



**STATE
OF
SOUTH CAROLINA**

DEPARTMENT OF COMMERCE

ACCOUNTABILITY REPORT

FISCAL YEAR 2006-2007

Agency: South Carolina Department of Commerce

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I. EXECUTIVE SUMMARY

I.1 Mission & Values

The South Carolina Department of Commerce is the economic development and business recruiting arm of the state. The staff and leadership of DOC are totally committed to the mission of the agency and believe in striving to enhance the quality of life for all South Carolinians.

Agency mission statement:

To improve the per capita income of all South Carolinians in a manner that supports and enhances a high quality of life.

It is our vision that South Carolina's economy will become more competitive in a global economy, providing South Carolinians of all ages and skill levels an opportunity to maximize their talents and abilities.

Agency value statement:

DOC is a professional, team-focused, and innovative organization committed to achieving its mission while being a good steward of the taxpayer's dollar.

I.2 Strategic Goals

The following strategic goals for our core functions – the attraction of capital investment and new jobs - were developed.

- 1) Develop a strategy that recognizes the strengths of the state's existing, small and emerging industries and builds on the opportunities those strengths present.
- 2) Implement a targeted marketing strategy for high-growth industries built around industry sectors identified in our strategic plan.
- 3) Increase investment and job creation in rural South Carolina.
- 4) Increase the quality of the "economic product" in South Carolina through workforce development, community development and general aviation development.
- 5) Increase the value of exports from South Carolina businesses.
- 6) Increase investment and job creation for film sector with use of new investment incentives.
- 7) Manage all agency resources in a cost effective manner in support of the mission of the Agency.



I.3 Opportunities and Barriers

National Economy – The slowdown in the nation’s economy, particularly in the manufacturing sector, continues to impact the Department’s ability to provide new opportunities for South Carolinians. Hundreds of thousands of manufacturing jobs were lost nationwide in 2005 and 2006. A tremendous amount of capacity remains on the production floors of the country’s manufacturers.

As the economy continues to grow, new opportunities are continuing to present themselves. Plant closures have made skilled labor available and provide an inventory of useable industrial buildings and sites. South Carolina has been able to capitalize on this available workforce and sites and buildings in the business recruitment efforts for the state.

Strategic Plan – The South Carolina Competitiveness Initiative has been implemented as a comprehensive strategic plan for economic development. This initiative was formed as a partnership with key economic development groups from around the state to conduct a strategic plan for economic development. Staff at Commerce is involved with the work groups of the New Carolina Council on Competitiveness to create implementation schedules and to share valuable information about commerce and economic development opportunities in South Carolina.

State Economy – The state’s economy continues to grow, reflecting national trends in employment growth, particularly in the educational and health services industry. There have been over 13,700 jobs created in this sector alone between May 2006 and May 2007. For this same time period, South Carolina’s overall total non-farm employment increased by 22,800 jobs which is a decrease over the same period last year of 43,200 jobs. South Carolina continues to lose manufacturing jobs. Between May 2006 and May 2007, South Carolina lost 10,400 jobs in the manufacturing sector.

Comprehensive Marketing Strategy – In conjunction with the strategic plan, the Department is preparing to implement a new marketing plan focusing on touting the successes in South Carolina. This strategy involves a comprehensive approach to marketing utilizing a mix of paid advertisements; opinion editorial placement; public relations; web-based communications. The plan allows for spotlighting company announcements throughout the state, as well as a focused effort on promoting the buildings and sites available. All materials and venues will help tell South Carolina's business climate story and create opportunities.



I.4 Major Achievements

Statewide Capital Investment and Job Creation – In 2006, Commerce assisted with the expansion or location of 139 firms creating 14,420 jobs and investing \$2.99 billion in South Carolina.

International Investment - During 2006, the South Carolina Department of Commerce assisted 33 international firms, which produced \$926 million announced investment and 2,858 announced new jobs. French firms led the way in capital investment, accounting for 36% of the total international capital investment. China-owned companies accounted for 45.3% of jobs created by international companies with 1,250 jobs.

