

# House Legislative Oversight Committee

May 27, 2021



**South Carolina**  
Department of Commerce

Just right for business.



# Key Incentives



# Key Incentives Outline

- **STATUTORY INCENTIVES**
  - **SC Tax Structure Advantages**
  - **County Development Tiers**
  - **Types of Statutory Incentives**
  - **Qualifying Businesses**
  - **Job Tax Credits**
- **DISCRETIONARY INCENTIVES**
  - **What are Discretionary Incentives?**
  - **Economic Development Bond Funding**
  - **SC Coordinating Council for Economic Development**
    - Port & Agriculture Tax Credits
    - Enterprise Program
    - Grants
    - Cost Benefit Analysis
- **LEGISLATIVE AUDIT COUNCIL**
  - **Recommendations from report**







# Statutory Incentives

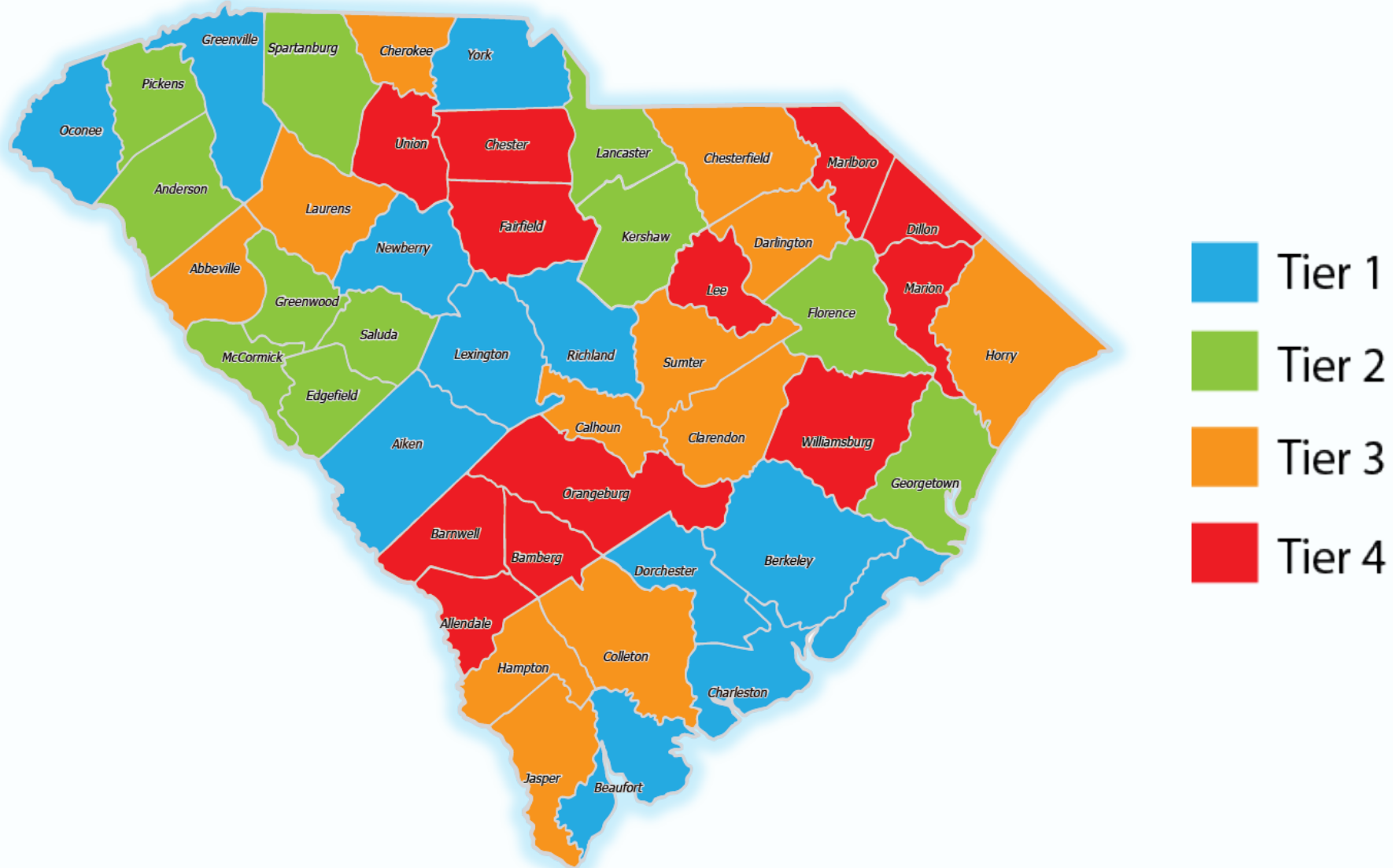


# SC Tax Structure Advantages

- ✓ No state property tax
- ✓ No local income tax
- ✓ No inventory tax
- ✓ No sales tax on manufacturing machinery, industrial power or materials for finished products
- ✓ No wholesale tax
- ✓ No unitary tax on worldwide profits
- ✓ Favorable corporate income tax structure



# Key Incentives: County Development 2021 Tier Map



# Key Incentives: Statutory

- ✓ Jobs Tax Credits
- ✓ (Enhanced) Corporate Headquarters Tax Credit
- ✓ Investment Tax Credit
- ✓ Research & Development Tax Credit
- ✓ Sales Tax Exemptions
- ✓ Property Tax Abatement



# Statutory Incentives: Qualifying Businesses

Corporate office

Distribution

Extraordinary retail establishment

Manufacturing

Professional sports team

Service-related

Technology intensive facility

A retail facility or service-related industry located in a Tier IV county may also qualify for the credit.

\*For purposes of the Job Tax Credits, a qualifying service-related company may NOT be engaged in legal, accounting, banking, investment services or retail sales.





# Statutory Incentives: Job Tax Credit

## Jobs Tax Credit (JTC)

A statutory incentive available to new and existing companies that create and maintain a certain number of new jobs in the state. The credit amount available per new job created is based on the county designation where the company is located.

County Development Tier - JTC	
Tier I	\$1,500
Tier II	\$2,750
Tier III	\$20,250
Tier IV	\$25,000



# Discretionary Incentives



# What are discretionary incentives?

## What They Are:

- ✓ Performance based
- ✓ Targeted toward real property expenses
- ✓ Subject to clawbacks

## What They Are Not:

- Arbitrary
- Cash giveaways
- Open-ended
- Exclusive to large companies
- Limited to new companies





## Discretionary Incentives: Economic Development Bond Funding





## State GO Economic Development Bonds

- ✓ Available via ½ percent of state debt limit for qualifying economic development projects
- ✓ ED Bond Act enacted in 2002
- ✓ Has supported BMW, Vought Aircraft, Boeing and Volvo
- ✓ Last used in 2017 for Volvo expansion
- ✓ Received approval in May 2021 of \$8 million to offset costs of Gallo Winery project mitigation



## Qualification as Economic Development Project

- ✓ \$400 million and 400 jobs
- ✓ \$100 million and 200 jobs
  - Limited to Life Sciences Facilities
  - Jobs must have average compensation of at least twice state per capita income



