

MICHAEL W. NIX, CFA
Chairman



HARRY A. HUNTLEY, CPA
Executive Director

August 24, 2023

Via Email to RolandFranklin@schouse.gov

Travis A. Moore
Subcommittee Chair
SC House of Representatives
Legislative Oversight Committee
PO Box 11867
Columbia, SC 29211

Dear Mr. Moore:

Please accept this letter as JEDA's formal response to the Oversight Subcommittee's written request for further information dated August 11, 2023.

1. Section 41-43-260 of the South Carolina Code requires JEDA to "make an annual report to the State Fiscal Accountability Authority, Revenue and Fiscal Affairs Office, and the Executive Budget Office, and the General Assembly on its programs and operations." (Emphasis added.) JEDA's 2022 Annual Report appears to be limited to its private activity bond program.

Why does the Annual Report not include the Community Development Block Program, the Small Business Credit Initiative, InvestSC, and the Palmetto State Growth Fund?

JEDA's main focus is as the conduit issuer of private activity bonds. JEDA has not made loans from the Community Development Block Grant Program in over 25 years. Under an agreement with HUD in about 2003, JEDA continued to collect payments on outstanding CDBG loans and returned funds to the Department of Commerce. The final loan was paid off in 2022. The SSBCI 1.0 program ran for five years and ended in 2016. The SSBCI 2.0 program activity did not begin until late 2022. InvestSC and Palmetto State Growth Fund are corporate nonprofits (501(c)(3) entities with independent boards and are not a component units of JEDA.

2. What types of fees, if any, does JEDA charge in its Industrial Revenue Bond Program?

The JEDA fee schedule is attached. There is an application fee, an issuer fee and an annual fee. The fee schedule is posted on the JEDA website and in the JEDA Regulations (68-30).

3. What is the average number of tax-exempt bond closings engaged in each year by JEDA during the last 5 fiscal years?

Average of 21.

4. What is the average number of taxable bond closings per year engaged in by JEDA during the last five fiscal years.

Average less than 1.

5. What types of fees, if any, does JEDA charge in its taxable bond program and how are those fees calculated?

Same as tax-exempt bond issue; see JEDA fee schedule (based on borrowing entity)

6. Does JEDA have an insurance fund or guaranty fund as referenced in sections 41-43-140 or 41-43-170 of the South Carolina Code? If so, who is the trustee of each fund and what is the purpose of each fund?

No, JEDA does not have an insurance or guaranty fund.

7. How does JEDA distribute its Annual Report to the State Fiscal Accountability Authority, Revenue and Fiscal Affairs Office, and the Executive Budget Office, and the General Assembly?

JEDA makes a report to the House Ways and Means Committee and the Senate Finance Committee. Its audited financial statements are provided to the State Auditor and the Comptroller General. The Accountability Report is filed with the Executive Budget Office.

A report of all bond activities is provided to the Joint Bond Review Committee. The annual report is also available on JEDA's website.

8. Other than InvestSC and Palmetto State Growth Fund, has JEDA ever created any other entities under the authority of section 41-43-240 of the Code? If so, what is the legal name of such entities and the current status of each entity? Who are the officers of such entities?

JEDA created Jobec Corporation (for profit) in 1986. All its assets were transferred to Carolina Community Investment Corporation (nonprofit) in 1992, and later that year changed its name to Business Carolina, Inc. (BCI), the predecessor to Palmetto State Growth Fund. InvestSC was created as a corporate nonprofit in 2007.

9. Under section 41-43-240 of the Code, JEDA may create entities when it “considers [it] necessary to carry out the purposes of [Chapter 43 of Title 41].” Addressing each separately, how do InvestSC, Palmetto State Growth Fund, and any other entity created by JEDA, if any, carry out the purposes of the Jobs-Economic Development Fund Act?

InvestSC was created to perform a function for state government that the state was unable to do. The legislature at the time recognized the need for venture capital investment in the State and created the Venture Capital Investment Act:

SECTION 11-45-20. Legislative intent.

The General Assembly desires to increase the availability of equity, near-equity, or seed capital for emerging, expanding, relocating, and restructuring enterprises in the State, to help strengthen the state's economic base, and to support the economic development goals of this State in accordance with the strategy established by the Department of Commerce. The General Assembly also desires to address the long-term capital needs of small-sized and medium-sized firms, to address the needs of micro enterprises, to expand availability of venture capital, and to increase international trade and export finance opportunities for South Carolina based companies.

HISTORY: 2004 Act No. 187, Section 5; 2005 Act No. 125, Section 1.

Palmetto State Growth Fund began as BCI in 1992. JEDA formed BCI to continue JEDA's functions by acting as a secondary lender, or “gap financier”, to businesses creating jobs in South Carolina. BCI was not controlled by JEDA, which made it eligible to receive reimbursements for administrative expenses and also seek qualification as a lender through the USDA and the SBA.