Canadian Office – On August 13, 2007 we officially opened the “State of South Carolina, Canada Office” in Toronto, Canada. The opening reception was held at the Toronto Stock Exchange and further commemorated by our delegation including; US Ambassador David Wilkins, and South Carolina Secretary of Commerce Joe Taylor, opening the day’s trading on the TSX the following morning. Notwithstanding our stated goal of supporting “Trade, Tourism and Economic Development”, the primary focus of our activity is to attract Canadian investment and subsequent job creation to South Carolina. As South Carolina’s top export market, in 2006, Canada purchased more than \$3 billion in products from the Palmetto state. Bilaterally, in 2005 trade between Canada and South Carolina totaled \$4.5 billion US dollars and current estimates for 2006 are in excess of \$5 Billion. To put this in context, a conservative estimate indicates that our trade relationship with Canada currently supports some 69,000 jobs in South Carolina. Canada also has a strong physical presence in South Carolina. Beyond the 1900 Canadian companies who currently export goods and services to the State, at last count, over 56 Canadian companies were presently operating in at least 291 locations within South Carolina. As such, Canada has proven to be a fertile market for foreign direct investment, and given the current economic conditions, this trend is expected to remain in place for the foreseeable future.

Export Development and Foreign Relations - The state sold \$13.6 billion worth of goods globally last year, compared with \$13.9 billion in 2005. The state’s largest export market last year was Canada, which received exports of \$3 billion. This was nearly one-third (31.9%) of South Carolina’s total 2006 exports. In 2006, South Carolina maintained its position among the 50 states as the 18th largest exporter in total export value. South Carolina’s top export product sectors were as follows: Vehicles, Machinery, Electrical Machinery, Plastic, Rubber and Organic Chemicals. Top growth sectors include Chemicals, Wood Pulp, and Paper and Paperboard.



Small Business Ombudsman – This is a single point of assistance at the Department of Commerce for South Carolinians interested in starting or growing their business (especially small business). The Ombudsman’s Office matches small business owners with direct resource contacts. For Fiscal Year 2006-2007 the Ombudsman’s Office responded to 405 small business inquiries with direct resource assistance, from 41 counties, 123 minority businesses and 153 women-owned businesses. After-inquiry surveys yielded a high rating of 4.8 on a 5point scale for Commerce customer service.

Recycling Marketing Development – The Recycling Market Development program provides business development assistance for existing and start-up recycling businesses, helps to develop markets for recyclable materials, and provides technical assistance and referrals to business and industry in South Carolina. In Fiscal Year 2006-2007, direct assistance was provided to 150 companies. RMDAC hosted its third annual Recycling Business Forum in October 25th which featured an awards ceremony that highlighted the exemplary work of the state’s recycling industry as well as recognized companies and other organizations that have embraced a recycling ethic. There are over 300 recycling businesses in the state, and using the economic impact of recycling to South Carolina, the Recycling Market Development has undertaken the creation of a recycling sector in cooperation with its partner the New Carolina Council on Competitiveness.

Venture Capital – The Venture Capital Investment Act provides up to \$50 million in available capital for in-state equity investments through select venture funds. Selection of funds is complete, with four venture firms chosen and funding allocated in 2006-2007. A 501 c (3), Invest SC, has been formed to complete the transaction. The venture firms are currently reviewing South Carolina companies for potential deals. The first deals are expected to close in 2007-2008.

Private Finance and Equity – The Department designated a manager that works with companies to source private financing that complements their business needs. During the 2006-2007 fiscal year, the Department assisted over 100 companies individually regarding financing request. For the state’s \$367 million in tax-exempt allocation, recommendations were provided to the Budget and Control Broad for industrial projects.