# Discretionary Incentives: Economic Development Bond Funding

## **Approval Process**

- ✓ Secretary certifies project qualifies
- ✓ JBRC authorizes
- ✓ SFAA approves

## **Performance/Clawback**

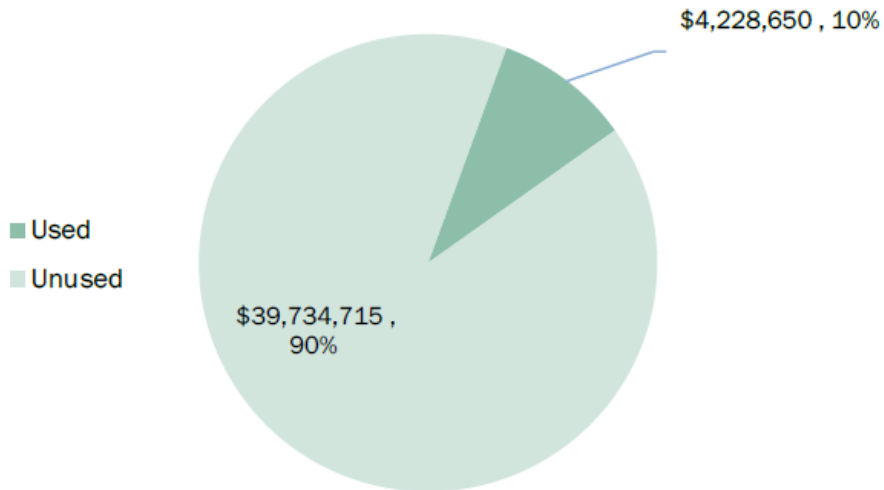
- ✓ Bonds not issued unless project moving forward
- ✓ Performance agreements required
- ✓ Must meet statutory minimums
- ✓ Pro rata repayment for underperformance



# Discretionary Incentives: Economic Development Bond Funding

Figure 10:

## 6/30/2020 Legal Debt Service Margin

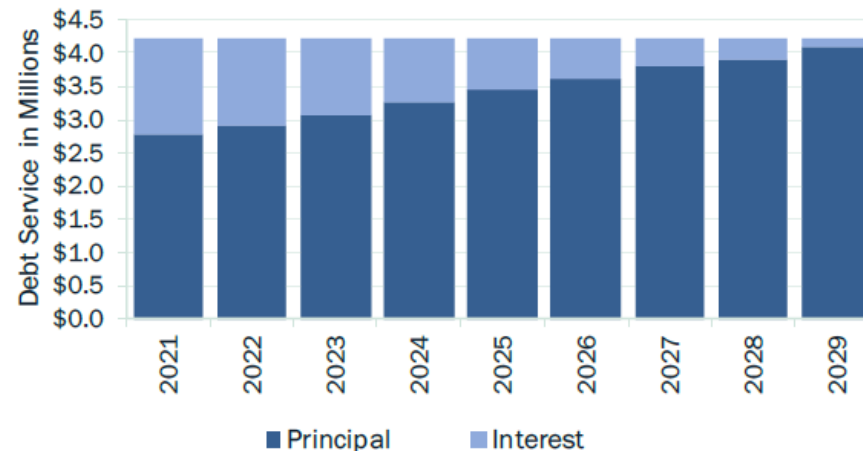


## Legal Debt Service Margin Calculation

FY 2019 Budgetary General Fund Revenues (BGFR)	\$8,804,752,000
Less: FY 2019 BGFR pledged for highway bonds	(12,079,000)
FY 2019 net BGFR	\$8,792,673,000
0.5% of FY 2019 net BGFR	\$43,963,365
Less: MADS for 0.5% Debt Limitation	(4,228,650)
<b>6/30/2020 Legal Debt Service Margin</b>	<b>\$39,734,715</b>

Figure 11:

## Annual Debt Service Requirements



FYE 6/30	Principal	Interest	Debt Service
2021	\$2,780,000	\$1,438,800	\$4,218,800
2022	2,920,000	1,299,800	4,219,800
2023	3,065,000	1,153,800	4,218,800
2024	3,265,000	950,425	4,215,425
2025	3,440,000	784,175	4,224,175
2026	3,615,000	609,300	4,224,300
2027	3,790,000	437,350	4,227,350
2028	3,910,000	318,650	4,228,650
2029	4,105,000	123,150	4,228,150
<b>Total</b>	<b>\$30,890,000</b>	<b>\$7,115,450</b>	<b>\$38,005,450</b>

Source: SC Office of the State Treasurer Annual State Debt Report, 2020





Discretionary Incentives:  
SC Coordinating Council for  
Economic Development  
(CCED)



# Discretionary Incentives: CCED

The **Coordinating Council for Economic Development (CCED)** consists of the heads or board chairs of 11 state agencies concerned with economic development:

- ✓ SC Department of Commerce
- ✓ SC Ports Authority
- ✓ SC Department of Parks, Recreation & Tourism
- ✓ SC Department of Agriculture
- ✓ SC Technical College System
- ✓ SC Research Authority
- ✓ SC Department of Employment and Workforce
- ✓ SC Department of Revenue
- ✓ Jobs Economic Development Authority
- ✓ SC Department of Transportation
- ✓ Santee Cooper



# Discretionary Incentives: Port & Agriculture Credits

## **Port Volume Increase Tax Credit**

- ✓ Must have base year of at least 10 twenty-foot equivalent units (TEUs) or 75 net tons of non-containerized property
- ✓ Must increase by at least 5% in next year
- ✓ Applications are submitted the year after increase
- ✓ Credit is generally \$100 per increased TEU
- ✓ Base year is re-set every year
- ✓ Credit can be income tax or withholding

## **Port Transportation Tax Credit**

- ✓ Based on transportation costs to port
- ✓ Company needs to contact port

## **Agriculture Purchase Credits**

- ✓ Must have base year of over \$100,000 in purchases of agricultural products that have been certified as grown in S.C. by the S.C. Dept. of Agriculture
- ✓ Must increase by at least 15% in next year
- ✓ Base-year is re-calculated every year after the initial base year



# Discretionary Incentives: Qualifying Businesses

- ✓ Agribusiness operations
- ✓ Agricultural packaging
- ✓ Distribution
- ✓ Manufacturing
- ✓ Processing
- ✓ Research and development
- ✓ Technology intensive facility
- ✓ Qualifying service-related facilities
- ✓ Warehousing





# Discretionary Incentives: Enterprise Program

- The Coordinating Council for Economic Development (CCED) has delegated the authority to approve applications to the Enterprise Committee, a committee made up of five members of the CCED.
- Preliminary information is reviewed by CCED staff.
- If staff determines that the project is consistent with the economic development goals of the state and meets qualification requirements for the Enterprise Program, a company may submit a formal application for eligibility to participate.



# Enterprise Program: Job Development Credit (JDC)

**JDC:** A discretionary, performance-based incentive that effectively allows qualified companies to use a refund of withholding tax liability to reimburse the company for eligible capital expenditures.

The allowable JDC a company is able to retain per net new job is based on the county designation.