10. Does JEDA manage its own investments or does JEDA engage an outside investment advisor? If JEDA engages an outside advisor, what is the name of the advisor and what is the compensation arrangement with the advisor?

JEDA does not manage its own investments. Funds are deposited into a sweep account at Wells Fargo managed by the Office of State Treasurer. JEDA also has an outside advisor, Greenwood Capital, which charges a fee of 15 basis points a year on the average amount invested.

11. JEDA's FY 2021-22 Bank Account and Transparency Accountability Report contains several entries labeled “Business Card Services.” In all, twelve separate monthly credit card payment transactions total \$18,016.67. Yet, there is nothing in the Report detailing the nature of the transactions, nor has JEDA provided any receipts explaining the nature of the transactions. Please set forth JEDA's rationale for omitting any explanation or receipts for these transactions.

The Bank Account Transparency and Accountability Report is provided to the Comptroller General (CG) each year. The CG also has a page on its website titled "Quasi-Public State Agencies in South Carolina" with the following:

Like other states, South Carolina has several entities that fall into a gray area between the public and private sectors. Known as quasi-public agencies, these entities are not full-fledged arms of state government, and they are not fully independent private operations either. They are legally separate organizations over which the state has no direct control but for which the state is accountable for purposes of financial reporting.

South Carolina's quasi-public agencies perform a range of vital functions, which include generating electricity, administering the state lottery, and operating the state's ports. But because quasi-public agencies are self-supporting and do not receive general tax revenues, they are not included in the state budget nor are they included in the state's central accounting system. Therefore, their expenditures are not available for inclusion in the state spending transparency database.

However, the state obtains audited annual financial statements from the quasi-public agencies to include their net financial position and the results of their operations in the state's comprehensive annual financial report. The links below provide the audited financial statements for each one.

This page provides a comprehensive registry of South Carolina's quasi-public agencies and marks another step forward in Comptroller General Richard Eckstrom's efforts to improve state government's financial transparency and accountability.

[Connector 2000 Association \(PDF\)](#)

[Palmetto Railways \(PDF\)](#)

[S.C. Jobs-Economic Development Authority \(PDF\)](#)

[S.C. Lottery Commission \(PDF\)](#)

[S.C. Public Service Authority \(Santee Cooper\) \(PDF\)](#)

[S.C. Research Authority \(PDF\)](#)

[S.C. State Education Assistance Authority \(PDF\)](#)

[S.C. State Ports Authority \(PDF\)](#)

As mentioned above, these "agencies are self-supporting and do not receive general tax revenues, they are not included in the state budget nor are they included in the state's central accounting system."

The only two agencies listed here that also file the Bank Account Transparency and Accountability Report are JEDA and Palmetto Railways. Palmetto Railways differs from JEDA in that it benefits from state owned property and is a division of Commerce. JEDA has filed this report annually since 2010 for transparency. Does JEDA even need to file this report since it receives no public funds?

In a letter from Mike Shealy, Director of the Executive Budget Office, to the House Legislative Oversight committee dated June 9, 2023, "It is not known to EBO why JEDA is included in the annual Appropriations Act for the expenditure of funds..."

Reviewing JEDA's report, you are correct in that there is no description in the line for the entries labeled "Business Card Services." The amount varies from month to month and includes items such as office supplies, travel, conferences, subscriptions, meals and other business expenses that require the use of a credit card for payment. Since JEDA is not part of the state's central accounting system, it does not have a limited-use charge card issued under a contract between state government and Bank of America (BOA Purchase Cards) as other state agencies. A study of the Monthly Credit Card Usage report on the CG website (<https://cg.sc.gov/fiscal-transparency/monthly-charge-card-usage>) does include the vendor name, but no description or receipts of the items purchased. A further drill down into the individual agency spending report does not provide any further description. A copy of the March 2022 Credit Card Usage Report for the State Treasurers Office is attached. The report includes the Cardholder, Vendor Name, Purchase Date and Amount. There is no description of the items purchased and no receipts.

In the future, it would be possible for JEDA to provide information in a format similar to that on the Credit Card Usage Report as an addendum. **Requesting JEDA to include a description and receipts for items purchased with a credit card without public funds is clearly holding JEDA to a higher standard than the thousands of the state issued charge card holders that are paid with public funds.**

Sincerely,


Harry A. Huntley, CPA
Executive Director

**SOUTH CAROLINA JOB-ECONOMIC DEVELOPMENT AUTHORITY
BOND FEE SCHEDULE
EFFECTIVE JULY 22, 2013**

APPLICATION FEE OF \$1,000

This fee is non-refundable and is in addition to the fees shown below.

STANDARD FEE SCHEDULE

12.5 basis points (.00125) times the bond amount.