Product Development - Staff assisted 13 entities in new or updated strategic plans during the year. This included 3 countywide updates, 5 new local development board plans and 5 updates to economic development plans. In the Assets Development category, 1 speculative building was completed. Four industrial parks were completed and 1 is still in process. We've now completed 58 certified sites in South Carolina.

Rural Development - In 2006, the state’s rural areas accounted for 4,209 new jobs created and \$842 million in capital investments. This represents 29.2% job creation and 28.1% of capital investments statewide.



Film Commission – The Film Commission recruited film and television projects with total budgets of \$141m and SC spending of \$66.3m which essentially doubled the amount recruited the previous year. This is the second year in a row that revenues have doubled over the previous year. These productions created over 6,000 jobs over 963 days of production. Notable projects include the George Clooney/Renee Zellweger feature film, “Leatherheads” (filmed in three Upstate counties) and our first television series, Lifetime’s “Army Wives”, which filmed in the Charleston area. Marketing initiatives included advertising, marketing trips to key markets, a new proposal development/delivery system and familiarization trips that brought Hollywood decision makers to South Carolina. The SC Production Fund, created to develop personnel infrastructure through collaboration with our institutes of higher learning, has produced two films and will initiate a series of training seminars designed to elevate the skills of SC film professionals and students alike.

Workforce Development -The purpose of the Workforce Investment Act (WIA), a federal grant program to states administered through the South Carolina Department of Commerce is to increase the competitiveness of SC businesses in a global economy while increasing the employment, retention, earnings, and occupational skill attainment of SC job seekers. WIA served over 19,000 job seekers in Fiscal Year 2006-2007 and increased the competitiveness of 189 businesses by funding the training of more than 7,000 existing employees at those businesses. To further enhance the effectiveness of this work, WIA funded 19 local initiatives that tackled a range of workforce development priorities. Lastly, the division executed a state-sponsored workforce development training event for local and state practitioners, policy makers and administrators which drew more than 450 participants.

Workforce Development - Oversight of Local Workforce Areas - State staff provide regular technical assistance and monitoring to ensure regulatory and programmatic compliance in each of the twelve local areas through monthly reviews of expenditure and participation levels, on-site data validation to verify participant data and source documentation, etc. As staff conduct on-site visits, attend local board and youth council meetings, and provide on-going data analysis, they develop a professional understanding of each local area’s labor market, workforce partners, program strengths and area challenges to assist in meeting the workforce needs of the State.

Aeronautics – In 2006, the Division completed a statewide economic impact study that quantified and explained the impacts of 54 general aviation airports, six commercial service airports, and four military airfields. The study found that aviation provided 65,500 jobs with a payroll of \$1.9 billion. Furthermore, the combined annual economic output was \$4.3 billion and a tax benefit of \$74 million.



I.5. Improvements –

Budgeting and Financial Processes – The Department continued a more formalized budgeting process in 2006-2007. This process has allowed us to prioritize our needs and work strategically on ensuring dollars are applied to the needs. Each division developed Strategic Goals and Initiatives. These goals and initiatives were then tied to the budget. Each month the Division Directors receive a Business Plan and budget summary update to review the division's budget. Each fiscal year the Division's budget and goals and initiatives are reviewed and updated. This provides accountability not only for the department but also for the businesses and communities that we work with on a day-to-day basis.

Grant Fund Financial Statements - The Department has developed monthly financial statements for all of the grant funds within the Department. These monthly statements give us a snapshot of all funds available, all commitments and potential commitments for each funding source. They are balanced monthly with the Comptroller General's Office and reviewed quarterly by the Coordinating Council for Economic Development.

Wide Area Network - Aeronautics – The Department completed a centralized network for the Division of Aeronautics under the Commerce information technology network. This allows for all accounts to have the same domain and makes for a more efficient network. This replaces some aged equipment by combining Aeronautics with central Commerce. Customer support to Aeronautics is much easier and less time consuming.