County Development Tier - JDC	
Tier I	55%
Tier II	70%
Tier III	85%
Tier IV	100%



# Enterprise Program: JDC Requirements and Stipulations

## Statutory Requirements

- ⑩ Must be qualifying type of business §12-10-50(A)(1)
- ⑩ Must provide a benefits package, including health care, to full-time employees at the project §12-10-50(A)(2)
- ⑩ Must enter into a revitalization agreement (RVA) with the Coordinating Council for Economic Development that describes a minimum job requirement and minimum capital investment requirement for the project §12-10-50(A)(3)
- ⑩ Must create at least 10 new jobs within 5 years to be eligible to apply §12-10-80(A)(4)
- ⑩ Must meet required minimum job requirement and minimum capital investment requirement before claiming JDCs
- ⑩ §12-10-80(A)(3)
- ⑩ Must pass a cost/benefit analysis §12-10-50(A)(4)

## Additional Policy Requirements

- ⑩ Must pay at least 50% of premiums for healthcare benefits for employees
- ⑩ Must offer healthcare benefits to dependents
- ⑩ Must be competitive with other states

## Standard Stipulations

- ⑩ The company is only eligible to claim JDCs on jobs that pay at or above the per capita income which is
- ⑩ generally the average hourly wage rate of the county
- ⑩ Absent special circumstances, JDCs will be capped at \$3,250 annually per employee



# Enterprise Program: JDC Eligible Expenses

**Only qualifying capital investments made within five years after the application has been approved (and any similar investments made sixty days prior to approval) can be considered.**

A total list of eligible expenses is included in Section 12-10-80(C)(3), but the most commonly approved by the Coordinating Council for Economic Development are as follows:

- ⑩ Acquiring and improving real property whether constructed or acquired by purchase or by capital or operating lease \*with at least a five-year term or otherwise.
  - ⑩ *Note: Leases are reviewed by the Enterprise Zone Committee on a case-by-case basis.*
- ⑩ Improvements to both public and private utility systems including water, sewer, electricity, natural gas and telecommunications;
- ⑩ Fixed transportation facilities including highway and rail;
- ⑩ Construction or improvements of real property and fixtures constructed or improved primarily for the purpose of complying with local, state or federal environmental laws or regulations; and
- ⑩ Training costs and needed training facilities.



# Enterprise Program: JDC Illustration

The following illustration shows the estimated value of Job Development Credits (JDCs) for Project X based on the following assumptions:

- Project X is a company that meets the eligibility requirements for the JDC program;
- Project X is locating in a Tier II County;
- Project X is creating 100 net new jobs;
- All of the jobs pay a wage of \$25.00 per hour;
- Such hourly wage exceeds the average hourly wage rate of the county in which Project X locates; and
- Project X invests at least \$1.4 million in expenses that are eligible to be reimbursed with JDCs.

Please note that a company has up to 5 years from the date its application is approved to meet the job creation and investment requirements, and the company cannot begin collecting JDCs until it has satisfied both requirements.

## Estimated Job Development Credit

### Project X Tier II County

Number of Employees	100
x Estimated Hourly Wage	\$25.00
x 2000 hours/year	\$5,000,000
x JDC Rebate (%)	4%
Net JDC	\$200,000
x County Classification	70%
Annual JDC (as adjusted for annual cap)	\$140,000
x Maximum Years	10
	<u>\$1,400,000</u>

**Total Value** \$1,400,000

### Enterprise Program Wage Guidelines

Average Hourly Wage (or Equivalent)	Maximum Rebate (as % of Gross Wages)
\$10.53 - \$14.02	2%
\$14.03 - \$17.53	3%
\$17.54 - \$26.30	4%
\$26.31 and greater	5%

\*\*These values are adjusted annually.

### County Development Tier - JDC

Tier I	55%
Tier II	70%
Tier III	85%
Tier IV	100%



# Enterprise Program: JDC Approvals Each Year



# Enterprise Program: Approval Process



## Approval Process

A company's application will be processed by the Coordinating Council for Economic Development (CCED) staff and presented to the Enterprise Zone Committee at its monthly meetings.

If an application is approved by the Enterprise Committee:

- A letter (preliminary Revitalization Agreement) is sent to the company, along with the draft of the final Revitalization Agreement ("RVA").
- A company official must sign the preliminary RVA letter and return it to the CCED within 30 days of the approval date.
- The company must complete the final RVA and return it to the CCED within 12 months of the application approval date.
- The CCED will execute the final RVA and return a copy to the company.

The RVA will set forth the minimum job requirement and the minimum investment requirement and the deadline for satisfying such requirements (the "Cut-off Date").



# Enterprise Program: Reporting



- Prior to “Certification” (when a company has met the required jobs and investment) and beginning six months after the application approval date and within thirty (30) days after each anniversary of the approval date, the company is required to provide the Coordinating Council for Economic Development (CCED) a status report including the total number of new jobs filled and maintained by the company at the project as of such date and the total investment of the company at the project as of such date.
- Once the company has certified and begun collecting, the status reports as described above are no longer required, and the company will be required to submit quarterly and annual reports in the forms provided by CCED. This annual report includes:
  - Whether the company claimed any credits for each quarter
  - The number of jobs for which the company has claimed credits
  - Any additional jobs created, above minimum required, as noted in the quarterly report



# Enterprise Program: Certification/Collection



- Once the company has reached such job and investment requirements (“certified”), the company must provide the following to the Coordinating Council for Economic Development (CCED):
    - A letter certifying to the number of jobs created with healthcare benefits and the investment made
    - Payroll record that includes the following for each employee:
      - First initial and last name of employee
      - Date of hire
      - Job title
      - Company ID # or last 4 numbers of SS#
      - Hourly rate/salary
    - Investment documentation can include property tax returns with related schedules and/or invoices with evidence of payment
- \*\*Such items must be submitted prior to a company beginning to claim.
- Once documentation has been submitted, CCED staff will review:
    - Whether the company maintained its required base employment (if applicable)
    - Whether the minimum number of jobs and amount of investment were satisfied (these will be listed as the amount certified)
    - Total number of actual jobs and amount of investment created by the company
    - Average wages of the new jobs
  - Upon satisfactory review of the certification documents, the CCED will notify the company and S.C. Dept. of Revenue that the company may begin collecting quarterly refunds, beginning with calendar quarter after certification.



# Enterprise Program: Auditing



- Pursuant to Section 12-10-80(A)(11), for every company that claims more than \$10,000 in JDCs in a calendar year, the SC Dept. of Revenue (SCDOR) is required to audit at least once every three years.
- To assist the SCDOR auditors, the Coordinating Council for Economic Development (CCED) staff provides SCDOR a copy of the final RVA for each company upon notice of certification for that company.
- Once an auditor is prepared to schedule an audit, CCED staff will promptly provide any additional materials regarding the company to be audited as requested by the auditor.
- Once the audit has been completed, the auditor will notify CCED staff of any corrections in jobs or investment, and such corrections will be noted in the SC Commerce database.





