dollars but less than seven million dollars; and

(2) modified review for a project for which the total cost is equal to or greater than seven million dollars.

(B) For a well rated public institution of higher learning, a permanent improvement project involving renovations utilizing sources of funds that are not debt requires a:

(1) limited review for a project for which the total cost is equal to or greater than one million dollars but less than five million dollars; and

(2) modified review for a project for which the total cost is equal to or greater than five million dollars.

(C) For a medium rated public institution of higher learning, a permanent improvement project involving renovations utilizing sources of funds that are not debt requires a:

(1) limited review for a project for which the total cost is equal to or greater than one million dollars but less than five million dollars;

(2) modified review for a project for which the total cost is equal to or greater than five million dollars but less than seven million dollars; and

(3) full review for a project for which the total cost is more than seven million dollars.

(D) For a low or unrated public institution of higher learning, a permanent improvement project involving renovations utilizing sources of funds that are not debt requires a full review for a project for which the total cost is greater than one million dollars.

Section 59‑101‑1390. (A) For a highly rated public institution of higher learning, an acquisition utilizing any source of funds requires a:

(1) limited review for an acquisition for which the total cost is greater than two hundred fifty thousand dollars but less than one million dollars; and

(2) modified review for an acquisition for which the total cost is equal to or greater than one million dollars.

(B) For a well rated public institution of higher learning, an acquisition utilizing any source of funds requires a modified review for an acquisition for which the total cost is greater than two hundred fifty thousand dollars.

(C) For a medium rated public institution of higher learning, an acquisition utilizing any source of funds requires a:

(1) modified review for an acquisition for which the total cost is greater than two hundred fifty thousand dollars but less than one million dollars; and

(2) full review for an acquisition for which the total cost is equal to or greater than one million dollars.

(D) For a low or unrated public institution of higher learning, an acquisition utilizing any source of funds requires a full review for an acquisition for which the total cost is greater than two hundred fifty thousand dollars.

Section 59‑101‑1400. (A) For a highly rated and a well rated public institution of higher learning, a lease utilizing any source of funds requires a:

(1) modified review for a lease for which the total cost is greater than one million dollars but less than three million dollars; and

(2) full review for a lease for which the total cost is equal to or greater than three million dollars.

(B) For a medium rated and a low or unrated public institution of higher learning, a lease utilizing any source of funds requires a full review for a lease for which the total cost is greater than one million dollars.

Section 59‑101‑1410. Nothing in this article is intended to supercede committee or authority, or both committee and authority staff level approval for certain projects as provided in Title 2, Chapter 47.

Section 59‑101‑1420. Notwithstanding a credit rating to the contrary, a public institution of higher learning which is in deficit posture, has not completed its annual Comprehensive Annual Financial Report (CAFR) on time, received material findings in a procurement audit, state auditor’s report, or an Inspector General’s report, is deemed low or unrated for the purposes of this article. Upon completion of corrective action on any of these items, the public institution of higher learning shall operate subject to its stated credit rating.”

SECTION 2. This act takes effect July 1, 2014. /

Renumber sections to conform.

Amend title to conform.