Customer Relationship Management Software Implementation – The Department implemented a Customer Relationship Management Software in 2006-2007 to assist all divisions with the management of projects. The Department procured an off the shelf software product called Maximizer. Maximizer allows the ability to track all projects at different stages and allows all divisions to share the same data. This creates a more dynamic sharing of information between divisions. This software also helps Marketing track and follow up on all leads from trade shows. The Department is using the system and is in the process of bringing all leads and projects into the system for accurate reporting.

Digital Film Library – The Department has transferred analogue location files to a digital system, which is now operational. This system reduces time and creates better efficiencies in preparing proposals, and presents a more comprehensive, professional product for our prospects.



SECTION II BUSINESS OVERVIEW

II.1 Average Employment

FTE (Permanent) Employees	153
Temporary Employees	14
European Office	2 (contract)
Tokyo Office	1 (contract)
China Office	1 (contract)
Canada Office	1
<u>Division of Public Railways</u>	<u>37 (20 non union)</u>
Total	209

II.2 Operations Locations

Main Office	1201 Main St., Suite 1600, Columbia, SC
Aeronautics Division	2553 Airport Blvd., West Columbia, SC
SC Public Railways Division	540 East Bay St., Charleston, SC
China Office	Shanghai, China
Far East Office	Tokyo, Japan
European Office	Munich, Germany
Canadian Office	Toronto, Canada



II.3 Expenditures/Appropriations Chart

Base Budget Expenditures and Appropriations

Major Budget Categories	05-06 Actual Expenditures		06-07 Actual Expenditures		07-08 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	\$5,681,399	\$4,005,560	\$8,102,675	\$5,584,509	\$9,428,689	\$6,677,328
Other Operating	\$9,691,222	\$3,735,935	\$8,015,737	\$3,927,894	\$7,150,776	\$4,014,091
Special Items	\$915,366	\$915,316	\$2,559,311	\$2,559,311	\$5,040,328	\$5,040,328
Permanent Improvements	\$3,487,914	\$0	\$6,639,625	\$0	\$0	\$0
Case Services	\$0	\$0	\$0	\$0	\$0	\$0
Allocations	\$72,014,786	\$400,000	\$126,715,317	\$6,000	\$121,417,514	\$0
Fringe Benefits	\$1,453,126	\$1,042,963	\$1,998,789	\$1,363,677	\$2,445,927	\$1,682,123
Non-recurring	\$0	\$0	\$5,651,280	\$5,651,280	\$0	\$0
Total	\$93,243,813	\$10,099,774	\$159,682,734	\$19,092,671	\$145,483,234	\$17,413,870

Other Expenditures

Sources of Funds	05-06 Actual Expenditures	06-07 Actual Expenditures
Supplemental Bills	\$	\$
Capital Reserve Funds	\$0	\$0
Bonds	\$0	\$0

Interim Budget Reductions

Total 05-06 Interim Budget Reduction	Total 06-07 Interim Budget Reduction
\$0	\$0



II. 4. Major Program Areas Chart

Program Number and Title	Major Program Area Purpose (Brief)	FY 05-06 Budget Expenditures	FY 05-06 Budget Expenditures	Key Cross References for Financial Results*
Business Development	To recruit new and existing expansions and locations; to increase the capital investment and number of jobs in South Carolina.	State: 3,887,630 Federal: Other: Total: 3,887,630 % of Total Budget: 4%	State: 5,406,727 Federal: Other: Total: 5,406,727 % of Total Budget: 4%	7.1
Business Solutions	To help South Carolina companies achieve peak performance. By bringing together professionals who offer a wealth of experience in key areas to offer a dynamic approach that helps businesses and communities prosper.	State: 1,758,460 Federal: Other: 226,339 Total: 1,984,799 % of Total Budget: 1%	State: 1,676,279 Federal: Other: 551,536 Total: 2,227,815 1% % of Total Budget:	7.3, 7.4
Community and Rural Development	To assist local leaders in achieving success for their communities through strategic planning, asset development and leadership and community investment.	State: 275,060 Federal: Other: 587,663 Total: 862,723 % of Total Budget: 1%	State: 774,162 Federal: Other: 637,560 Total: 1,411,722 % of Total Budget: 1%	7.2
Aeronautics	To assist state airports with development and grants and to support state aircraft with maintenance and flight operations.	State: 1,505,605 Federal: 1,000,000 Other: 950,000 Total: 3,455,605 % of Total Budget: 3%	State: 1,605,092 Federal: 1,432,064 Other: 1,383,331 Total: 4,420,487 % of Total Budget: 3%	