# Enterprise Program: Reporting & Performance



# Enterprise Program: Reporting & Performance

The 2020 Annual Report of Enterprise Zone Activity includes the information below, as recommended by the Legislative Audit Council.

- Added information about projects certified to begin collecting in 2020 (a company must meet investment and job creation requirements before it can begin collecting).
- Reported information about actual job creation and capital investment figures in excess of the revitalization minimum requirements, for all job development credits.
- Reported actual figures (in annual reports), as well as comparisons of those figures with the projected jobs and capital investments reported at the beginning of each project.



**ENTERPRISE ZONE PROGRAM**  
**COMPANIES CERTIFIED TO BEGIN CLAIMING JOB DEVELOPMENT CREDITS**  
**OCTOBER 1, 2019 – DECEMBER 31, 2020**

Company	County	Required Minimum Jobs	Required Minimum Investment	Total Jobs at Certification	Total Investment at Certification
ACS Manufacturing, Inc.	Abbeville	44	6,000,000	236	7,084,597
AFL Telecommunications LLC	Spartanburg	29	4,308,279	97	5,641,077
BCN Holdings Inc.	Florence	67	2,436,777	72	3,165,359
Benteler Automotive Corporation	Spartanburg	76	34,913,266	196	52,024,657
Blackbaud, Inc.	Berkeley	200	44,000,000	200	58,044,378
BMW Manufacturing Co., LLC	Spartanburg	700	100,000,000	700	100,000,000
Capgemini America, Inc.	Richland	100	1,430,000	153	1,458,795
China Jushi USA Corporation	Richland	352	275,000,000	465	365,232,102
Dollar Tree Distribution, Inc.	Cherokee	68	134,800,000	68	160,060,875
Harsco Rail	Lexington	85	7,951,068	85	9,102,207
Hubner Manufacturing Corporation	Charleston	20	8,045,240	20	9,702,180
Ingevity Corporation	Charleston	95	12,000,000	95	14,494,545
Kobelco Construction Machinery U.S.A. Inc. (KCMU)	Spartanburg	70	40,220,000	143	48,361,159
Magna Seating of America, Inc.	Spartanburg	550	29,001,000	1,013	29,673,630
Mercedes-Benz Vans, LLC	Charleston	400	92,000,000	400	92,000,000
Nucor Buildings Group South Carolina	Lexington	66	7,665,000	84	12,882,408
Nupi Americas, Inc.	Hampton	37	4,910,000	37	5,275,179
Nutramax Laboratories, Inc.	Lancaster	40	2,920,000	40	4,093,733
Nutramax Manufacturing, Inc.	Lancaster	74	12,080,000	74	12,080,000
Polydeck Screen Corporation	Spartanburg	44	10,165,565	44	10,165,565
Samsung Electronics Home Appliances America, LLC	Newberry	250	87,607,438	250	87,607,438
Samsung Electronics Home Appliances America, LLC	Newberry	250	87,607,438	250	87,607,438
Schaeffler Group USA, Inc.	York	112	68,122,000	112	68,122,000
Sea Pro Boats, LLC	Newberry	152	3,516,511	176	3,516,511
Swiss Krono SC, LLC	Barnwell	87	199,000,000	173	361,000,000
SYNNEX Corporation	Greenville	150	7,710,840	296	9,840,312
The Reliable Automatic Sprinkler Co., Inc.	Pickens	117	30,000,000	427	44,783,606
Titan Stainless of SC, Inc.	Chesterfield	50	986,396	51	1,121,241
TrueCore, LLC	Laurens	30	12,661,920	37	16,986,910
UPL NA Inc.	Williamsburg	30	15,400,000	32	16,168,236
Zeus Industrial Products, Inc.	Aiken	65	19,500,000	119	30,470,058
<b>Totals</b>		<b>4,410</b>	<b>1,361,958,738</b>	<b>6,144</b>	<b>1,727,766,197</b>

*Performance Above Minimums*

**139%**

**127%**

# Enterprise Program: Reporting & Performance

The 2020 Annual Report of Enterprise Zone Activity includes the information below, as recommended by the Legislative Audit Council.

- Added information about projects that have closed because (1) the company reached the end of the collection period, (2) the company reached the maximum amount of eligible expenses or (3) the company met its jobs and investment requirements and was able to claim for a period of time but then fell below and opted not to continue to participate in the program.
- Report instances where projects were approved for incentives, but were canceled either due to the company withdrawing or failing to meet the requirements of the incentives.
- Report the status of projects that have received, or are receiving, incentives.
- Added information about projects that have withdrawn from the Enterprise Program or were terminated in 2020, either because the project did not happen or the project did not meet the investment and job creation requirements before the deadline for performance.

ENTERPRISE ZONE PROGRAM  
CLOSED PROJECTS  
OCTOBER 1, 2019 – DECEMBER 31, 2020

Company	County	Certified Jobs	Certified Total Project Costs
3G Mermet Corporation	Cherokee	65	8,422,182
ArborGen, Inc.	Dorchester	50	5,509,750
ArborGen, Inc.	Dorchester	25	15,250,000
Auria Spartanburg Inc.	Spartanburg	50	6,095,000
Beauty Systems Group, Inc.	Spartanburg	60	8,113,849
BorgWarner TorqTransfer Systems, Inc.	Oconee	53	13,680,086
Carolina Ingredients	York	28	5,374,600
CL & D Graphics, Inc.	York	30	3,790,000
CM Steel, Inc.	York	63	5,850,000
Cooper-Standard Automotive, Inc.	Spartanburg	66	7,490,000
Elkem Silicones USA Corp.	York	16	2,418,681
Georgia-Pacific Wood Products LLC	Allendale	120	206,500,000
ILJIN USA Corporation	Spartanburg	60	30,500,000
J M Smith Corporation	Spartanburg	50	13,563,000
Komatsu America Corporation	Newberry	120	16,894,042
KP Components Inc.	Pickens	36	8,560,000
MacLean-Fogg Company	York	90	8,058,838
Michelin North America, Inc.	Lexington	50	70,220,000
Newman Technology South Carolina, Inc.	Aiken	100	15,000,000
Orian Rugs, Inc.	Anderson	45	8,006,000
Palmetto Brick Company	Marlboro	20	24,256,000
PFG Customized Distribution	York	60	16,080,070
Proper Polymers - Anderson, LLC	Anderson	25	1,363,376
Proper Polymers - Anderson, LLC	Anderson	30	2,750,000
QVC, Inc.	Florence	360	82,776,420
RBUS, Inc.	Lancaster	325	9,650,000
Roehling Automotive Duncan LLP	Spartanburg	73	13,661,710
Ross Dress for Less, Inc.	York	700	80,471,297
Snak-Time Foods of NC, LLC	Cherokee	32	1,248,117
Southwark Metal Mfg. Co. Greenville Division	Greenville	120	5,000,000
SYNNEX Corporation	Greenville	154	4,363,348
Sysco Columbia, LLC	Richland	302	32,492,504
The Boeing Company	Charleston	400	150,000,000
The Crown Group Co.	Greenville	42	5,390,000
Verizon Wireless (Cellco)	Greenville	500	24,000,000
Wells Fargo Bank, N.A.	York	725	25,850,000





