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Summary: State Institution of Higher Education Enterprise Act

**HISTORY OF LEGISLATIVE ACTIONS**

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**VERSIONS OF THIS BILL**

[3/14/2017](file:///p:\pprever\2017-18\542_20170314.docx)

**A** **BILL**

TO AMEND TITLE 59 OF THE 1976 CODE, RELATING TO EDUCATION, BY ADDING CHAPTER 157, TO ENACT THE “STATE INSTITUTION OF HIGHER EDUCATION ENTERPRISE ACT,” TO ALLOW THE BOARD OF TRUSTEES OF AN INSTITUTION OF HIGHER EDUCATION TO ESTABLISH BY RESOLUTION AN ENTERPRISE DIVISION AS PART OF THE COLLEGE OR UNIVERSITY, TO PROVIDE THAT CERTAIN ASSETS, PROGRAMS, AND OPERATIONS OF THE COLLEGE OR 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 THE 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 TO PROVIDE AUDIT AND REPORTING REQUIREMENTS; AND TO AMEND SECTION 11-35-710, RELATING TO EXEMPTIONS FROM THE SOUTH CAROLINA PROCUREMENT CODE, TO PROVIDE THAT THE STATE FISCAL ACCOUNTABILITY AUTHORITY MAY EXEMPT AN ENTERPRISE DIVISION, IF A DIVISION IS ESTABLISHED PURSUANT TO CHAPTER 157, TITLE 59 AND THE BOARD OF TRUSTEES HAS ADOPTED A PROCUREMENT POLICY FOR THE DIVISION THAT WAS APPROVED BY THE STATE FISCAL ACCOUNTABILITY AUTHORITY.

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

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

“CHAPTER 157

The State Institution of Higher Education Enterprise Act

Section 59-157-110. This chapter may be cited as the ‘State Institution of Higher Education Enterprise Act of 2017.’

Section 59-157-120. As used in this chapter:

(1) ‘Board of trustees’ means the boards of trustees of the colleges and universities listed in Section 59‑101‑10.

(2) ‘Capital improvement’ means the constructing, improving, equipping, renovating, or repairing of any buildings, structure, facility, or other permanent improvement project, or the cost of the acquisition of land to construct or establish a building, structure, facility, or permanent improvement project as defined and limited in Section 2‑47‑50.

(3) ‘University or college’ means the colleges and universities listed in Section 59‑101‑10.

(4) ‘Enterprise activities’ means athletic programs and functions, and auxiliary programs or functions, funded solely by funds not received from the general fund of the State or from undergraduate tuition, such as the programs or functions identified in Section 59‑147‑30, including, but not limited to, those primarily related to economic development, research, housing, food services, stores, and athletics, with each constituting an enterprise activity.

(5) ‘Enterprise division’ means an operational unit of a college or university created pursuant to this chapter.

(6) ‘Enterprise division personnel’ means all college or university employees or personnel who are allocated by the board of trustees to one or more enterprise activities and who devote a significant portion of their efforts to supporting enterprise activities.

(7) ‘Procurement’ has the same meaning as 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 59-157-130. (A) A board of trustees, by resolution, may establish an enterprise division for its college or university.

(B) An enterprise division created pursuant to this chapter is a constituent part of its college or university.

(C) The resolution creating the enterprise division must provide for 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 the college or 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 governance of the enterprise division remains with the board of trustees.

Section 59-157-140. (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 the college or 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 the terms and conditions it considers appropriate. Contracts or agreements effecting or governing a purchase, lease, acceptance, or other acquisition are exempt from the provisions of Sections 1‑11‑55 through 1‑11‑65; Chapter 47, Title 2; 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 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 appropriate fiscal year of the college or 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 and 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 the college or 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 as well as state surplus property laws. 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 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 appropriate fiscal year of the college or university and must be provided not more than ninety days after the end of the fiscal year.

(3) Without the necessity of additional approval, 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 the duties of those retained pursuant to this item and to fix their compensation.

(4)(a) Upon the approval and implementation by the State Department of Administration, it shall participate in the comprehensive human resources system for 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 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, 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 the 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 the college or university, it being understood that a support entity is not considered an entity owned or controlled by the enterprise division or the college or university and is 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 college or university are used in the acquisition, financing, construction, or current or subsequent leasing of the capital improvement, then the acquisition is subject to the provisions of the enterprise division’s policies that the board adopts pursuant to this chapter.

(7) It may issue bonds, notes, or other obligations or evidences of indebtedness in the name of the college or 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 appropriate fiscal year of the college or 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 and the board must approve any capital improvement project as defined in Chapter 47, Title 2, in a public vote.

(3) Notwithstanding any other provision of subsection (B), 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 subsection (B) do not apply to capital improvements for athletics that expend, secure bonding with, or otherwise utilize 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 subsection (B) to not apply, then the exemptions provided by subsection (B) 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, who 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 (D)(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, the policy or amendment must be approved by the State Fiscal Accountability Authority. Thereafter, every procurement of the enterprise division is exempt from the SCCPC, and each 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 59-157-150. The requirements imposed upon the college or university, its board of trustees, and the enterprise division by the provisions of this chapter may be enforced by mandamus. However, failure to comply with requirements does not invalidate the powers granted pursuant to this chapter.

Section 59-157-160. Notwithstanding any other provision of this chapter, enterprise activities may only include athletics if the college or 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 59-157-170. 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 this chapter, and every four years thereafter, the provisions of this chapter must be reauthorized by the adoption of a joint resolution by the General Assembly, in separate legislation and solely for that purpose. If this chapter, or any part thereof, is not reauthorized, those provisions are no longer effective.

Section 59-157-180. It is the intent of the General Assembly to review the provisions of this chapter 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 chapter and making a determination, the General Assembly may consider the costs and benefits of expanding the provisions of this chapter to additional institutions of higher learning.

Section 59-157-190. Nothing in this chapter may be construed 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, and enterprise division land transactions, including leases, and permanent improvement projects are the only functions and areas removed from the commission.”

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

“( ) an enterprise division, if a division is established pursuant to Chapter 157, Title 59, for which the board of trustees, pursuant to Section 59-157-140(D), has adopted a procurement policy for the division and the procurement policy was approved by the State Fiscal Accountability Authority.”

SECTION 3. This act takes effect upon approval by the Governor.

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