Grants and Incentives	To assist communities with grants for infrastructure, housing, economic development and planning.	State: Federal: 35,876,911 Other: 24,715,998 Total: 60,592,909 % of Total Budget: 87%	State: 307,223 Federal: 27,350,972 Other: 42,414,942 Total: 70,073,137 % of Total Budget: 87%	7.5
Workforce Development	To assist communities with grants for infrastructure, housing, economic development and planning.	State: Federal: Other: Total: % of Total Budget:	State: Federal: 60,089,392 Other: Total: 60,089,392 % of Total Budget: 87%	7.5
Administration	To support the agency with finance, information technology and human resources services.	State: 2,749,321 Federal: Other: 62,000 Total: 2,811,321 % of Total Budget: 3%	State: 3,371,905 Federal: Other: 90,642 Total: 3,462,547 % of Total Budget: 3%	

Below: List any programs not included above and show the remainder of expenditures by source of funds.				
Remainder of Funds	Pass Through Dollars	State: 597,688 Federal: Other: Total: 597,688 % of Total Budget: 3%	State: 597,688 Federal: Other: Total: 597,688 % of Total Budget: 3%	

* Key Cross-References are a link to the Category 7 - Business Results. These References provide a Chart number that is included in the 7th section of this document.



II.5 Key Customers

The Department of Commerce's mission is to create wealth for all South Carolinians. We do that through a wide range of activities that serve a wide range of customers, including:

- a) The people of South Carolina;
- b) Existing and emerging industries within the state;
- c) Small business community;
- d) National and international businesses making a location decision;
- e) Site selection consultants;
- f) Financial Community;
- g) Communities seeking jobs and investment;
- h) Government leaders of the state to include county and local leaders;
- i) Local and regional economic development leaders;
- j) Research universities and technical colleges;
- k) Communities seeking funding for economic development and/or infrastructure needs;
- l) Commercial and General Aviation Airports;
- m) Aeronautics Community;
- n) Job Seekers;
- o) Businesses faced with downsizing;
- p) Youth Councils;
- q) At-risk youth;
- r) Workforce Community;
- s) Local Workforce Investment Boards; and
- t) State Workforce Investment Board.



Other customers and their Department suppliers include:

Rail carriers	Division of Public Railways
State Ports Authority and its users	Division of Public Railways
General Aviation Airports and its users	Division of Aeronautics
Film, television, and print producers	State Film Commission
Users of State and Federal grants	Division of Grants and Incentives; Division of Workforce Development
The citizens, leaders, and economic development allies of Abbeville County	Savannah Valley Development
Citizens of Savannah Lakes Region	Savannah Valley Development



II.6 Key Suppliers

As is the case with customers, the Department of Commerce has a wide array of suppliers. The suppliers for our core business functions are:

- 1) Local economic development offices;
- 2) City, County, and State government bodies;
- 3) State agencies such as DHEC, the Department of Revenue, the Center for Advanced Technology Training, the State Ports Authority, etc.;
- 4) Utilities, contractors, financial institutions, and other economic development allies;
- 5) Property owners;
- 6) National and international businesses and site location consultants;
- 7) Venture Capital firms;
- 8) State Workforce Investment Board;
- 9) Local Workforce Investment Boards;
- 10) Youth Councils;
- 11) South Carolina Department of Education;
- 12) South Carolina Commission of Higher Education;
- 13) South Carolina Employment Security Commission; and
- 14) Bureau of Labor and Statistics.