## Discretionary Incentives: Grants



# Discretionary Grants

## Economic Development Set-Aside Fund

- ✓ Created in 1987
- ✓ Assists companies in locating or expanding in SC through road or site improvements and other costs related to business location or expansion
- ✓ Funding:
  - \$20 million annual appropriation

## The Closing Fund

- ✓ Created in 2006 to assist to help recruit/retain economic development projects
- ✓ Funding:
  - Direct appropriation from General Assembly
  - \$21.3 million recurring
  - Typically funded at \$25 million annual level

## Rural Infrastructure Fund

- ✓ Created in 1996
- ✓ Assists qualified rural area counties, providing financial assistance for infrastructure/other activities that enhance economic growth and development
- ✓ Funding:
  - Approx. \$20 million





# Discretionary Grants: Application



- Preliminary information is reviewed by the Coordinating Council for Economic Development (CCED) staff.
- If the project is consistent with economic development goals of the state and meets established evaluation criteria, the local government is invited to submit a formal application for funding.
- The application is processed by CCED staff and presented to the CCED at its quarterly meetings.
- The CCED has the discretion to approve or disapprove all funding requests and to negotiate funding terms and amounts.



# Discretionary Grants: Approval/Agreement



# Discretionary Grants: Reimbursement



- The grant program is a reimbursement of approved expenditures. There is an approved project budget, and no funds will be released for amounts over the budget unless change orders are submitted and approved prior to the request for payment. Reimbursement of engineering costs will be capped at 10% of the total grant award amount.
- To request payment, the grantee submits the completed payment request form with relevant invoices and proof the invoices have been paid.
- The Coordinating Council for Economic Development (CCED) staff monitors the grantee's compliance with grant terms.
- Once approved by CCED staff, a payment request is processed.
- Payment is issued by the State Treasurer's Office. Generally, the grantee will receive payment within 2-3 weeks of CCED's receipt of the request.
- Once all grant funds have been disbursed or once the project is complete, the grantee notifies the CCED in writing, and a closeout packet is sent.
- Once the closeout package has been received and reviewed, staff may contact the grantee to schedule a site visit.
- If the grantee has complied with all terms of the grant agreement, the grant is officially financially closed.
- The grant performance terms will remain open until the company has satisfied the requirements within the time period allowed or repayment is made.

# Discretionary Grants: Performance/Reporting



- During the Grant Period, the company is required to provide the Coordinating Council for Economic Development (CCED) an annual status report (within 30 days of the anniversary of grant application approval date) to provide the total number of new jobs filled and maintained and the total investment of the company.
- Once the company meets required job creation and investment, it must notify the CCED and provide supporting documentation. The CCED staff sends a reminder the quarter before the end of the Grant Period if the notice has not been received.
- The company is required to provide a signed statement certifying it created the minimum number of jobs and the minimum amount of investment indicated in the Performance Agreement.
- In addition, the company must provide payroll record that includes the following for each employee: First initial and last name of employee; Date of hire; Job title; Company ID # or last 4 numbers of SS#; Hourly rate/salary.
- Investment documentation can include property tax returns with related schedules and/or invoices with evidence of payment.

If the company has not created the minimum number of jobs and the minimum amount of investment indicated in the Performance Agreement, the company will be required to repay a pro rata portion of the grant funds disbursed in accordance with the terms of the Performance Agreement.

The CCED staff, with authorization by the CCED, may negotiate the terms of such repayment, subject to approval of the CCED.

# Discretionary Grants: Performance/Reporting



- During the Maintenance Period, within thirty (30) days after each anniversary of the expiration of the Grant Period, the company provides the Coordinating Council for Economic Development (CCED) a report in the form provided by the CCED.
- This report includes the monthly average of new jobs filled and maintained by the company at the project during such year, and the monthly average of total investment of the company at the project during such year.
- The company must also provide supporting documentation to show, to the satisfaction of the CCED staff, the employment count and investment amount for each month of the year.
- If the company has not maintained the minimum number of jobs and the minimum amount of investment indicated in the Performance Agreement, the company will be required to repay a pro rata portion of the grant funds disbursed in accordance with the terms of the Performance Agreement.





# Discretionary Grants: Eligible Expenses

## Economic Development Set-Aside Program

The eligible, reimbursable expenses with Set-Aside Grant funds are set forth in Section 12-28-2910(E) and include:

- Water and sewer projects
- Road or rail construction and improvement projects
- Land acquisition
- Fiber-optic cable
- Relocation of employees to whom the company is paying gross wages at least 2 times the lower of the per capita income for either the State or the county in which the project is located
- Pollution control equipment
- Environmental testing and related due diligence reports
- Acquiring and improving real property
- Site preparation (defined as surveying, environmental and geotechnical study and mitigation, clearing, filling and grading)

## Rural Infrastructure Fund

The eligible, reimbursable expenses with Rural Infrastructure Grant funds are set forth in Section 12-10-85(A) and include:

- Training costs and facilities
- Improvements to regionally planned public and private water and sewer systems
- Improvements to both public and private electricity, natural gas, and telecommunications systems
- Fixed transportation facilities including highway, rail, water and air
- Site preparation
- Acquiring or improving real property
- Relocation of employees to whom the company is paying gross wages at least 2 times the lower of the per capita income for either the state or the county in which the project is located

## The Closing Fund

The Closing Fund was created by proviso, no statute, and there are no listed eligible expenses. However, the Coordinating Council for Economic Development uses the guidelines set for the Set-Aside and Rural Infrastructure Funds for guidance.



## Discretionary Incentives: Cost Benefit Analysis



# Discretionary Incentives: Cost Benefit Analysis

Company: **Project X**  
 County: **Florence**  
 State of South Carolina  
 Cost Benefit Model  
 2021 CBA Version 1.0

## Example Of Enterprise Program Impact Analysis

<b>Announced Capital Investment</b>		<b>Project Multipliers</b>	
New or Expansion	<b>NEW</b>	Industry Code	<b>336211</b>
Land	<b>\$0</b>	Job Multiplier	2.84
Existing Building (value of purchased or leased)	<b>\$0</b>	County Multi%	60%
New Bldg cost or improvements to Existing Bldg	<b>\$10,000,000</b>	County Multi% Override	
Machinery & Equipment	<b>\$40,000,000</b>	County Multi% Used in calculation	60%
Total Investment	<b>\$50,000,000</b>	Revised Multiplier	1.84
Employment	<b>100</b>	Investment – Construction	2.22
Annual Payroll	<b>\$5,000,000</b>	Investment – Machinery	1.40
Average Salary	\$50,000	Employment (Total Jobs / Direct Jobs)	2.84
Average Hourly Wage	\$25.00	County Average Annual Pay	\$40,963
<b>Tax Variables</b>	<b>YES</b>	JDC Yes/No	
Total JDC eligible expenditures	<b>\$10,000,000</b>	JDC Distribution	
Jobs Tax Credit (County Designation)	<b>\$2,750</b>	Company <b>70%</b>	<b>Employment Impacts</b>
Job Development Fee (Percentage)	4.0%	RIF <b>30%</b>	Employment – Direct
			Employment – Indirect
			Total Employment Impact
		JDC Years	<b>10</b>
Multicounty Industrial Park?	<b>no</b>		<b>\$250,000 Closing Fund</b>
Manufacturing?	<b>YES</b>		<b>\$0 Infrastructure Improvements</b>
	\$ 600,000.00	(calc'd amt)	(include land value, site improvement cost/value, relocation assistance, SSRB, etc. – anything the county is providing/donating/doing that has value)