W. BRIAN WHITE for Committee.

**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING ARTICLE 11 TO CHAPTER 119, TITLE 59, ENACTING THE “CLEMSON UNIVERSITY ENTERPRISE ACT”, SO AS TO ALLOW THE BOARD OF TRUSTEES OF CLEMSON UNIVERSITY BY RESOLUTION TO ESTABLISH AN ENTERPRISE DIVISION AS PART OF CLEMSON UNIVERSITY, TO PROVIDE THAT CERTAIN ASSETS, PROGRAMS, AND OPERATIONS OF CLEMSON UNIVERSITY MAY BE TRANSFERRED TO THE ENTERPRISE DIVISION, TO PROVIDE THAT THE ENTERPRISE DIVISION IS EXEMPT FROM VARIOUS STATE LAWS GOVERNING PROCUREMENT, HUMAN RESOURCES, PERSONNEL, AND DISPOSITION OF REAL AND PERSONAL PROPERTY WITH SOME SUCH EXEMPTIONS APPLYING AUTOMATICALLY AND OTHERS REQUIRING ADDITIONAL ACTIONS BY THE BOARD OF TRUSTEES, TO PROVIDE THAT BONDS, NOTES, OR OTHER EVIDENCE OF INDEBTEDNESS MAY BE ISSUED FOR THE ENTERPRISE DIVISION AND PROVIDE AUDIT AND REPORTING REQUIREMENTS; AND TO AMEND SECTIONS 8‑11‑260, 8‑17‑370, AND 11‑35‑710, ALL AS AMENDED, AND RELATING RESPECTIVELY TO EXEMPTIONS FROM STATE PERSONNEL ADMINISTRATIONS, THE STATE EMPLOYEE GRIEVANCE PROCEDURE ACT, AND THE SOUTH CAROLINA CONSOLIDATED PROCUREMENT CODE, SO AS TO ADD EXEMPTIONS CONFORMING TO THE CLEMSON UNIVERSITY ENTERPRISE ACT.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Chapter 119, Title 59 of the 1976 Code is amended by adding:

“Article 11

The Clemson University Enterprise Act

Section 59‑119‑1110. This article may be cited as the ‘Clemson University Enterprise Act’.

Section 59‑119‑1120. As used in this article:

(1) ‘Board of Trustees’ means the Board of Trustees of Clemson University.

(2) ‘Capital improvement’ means the constructing, improving, equipping, renovating and/or repairing of any buildings, structure, facility, or other permanent improvement, or the cost of the acquisition of land whereon to construct or establish such building, structure, facility, or other permanent improvement.

(3) ‘Clemson University’ means Clemson University, an educational institution of higher learning and an agency of the State of South Carolina.

(4) ‘Enterprise activities’ means those programs or functions primarily related to economic development, graduate level research related to economic development, and athletics, with each constituting an enterprise activity.

(5) ‘Enterprise division’ means the Clemson University Enterprise Division, an operational unit of Clemson University created pursuant to this article.

(6) ‘Enterprise division personnel’ means all Clemson University employees or personnel: (a) who are allocated by the board of trustees to one or more enterprise activities, and (b) who devote a significant portion of their efforts for Clemson University supporting those enterprise activities.

(7) ‘Procurement’ has the same meaning as defined in Section 11‑35‑310(24).

(8) ‘SCCPC’ means the South Carolina Consolidated Procurement Code, as provided in Chapter 35, Title 11 and regulations promulgated pursuant to it.

(9) ‘Transferable items’ means, collectively, the duties, responsibilities, assets, personnel, and resources of, allocated to, or supporting, an enterprise activity.

Section 59‑119‑1130. (A) The board of trustees, by resolution, may establish the Clemson University Enterprise Division.

(B) The enterprise division created pursuant to this article is a constituent part of Clemson University.

(C) The resolution creating the enterprise division must provide for the allocation to the enterprise division of the transferable items of one or more enterprise activities as the board of trustees may consider appropriate. The board of trustees may amend the resolution from time to time to allocate transferable items to the enterprise division or to reallocate transferable items between Clemson University and the enterprise division as it considers appropriate.

(D) The board of trustees may adopt a resolution assigning direct oversight and management responsibility over the enterprise division to an existing committee of the board of trustees, or to a new committee established by the board of trustees, but final decision‑making responsibility with respect to the enterprise division remains with the board of trustees.

Section 59‑119‑1140. (A) The board of trustees has the same powers, duties, and responsibilities to manage and control the enterprise division as it does with other duties, responsibilities, assets, personnel, and resources of Clemson University. Without limiting the foregoing, the board of trustees has the following additional authority with respect to the enterprise division:

(1) It may purchase, lease as lessee, accept, and otherwise acquire any real and personal property and other assets upon such terms and conditions as it considers appropriate. Contracts or agreements effecting or governing such a purchase, lease, acceptance, or other acquisition are exempt from provisions of Sections 1‑11‑55 through 1‑11‑65 and Section 59‑103‑110. The board of trustees shall provide on an annual basis a report of property acquired, and any contract or agreement thereto, to the Governor, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee. This report must be based on the fiscal year of Clemson University and must be provided not more than ninety days after the end of the fiscal year.