Other suppliers and their Department of Commerce customers include:

FAA	State Aeronautics Division
South Carolina Film Crews	State Film Commission
Production Studios	State Film Commission
Railroad vendors	Public Railways Division
General Assembly	Coordinating Council for Economic Development & CDBG, Recycling Market Development Advisory Council
Federal Government	Coordinating Council for Economic Development & CDBG, Workforce



II.7 Major Products and Services

Products

- Customized publications outlining South Carolina’s advantages for businesses and consultants making a site location decision;
- Business research publications, including the Resource Guide to Business, produced by Business Solutions;
- On-line, searchable directory of over 300 recycling companies located on www.sccommerce.com. Recycling businesses can be identified through a number of ways – by company name, by county, or by material;
- Business research publications including an annual resource directory the “SC Production Guide”, the “SC Location Guide” and an on-line searchable directory of SC personnel and suppliers;
- Strategic plans for communities;
- Job Development Credits;
- State and federal grants for housing, infrastructure, community facilities, airport development and improvements and economic development;
- Funds for workforce training and incumbent worker training programs;
- Publication describing employer services for workforce training;
- Rail service;
- South Carolina Aeronautics Directory and Pilots Guide;
- SC Aeronautical Charts; and
- On-line directory of One-Stop Centers.



Services

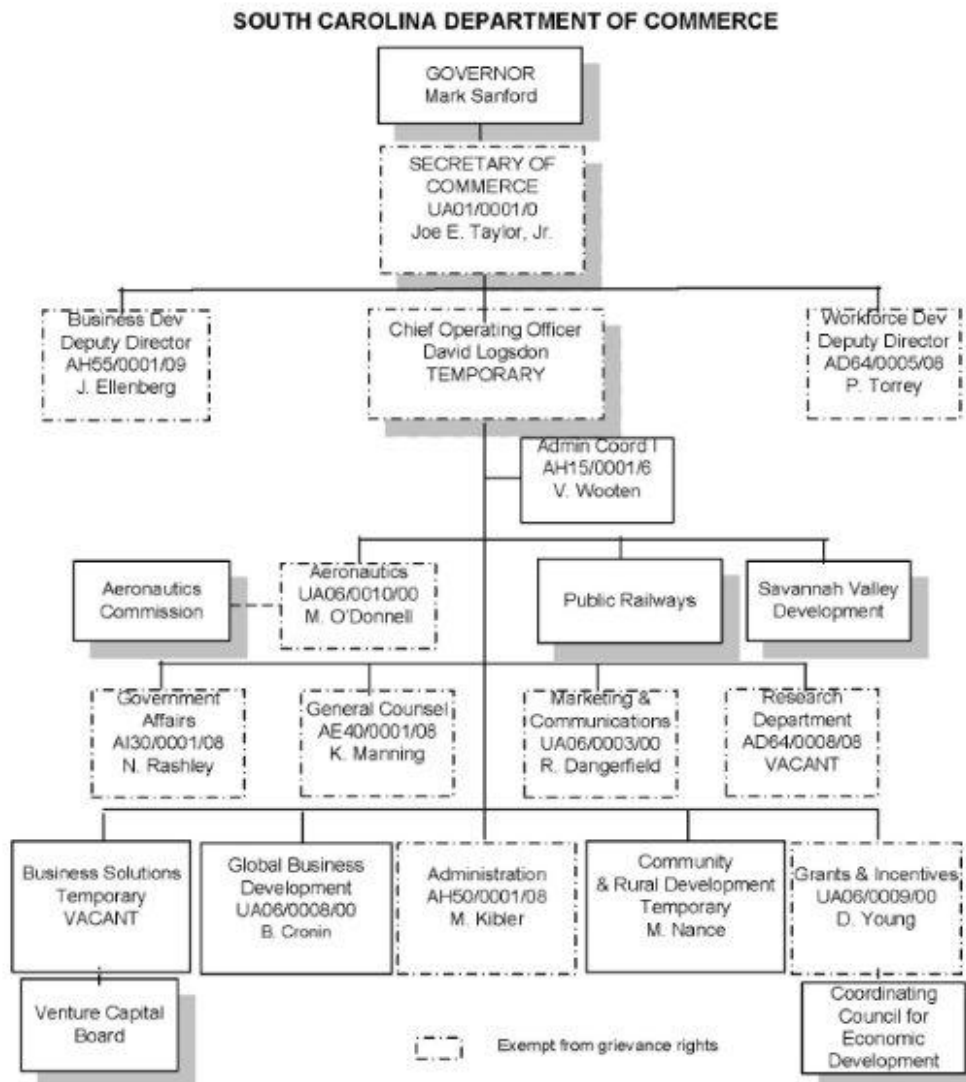
- Marketing and sales representation;
- Existing industry, emerging and small business information and issue resolution;
- Export development research and opportunity creation;
- Foreign relations facilitation between South Carolina and international officials at all levels;
- Assistance to employees separated from employment due to economic downturn;
- Industry research;
- Site location assistance;
- Strategic planning facilitation;
- Local product development assistance for both traditional and film industries;
- Trade research and development of trade opportunities;
- Rapid Response Services for plant closures;
- Financial consultation for businesses and entrepreneurs;
- Film Grants to foster collaboration between SC schools of higher education and media professionals to create more employable citizens;
- Technical assistance to business and industry on recycling and recycling markets information;
- Film industry development, promotion and education;
- Film location scouting assistance and project management/liaison services;
- Recycling markets information;
- Training and technical assistance to grant customers on project development, implementation and compliance;
- Technical assistance for applications for grants and incentives;
- Airport development funding and technical assistance;