Other Input Items		2019/2020 Education Breakdown
\$ 14,608	Education Cost	45.54% Local
\$ 3,000	Average Cost to train an employee (SCTECH)	45.93% State
		8.53% Federal
	10% % of New Migration increase ( life style change) employment	
	3.55% Avg annual increase in education Costs	
	20% Percentage of M & E in SC	
	5.90% Percentage of Income Benefits to General Fund	
		<b>Other Economic Variables</b>
		4.00% Discount Rate
		2.00% Inflation Rate

**NOTE**  
 The updated cost benefit analysis addresses 6 recommendations from the Legislative Audit Council.



# Discretionary Incentives: Cost Benefit Analysis

State of South Carolina Board of Economic Advisors

South Carolina Budget and Control Board

Enterprise Zone Impact Analysis

Company: Project X  
County: Florence County

Public Costs	Construction & Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 15	Present Value
1 Corporate Jobs Tax Credit	-	275,000	275,000	275,000	275,000	275,000	-	-	-	1,224,251
2 Multi-County Industrial Park (\$1,000)	-	-	-	-	-	-	-	-	-	-
3 Job Development Credit, JDC (Withholding)	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	-	1,687,066
4 Investment Tax Credit	600,000	-	-	-	-	-	-	-	-	600,000
5 Special Schools	300,000	-	-	-	-	-	-	-	-	300,000
6 Closing Fund	250,000	-	-	-	-	-	-	-	-	250,000
7 Increased State Education Costs	67,095	69,476	71,943	74,497	77,141	79,880	82,716	85,652	109,342	976,500
8 Unused										-
9 Infrastructure Improvements	-	-	-	-	-	-	-	-	-	-



# Discretionary Incentives: Cost Benefit Analysis

## State of South Carolina Board of Economic Advisors

### South Carolina Budget and Control Board

#### Enterprise Zone Impact Analysis

Company: Project X  
County: Florence County

	Construction & Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 15	Present Value
<b>Income Benefits</b>										
10 New Building -- Direct	\$6,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,000,000
11 New Building -- Indirect	\$7,327,800	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,327,800
12 Machinery & Equipment -- Direct	\$8,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,000,000
13 Machinery & Equipment -- Indirect	\$3,200,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,200,000
14 Payroll -- Direct	\$5,000,000	\$5,100,000	\$5,202,000	\$5,306,040	\$5,412,161	\$5,520,404	\$5,630,812	\$5,743,428	\$6,597,393	\$65,698,640
15 Payroll -- Indirect	\$7,553,168	\$7,704,231	\$7,858,316	\$8,015,482	\$8,175,792	\$8,339,308	\$8,506,094	\$8,676,216	\$9,966,245	\$99,246,577
16 State Revenues	\$2,187,777	\$755,450	\$770,559	\$785,970	\$801,689	\$817,723	\$834,077	\$850,759	\$977,255	\$11,178,909
17 Additional Corporate Tax for New Project	\$0	\$275,000	\$275,000	\$275,000	\$275,000	\$275,000	\$0	\$0	\$0	\$1,224,251
18 Rural Infrastructure Fund	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$0	\$506,120
<b>After Tax Private Benefits</b>	<b>\$34,893,191</b>	<b>\$11,773,781</b>	<b>\$12,014,757</b>	<b>\$12,260,552</b>	<b>\$12,511,264</b>	<b>\$12,766,989</b>	<b>\$13,302,829</b>	<b>\$13,568,885</b>	<b>\$15,586,383</b>	<b>\$177,069,857</b>
<b>Total State Costs</b>	<b>\$1,417,095</b>	<b>\$544,476</b>	<b>\$546,943</b>	<b>\$549,497</b>	<b>\$552,141</b>	<b>\$554,880</b>	<b>\$282,716</b>	<b>\$285,652</b>	<b>\$109,342</b>	<b>\$5,037,818</b>
<b>Total State Benefits</b>	<b>\$2,247,777</b>	<b>\$1,090,450</b>	<b>\$1,105,559</b>	<b>\$1,120,970</b>	<b>\$1,136,689</b>	<b>\$1,152,723</b>	<b>\$894,077</b>	<b>\$910,759</b>	<b>\$977,255</b>	<b>\$12,909,280</b>
<b>Net State Benefits</b>	<b>\$830,682</b>	<b>\$545,974</b>	<b>\$558,616</b>	<b>\$571,473</b>	<b>\$584,548</b>	<b>\$597,843</b>	<b>\$611,361</b>	<b>\$625,107</b>	<b>\$867,913</b>	<b>\$7,871,462</b>

# Discretionary Grants: Cost Benefit Analysis

SOUTH CAROLINA  
COORDINATING COUNCIL FOR ECONOMIC DEVELOPMENT  
ENTERPRISE PROGRAM ECONOMIC IMPACT ANALYSIS

Project X  
Florence County  
4/28/2021

## PROJECT DATA

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### ANNOUNCED CAPITAL INVESTMENT

Land	\$	-
Existing Building	\$	-
New Building	\$	10,000,000
Machinery & Equipment	\$	40,000,000
Total Investment	\$	50,000,000

### NEW EMPLOYMENT/TOTAL PAYROLL

Employment		100
Annual Payroll	\$5,000,000	
Average Salary	\$50,000	
Average Hourly Wage	\$25.00	

## PROJECT MULTIPLIERS

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Industry Code	336211-Motor vehicle body manufacturing
Job Multiplier	1.84
Investment -- Construction	2.22
Investment -- Machinery	1.40
Employment	2.84
% of Multiplier in South Carolina	60%
Average Annual Salary	\$40,963

## EMPLOYMENT IMPACTS

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Employment -- Direct	100
Employment -- Indirect	184
Total Employment Impact	284