(2) It may sell, convey, lease as lessor, exchange, and otherwise dispose of any real and personal property and other assets upon the terms and conditions it considers appropriate. The proceeds derived from the sale, conveyance, lease, exchange, or disposition of any real and personal property, net of transaction costs and payment of any debts secured by the sold, conveyed, leased, exchanged, or disposed property, must be remitted to the board to be used exclusively for the support of the enterprise division or Clemson University. Contracts or agreements effecting or governing the sale, conveyance, lease, exchange, or other disposition are exempt from the provisions of Sections 1‑11‑55 through 1‑11‑65, Section 10‑1‑130, and Section 59‑101‑180. The board of trustees shall provide on an annual basis a report of property disposed of pursuant to this item, and any contract or agreement thereto, to the Governor, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee. This report must be based on the fiscal year of Clemson University and must be provided not more than ninety days after the end of the fiscal year.

(3) It may retain the services of advisors, consultants, attorneys, accountants, and financial experts as necessary in the board of trustees’ judgment in connection with any aspect of the enterprise division and to determine their duties and to fix their compensation.

(4)(a) Upon the approval and implementation by the State Budget and Control Board, it shall participate in the comprehensive human resources system for the public institutions of higher learning and technical colleges pursuant to SECTION 3 of Act 74 of 2011; provided however, that any existing exemptions from general state government personnel policies and applicable laws that generally regulate state employee workforce are preserved and shall be preserved if such personnel are moved into the enterprise division.

(b) Each of the enterprise division’s personnel are state employees for purposes of eligibility for participation in retirement and health insurance and other insurance plans and programs administered by the South Carolina Public Employee Benefit Authority and for purposes of the South Carolina Tort Claims Act.

(5) It shall establish the management controls and staffing of enterprise division’s personnel as the board considers appropriate for the prudent conduct of the enterprise division, including the establishment of an internal audit function to monitor the activities of the enterprise division.

(6) It may enter into relationships or transactions with not‑for‑profit entities established, in whole or in part, to support the mission of Clemson University, it being understood that these support entities are not considered an entity owned or controlled by the enterprise division or Clemson University and are not subject to the laws and regulations applicable to the enterprise division. However, if a not‑for‑profit entity acquires a capital improvement on behalf of or for the use of the enterprise division and funds of the enterprise division or Clemson University are used in the acquisition, financing, construction, or current or subsequent leasing of the capital improvement, that acquisition is subject to the provisions of the enterprise division’s procurement policy that the board adopts pursuant to this article.

(7) It may issue bonds, notes, or other obligations or evidences of indebtedness in the name of Clemson University and on behalf of the enterprise division in the same manner and for the same purposes, including the purposes of the enterprise division. Also, it may utilize or benefit, as the case may be, from the provisions of the Higher Education Revenue Bond Act, as provided in Chapter 147, Title 59 and the provisions of the South Carolina Jobs‑Economic Development Fund Act, as provided in Chapter 43, Title 41. This item only applies so long as the proceeds of the bonds, notes, or obligations are not utilized to fund a capital improvement project.

(B)(1) Capital improvements of the enterprise division, and the financing of these capital improvements, are exempt from the provisions of Section 1‑11‑180, Chapter 47, Title 2 and Section 59‑103‑110. The board shall provide on an annual basis a report of capital projects authorized by the board of trustees to the Governor, the Chairman of the Senate Finance Committee, the Chairman of the House Ways and Means Committee, and the Commission on Higher Education. This report must be based on the fiscal year of Clemson University and must be provided not more than ninety days after the end of the fiscal year.

(2) The board of trustees must establish a review process for the consideration of any permanent improvement project proposal by the enterprise division similar to that set forth in Chapter 47, Title 2.