- Rail service;
- Coordination of financial and contract issues for Lake Russell Project;
- Annual training conference for Workforce partners and stakeholders;
- Funds and oversight for a drop-out prevention program in 14 high schools titled Jobs for South Carolina's Graduates;
- Information on training resources and workforce representation to local economic developers;
- Formula allocation of WIA funding to twelve local workforce investments areas; and
- Competitively- awarded WIA grants to address a variety of workforce issues.



II.8 Organizational Chart



III. MALCOLM BALDRIGE PERFORMANCE EXCELLENCE STANDARDS

Category 1 – Leadership

Under the direction of Governor Sanford and Secretary Taylor, the agency and its new leaders have embarked on a new era of “servitude” that emphasizes professionalism and teamwork.

1.1 The Department of Commerce is a customer-focused organization and that focus starts with the Secretary of Commerce and the executive leadership team.

- a) The Secretary, Chief of Staff and executive leaders regularly adjusts their calendar to meet with business and industry clients in order to understand their concerns.
- b) The Secretary and Chief of Staff are personally involved in many projects. They are involved with weekly updates of each project and attend many of the business negotiations as well as public announcements.
- c) The Chief of Staff and executive leadership work with the state’s legislative leadership to discuss issues critical to building the state’s economy including legislation and key projects.
- d) The Chief of Staff and Division Directors meet quarterly with Regional Economic Development Alliances and COGs to discuss partnership and coordination for economic development in South Carolina.

1.2 Developing new measurements is a critical element of the new strategic plan. Until these are developed and implemented, the agency will continue to measure success through:

- Capital Investment;
- Job Creation;
- Investment by new businesses;
- Job creation by new businesses;
- Investment by existing businesses;
- Job creation by existing businesses;
- Percent of announced capital investment relative to southeastern competitors;
- Percent of announced new jobs relative to southeastern competitors;



- Investment in rural (non-MSA) counties;
- Job Creation in rural (non-MSA) counties;
- Total announced technology-based jobs;
- Product development; i.e., industrial park development, community technical assistance;
- Percentage growth in value of exports;
- Value of exports per manufacturing employee in the state;
- Compliance with federal guidelines for grant application and administration for CDBG and WIA;
- Workforce Investment Act measures
 - Adult Entered Employment Rate
 - Dislocated Worker Entered Employment Rate
 - Adult Retention Rate
 - Dislocated Worker Retention Rate
 - Adult Average Earnings
 - Dislocated Worker Average Earnings
 - Youth Placement in Employment or Education
 - Youth Attainment of Degree or Certificate
 - Youth Literacy or Numeracy Gains; and
- Injury rates on public railways.