# Discretionary Grants: Cost Benefit Analysis

	PRESENT VALUE	
	CONSTRUCTION & FIRST YEAR	15-YEAR TOTAL
<b>COST/BENEFIT ANALYSIS</b>		
<b>STATE COSTS</b>		
Corporate Jobs Tax Credit	-	1,224,251
Multi-County Industrial Park	-	-
Job Development Credit (JDC)	200,000	1,687,066
Investment Tax Credit	600,000	600,000
Special Schools	300,000	300,000
CCED Grants	250,000	250,000
Increased State Education Costs	67,095	976,500
Property Tax Relief	-	-
Infrastructure Improvements	-	-
<b>Total Public Costs</b>	<b>1,417,095</b>	<b>5,037,817</b>
<b>INCOME BENEFITS</b>		
Total New Building (Direct & Indirect)	13,327,800	13,327,800
Total Machinery & Equipment (Direct & Indirect)	11,200,000	11,200,000
Total Payroll (Direct)	5,000,000	65,698,640
Total Payroll (Indirect)	7,553,168	99,246,577
State Revenues	2,187,777	12,403,160
Rural Infrastructure Fund	60,000	506,120
<b>Total Income Benefits</b>	<b>39,328,745</b>	<b>202,382,297</b>
<b>PRESENT VALUES</b>		
<i>Private</i>		
<b>Total Value of Private Benefits</b>	<b>34,893,191</b>	<b>177,069,856</b>
<i>State</i>		
Present Value of State Benefits	2,247,777	12,909,279
Present Value of State Costs	1,417,095	5,037,819
<b>Total State Value</b>	<b>830,682</b>	<b>7,871,461</b>
<b>OVERALL NET BENEFIT</b>	<b>35,723,873</b>	<b>184,941,316</b>
<b>COST/BENEFIT RATIO</b>		<b>38:1</b>





# Discretionary Grants: Grants Awarded Each Year

Calendar Year	Number of Approvals	Grants Awarded	Projected Jobs	Projected Capital Investment
2020	79	\$ 82,860,000	10,202	\$ 3,338,555,939
2019	77	\$ 30,940,000	6,503	\$ 1,798,766,300
2018	68	\$ 28,775,000	9,859	\$ 1,891,108,676
2017	80	\$ 42,615,000	10,828	\$ 2,774,134,948
2016	63	\$ 37,205,000	8,996	\$ 3,425,923,991

*\*Source: CCED Annual Reports of Fund Activity*



# Discretionary Grants: Performance

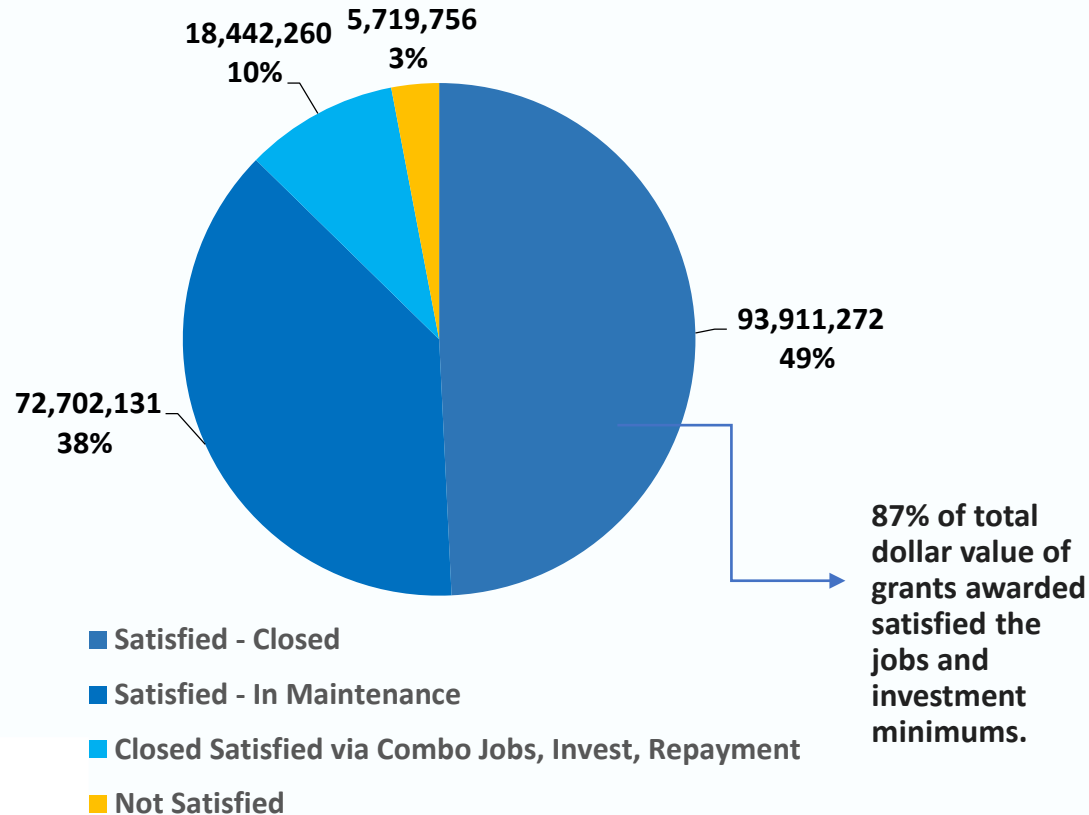
## Total Jobs & Investment by Year of Award

Year Awarded	Number of Grants	Total Awarded	Total Investment Requirement	Total Actual Investment	Total Jobs Requirement	Total Actual Jobs
2009	23	17,384,983	685,805,000	857,496,773	3,660	3,429
2010	33	21,963,936	1,515,649,000	1,744,099,123	6,064	5,322
2011	42	35,309,125	2,392,511,797	2,634,945,241	4,655	4,895
2012	51	32,437,841	2,372,434,834	2,666,185,431	6,725	6,499
2013	32	15,245,886	611,864,416	865,982,472	2,461	2,854
2014	38	30,369,468	1,676,029,350	1,865,732,859	5,067	5,730
2015	33	30,076,631	1,320,517,621	1,677,473,785	5,337	5,323
2016	1	100,000	5,015,200	7,738,907	29	108
2017	4	1,575,000	87,150,000	89,264,821	396	638
<b>Grand Total</b>	<b>257</b>	<b>184,462,871</b>	<b>10,666,977,218</b>	<b>12,408,919,411</b>	<b>34,394</b>	<b>34,798</b>
<i>Performance Above Minimums</i>				<b>116%</b>		<b>101%</b>

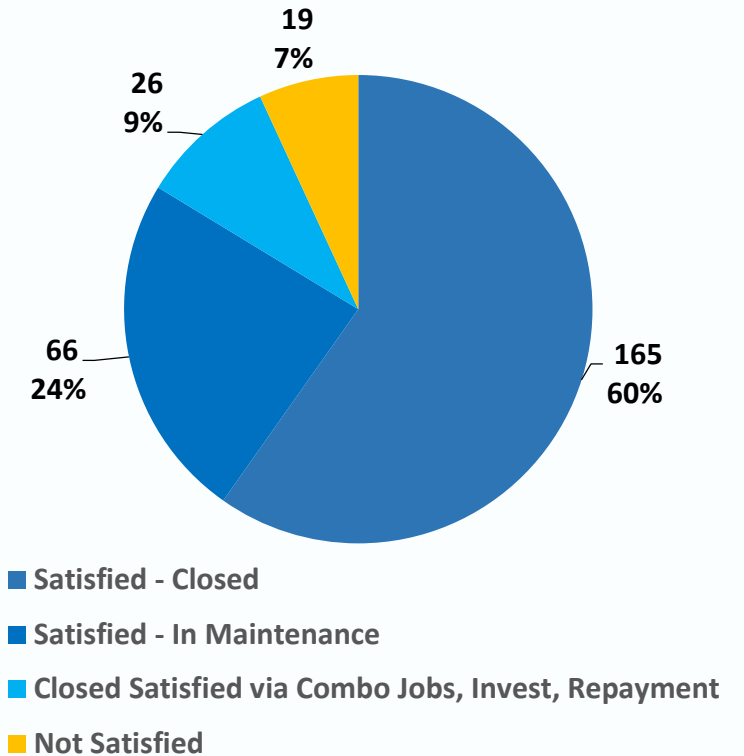
\*Source: CCED 2020 Annual Report of Fund Activity. This chart reflects grants that are satisfied.