(3) Notwithstanding any other provision of this subsection, after full architecture and engineering design work is completed on a permanent improvement project, but prior to execution of a construction contract, the project must be submitted to the Joint Bond Review Committee for review and comment.

(4) The exemptions provided by this subsection do not apply to capital improvements for athletics that expends, secures bonding with, or otherwise utilizes state appropriated funds, state general obligation capital improvement bonds, student tuition, student fees, or any other student charge except for non‑mandatory ticket charges to athletic events. For purposes of this item, ‘state appropriated funds’ excludes federal funds and other funds that do not otherwise make this subsection inapplicable.

(5) If a capital improvement project serves multiple purposes and one or more of the purposes is not an enterprise activity thereby causing the exemptions provided by this subsection to not apply, then the exemptions provided by this subsection do not apply for the entire capital improvement project.

(C) The board of trustees shall conduct an annual audit by independent certified public accountants selected by the board of trustees, which accountants shall review the accounts of the enterprise division and report the findings of the audit to the Governor, the Chairman of the Senate Finance Committee, and Chairman of the House Ways and Means Committee in accordance with generally accepted auditing standards and procedures.

(D)(1) Subject to the provisions of item (2), the board of trustees shall adopt for the enterprise division a procurement policy and amend the policy as it considers appropriate. Before the implementation of the procurement policy, or any amendment thereto, the policy or amendment must be approved by the State Budget and Control Board. Thereafter, every procurement of the enterprise division is exempt from the SCCPC and each such procurement instead is subject to the procurement policy adopted by the board.

(2)(a) The procurement policy adopted by the enterprise division may not include provisions relating to telecommunications, and the enterprise division is subject to all procurement provisions relating to telecommunications and telecommunications equipment and service as set forth in the SCCPC and Section 1‑11‑430 unless otherwise exempt by Section 11‑35‑710(6).

(b) The enterprise division may not construct, own, or operate a network that carries commercial traffic, commercial internet traffic, or K‑12 traffic originated in South Carolina.

Section 59‑119‑1150. The requirements imposed upon Clemson University, the board of trustees, and the enterprise division by the provisions of this article may be enforced by mandamus. However, failure to comply with requirements do not invalidate the powers granted pursuant to this article.

Section 59‑119‑1160. Notwithstanding any other provision of this article, enterprise activities only include athletics if Clemson University’s Athletics Grand Total Revenues as reported under the Equity in Athletics Disclosure Act as required by The Higher Education Opportunity Act (Public Law 110‑315) are equal to or exceed forty million dollars a year.

Section 59‑119‑1170. Four years after the adoption of a resolution providing for the allocation to the enterprise division of the transferable items of one or more enterprise activities pursuant to Section 59‑119‑1130(C), and every four years thereafter, the provisions of this act must be reauthorized by the adoption of a joint resolution by the General Assembly, in separate legislation and solely for that purpose. If this act, or any part thereof, is not reauthorized, those provisions are no longer effective.

Section 59‑119‑1180. It is the intent of the General Assembly to review the provisions of this article, and to determine the merit of this pilot enterprise program after the program has been in effect for at least four years. After reviewing this article and making a determination, the General Assembly may consider the costs and benefits of expanding the provisions of this article to additional institutions of higher learning.

Section 59‑119‑1190. Nothing in this article may be construed so as to exempt the enterprise division from the provisions of Section 59‑103‑35 relating to the approval of new programs by the Commission on Higher Education.”

SECTION 2. Section 11‑35‑710 of the 1976 Code is amended by adding an appropriately numbered item at the end to read:

“( ) the Clemson University Enterprise Division, if such a division is established pursuant to Article 11, Chapter 119, Title 59, the Clemson University Enterprise Act, and the Board of Trustees of Clemson University, pursuant to that act, has adopted a procurement policy for the division and that procurement policy was approved by the State Budget and Control Board pursuant to Section 59‑119‑1140(D).”

SECTION 3. This act takes effect July 1, 2013.

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