Minimum fee of \$3,000.

Applies to all private activity bonds (except Hospital or 501(c)(3) bonds), solid waste bonds and bonds using ceiling allocation.

HOSPITAL & 501(c)(3) FEE SCHEDULE

Sliding fee based on the following calculation:

\$10 million or less: 12.5 basis points (.00125) times the bond amount

\$10 million to \$50 million: \$12,500 plus 8 basis points (.0008) times the bond amount over \$10 million

\$50 million to \$100 million: \$44,500 plus 4 basis points (.0004) times the bond amount over \$50 million

Over \$100 million: \$64,500 plus 2 basis points (.0002) times the bond amount over \$100 million

Minimum fee of \$3,000

ANNUAL FEE

An Annual Fee is assessed on the outstanding balance on the anniversary date of each bond.

The fee is 1.5 basis points on the outstanding balance.

Minimum fee of \$500

Maximum fee of \$10,000

Maximum Annual Fee per Borrower \$25,000

MODIFICATION/REISSUE FEE

50% of Standard Fee

Minimum fee of \$2,500

ANY ISSUE not credit enhanced will require JEDA to conduct the due diligence.

The fee for this analysis will be an additional .125% (1/8 of 1.0%) of the total bond issuance amount.

This is in addition to the normal fees stated above.

An exception to this is for private placements or investment grade public offerings.

In these cases the due diligence fee will be on a case by case basis.

Established March 2009; Rev#1 Oct. 2010; Rev. #2 Jul 2013

STATE TREASURERS OFFICE

Cardholder	Vendor Name	Purchase Date	Amount
CAMERON LARKIN	IN MINUTE MAN MOVERS	02/28/2022	\$781.25
	STAPLS7351101243000001	03/01/2022	\$39.40
	STAPLS7351465885000001	03/03/2022	\$72.31
	SQ 1-800-GOT JUNK?	03/03/2022	\$599.00
	THE OFFICE PAL	03/07/2022	\$98.02
	THE OFFICE PAL	03/08/2022	\$65.70
	AMZN Mktp US 1Z3QL15Q1	03/10/2022	\$43.08
	STAPLS7351951879000001	03/10/2022	\$187.03
	STAPLS7352218502000001	03/12/2022	\$64.54
	IN MINUTE MAN MOVERS	03/14/2022	\$481.25
	FORMS AND SUPPLY - AOPD	03/14/2022	\$22.71
	NIC -RICHLAND CTY-ROD	03/17/2022	\$133.95
	STAPLS7352634977000001	03/19/2022	\$100.33
	DMI DELL SALES & SERVIC	03/25/2022	\$67.27
	ZIPRECRUITER, INC.	03/27/2022	\$172.80
	STAPLS7352753035000001	03/26/2022	\$134.89
			\$3,063.53
CARLA LINDLER	CKO www.istockphoto.com	02/28/2022	\$40.00
	AMZN Mktp US 1W3TK4M11	03/03/2022	\$11.87
	AMZN Mktp US 1W33X4TS2	03/07/2022	\$194.38
	AMZN Mktp US 1Z7HX8461	03/07/2022	\$57.23
	AMERICAN AIR0012411402382	03/08/2022	\$360.70
	FORMS AND SUPPLY - AOPD	03/10/2022	\$155.54
	COLUMBIA SHRM ECOMM	03/14/2022	\$150.00
	Amazon.com 1Z36Q0WJ0	03/16/2022	\$30.18
	D J WALL-ST-JOURNAL	03/17/2022	\$38.99
	SMK SURVEYMONKEY.COM	03/18/2022	\$414.72
	PP MIDLANDSBIZ	03/18/2022	\$225.00
	MAILCHIMP MISC	03/20/2022	\$205.20
	SQ HALL CONSULTING	03/22/2022	\$109.00
	SQ HALL CONSULTING	03/22/2022	\$109.00
	SQ HALL CONSULTING	03/22/2022	\$109.00
	SQ HALL CONSULTING	03/22/2022	\$109.00
	STAPLS7353020518000001	03/24/2022	\$80.16
	AMZN MKTP US 1660001M1 AM	03/24/2022	\$65.81
	FORMS AND SUPPLY - AOPD	03/24/2022	\$80.57
	SLING.COM	03/27/2022	\$60.48
	DAVE COWLEY INCENTIVES	03/28/2022	\$2,402.35
	CKO www.istockphoto.com	03/28/2022	\$40.00
			\$5,049.18
LISA GIBSON	AMAZON.COM 1Z0VJ1UD0 AMZN	03/16/2022	\$23.93
	AMZN Mktp US 167JY7F70	03/26/2022	\$22.33
			\$46.26

Total for STATE TREASURERS OFFICE:**\$8,158.97**