# Discretionary Grants: Performance Status of Grants Awarded

**Total Grant Funds Awarded, Closed Grants Awarded  
2009-2020**



**Total Grant Awarded, Closed Grants Status  
2009-2020**



*\* These charts illustrate the total amount awarded by performance status or the number of grants awarded since 2009 where performance agreements were signed and either closed or in maintenance.*

# Discretionary Grants: Repayments/Clawbacks

- Performance agreements require repayment of all grant funds if a company:
  - Does not locate in South Carolina.
  - Fails to create any new jobs and make any investment in South Carolina.
  
- A company is required to repay a portion of the grant funds expended if it:
  - Creates jobs and/or makes investment but fails to meet the job requirement and/or the investment requirement.
  - Meets, but then fails to maintain, either requirement (if the company has a contractual maintenance requirement).
  
- The portion of grant funds required to be repaid is based upon the actual number of jobs created and/or investment made. In addition, a pro rata repayment for failure to meet either the job requirement or the investment requirement will be calculated, independently, with each calculation based on 50% of the grant funds expended.

GRANT FUNDS REPAYMENT CALCULATION	
<b>Jobs Repayment</b>	
Grant Funds Disbursed	\$100,000
50% Funds Allocated to Jobs Requirement	x 50%
	\$50,000
Only 80% of Jobs Requirement	x 20%
Jobs Repayment	<u>\$10,000</u>
<b>Investment Repayment</b>	
Grant Funds Disbursed	\$100,000
50% Funds Allocated to Invest. Requirement	x 50%
	\$50,000
Only 90% of Investment Requirement	x 10%
Investment Repayment	<u>\$5,000</u>
<b>TOTAL Repayment</b>	<u><b>\$15,000</b></u>

For example, if a company receives a \$100,000 grant and, at the end of its performance period, only creates 80% of the required jobs and makes 90% of the required investment, its repayment would be calculated as shown in table above.



# Discretionary Grants Awarded Since 2009: Closed as Satisfied via Combo Jobs, Investment or Repayment

Number of Grants	Total Grant Awarded	Investment Requirement	Actual Investment	Jobs Requirement	Actual Jobs
26	\$ 18,442,260	\$ 941,873,060	\$ 773,109,355	5,529	2,503
<b>% of Requirement</b>			<b>82%</b>	<b>45%</b>	
		Fiscal Year	Clawbacks Received		
		2020	\$ 1,110,780		
		2019	\$ 693,817		
		2018	\$ 863,040		
		2017	\$ 332,000		
		2016	\$ 5,178,062		
		<b>Total</b>	<b>\$ 8,177,700</b>		



# Discretionary Grants: Examples of Project Evaluations

## Example #1

During the performance period, the company, located in Tier 1 county, experienced a market downturn which led to decrease in employment below the base level at the time the application was approved. However, despite the downturn, the company had continued to grow and surpassed its investment requirement by 10 times the original commitment. In addition, the company was a strong corporate citizen for the county and had supported education in the area including donations to local universities.

## Example #2

During the performance period, the company experienced substantial delays in construction due to unforeseen regulatory issues and was granted a one-year extension for performance. At the end of the period, the company had satisfied its investment requirement, but had only met approximately 50% of its job creation requirement. At that time, the company indicated it would be making an additional investment of \$140,000,000, so it was granted another extension. At the end of the extended performance period, the company had made the additional investment, which brought the project's total investment to \$340,000,000. Due to the fact that the company nearly doubled its investment, the Coordinating Council for Economic Development agreed to waive repayment for the job creation shortage.

*\*These are examples of some grants for which the project was evaluated by the CCED, and the performance was deemed fulfilled in 2020. The company name, county and exact job and investment numbers have been removed.*



# Discretionary Grants: Examples of Project Evaluations

## Example #3

The company exceeded job requirement during its performance period and maintained for a year before reducing by about 15%. The company never reached its full investment requirement. In consideration of the company being located in a Tier IV county and because the company had created up to 47 jobs and had maintained at least 38 for three years, the Coordinating Council for Economic Development agreed to accept performance and waive repayment.

## Example #4

The company located in a Tier IV county in a building with a lease agreement with option to purchase. The building was purchased, and renovated using RIF funds. The company met both the investment and job requirements, but failed to maintain the jobs as required. SC Commerce had another project interested in the site. The company agreed to terminate the lease, release its option to purchase, discharge any outstanding liens or claims and indemnify the state and county against any claims occurring on the property in exchange for a waiver of the repayment amount. Another company has already located in this building, has hired over 100 employees and continues to grow.

*\*These are examples of some grants for which the project was evaluated by the CCED, and the performance was deemed fulfilled in 2020. The company name, county and exact job and investment numbers have been removed.*





# Discretionary Grants Awarded Since 2009: Not Satisfied

Number of Grants	Total Grant Awarded	Investment Requirement	Jobs Requirement		
19	\$ 5,719,756	\$ 192,429,150	3,335		
Grant Awarded	Total Grant Awarded	Number of Grants			
2009	\$ 1,050,000	2			
2010	\$ 1,879,476	6			
2011	\$ 350,000	3			
2012	\$ 2,055,322	5			
2014	\$ 337,208	2			
2016	\$ 47,750	1			
County	Total Grant Awarded	Number of Grants	Current Tier	% of Amt	% of Grants
Fairfield County	\$ 320,273	1	Tier IV		
Orangeburg County	\$ 50,000	1	Tier IV		
Williamsburg County	\$ 750,000	1	Tier IV		
Barnwell County	\$ 350,000	3	Tier IV		
Marion County	\$ 3,172,711	5	Tier IV	81%	58%
Hampton County	\$ 165,108	1	Tier III	3%	5%
Florence County	\$ 263,500	1	Tier II		
Lancaster County	\$ 100,000	1	Tier II		
Saluda County	\$ 47,750	1	Tier II	7%	16%
Greenville County	\$ 176,714	1	Tier I		
York County	\$ 250,000	1	Tier I		
Dorchester County	\$ 73,700	2	Tier I	9%	21%



# Legislative Audit Council (LAC)



# LAC: Recommendations

- Of the 39 recommendations:
  - 21 have been implemented
  - 2 – outside Commerce’s control (requires legislative action or additional funding)
  - 5 – Commerce was already addressing; no action is necessary
  - 7 – Commerce does not agree with implementing (not practical, necessary or potentially encroaches on recruitment/business information)
  - 4 – under evaluation to determine feasibility
  
- Additional steps taken (ex. InformSC website)