1.3 The Business Solutions Division sole purpose is to help South Carolina companies achieve peak performance. Bringing together professionals who offer a wealth of experience in key areas, the division offers a dynamic approach that helps businesses and communities prosper.

1.4 The Community and Rural Development Division staff members assist local leaders in achieving success for their communities through Strategic Planning, Asset Development, Leadership Development and Community Investment. As a part of our Leadership Development programs, some 340 local leaders attended the 2005 edition of the Governor's Rural Summit. The South Carolina Economic Development School continues to average approximately 40 students per session with the assistance of some 28 scholarships provided by the Department. This Division also continues to spend more time working with communities on downtown revitalization types of projects. Much of our time during the year was spent on preparing some 21 communities in streamlining their efforts to improve downtowns.



- 1.5 The SC Film Commission recruits and facilitates the film and television industries to S.C. as it grows our indigenous industry to better compete in these markets. The SC Film Commission provides one-stop film resources for production contacts and companies. They provide permit and regulatory experience and work with a host of communities to foster successful film outcomes. The Commission's SC Production Fund creates collaborative work opportunities between our institutes of higher education and media professionals with the goal of providing a highly skilled, readily employable SC film industry workforce.
- 1.6 The State Workforce Investment Board (SWIB), comprised of 30 business and public sector members appointed by the Governor, assists the Governor and Secretary of Commerce with setting the strategic vision for workforce development in the state. In its recently unveiled strategic plan, the SWIB identified its core purpose as creating a competitive workforce advantage for South Carolina by ensuring that a quality and effective workforce system exists in order to improve the lives of all South Carolinians. Through its policy advocacy and collaboration roles, the Board has promoted a closer alignment between workforce development and economic development. The SWIB also provides leadership and guidance to the 12 local workforce investment boards and to the Workforce Development Division.
- 1.7 The Aeronautics Commission was formed through legislation in the 2004 session. The Commission consists of 6 commissioners from each legislative district and a chair appointed by the Governor. The Commission assists the Secretary of Commerce to set the strategic vision for the Aeronautics Division and general aviation in South Carolina.
- 1.8 The Department has several methods of successfully collecting feedback on products, programs and services. Certainly the most effective means is the number of companies that we work with to expand or locate in South Carolina. However, there are other channels where feedback is gathered.
- The Community and Rural Development Division maintain contact with local development organizations across the state.
 - Agency personnel are active in the South Carolina Economic Developers' Association and all committees.
 - The Coordinating Council staff and the grant staff conduct regular training seminars around the state to ensure compliance with programs. The face-to-face contact also allows staff members to better understand and resolve issues and problems.
 - The Community Development Block Grant program (CDBG) holds public hearings annually in conjunction with its Annual Action Plan and



Performance Report prepared for the U.S. Dept of Housing and Urban Development. In addition, public hearings are held for each grant awarded.

- The Workforce Development Division’s goal is to increase business use of and satisfaction with the business services provided by the WIA program. To accomplish this objective, we will create a customer satisfaction mechanism to measure efficiency, effectiveness and ease of use of the Virtual One-Stop system.
- Feedback from each local economic developer is solicited regarding the value and ease of use of WIA business services including the One-Stop system for economic development purposes.
- Feedback from each mandated partner agency regarding the strength and effectiveness of its partnership with the workforce system is solicited continuously through on-site visits and interviews.

1.9 The Department of Commerce is a high profile state agency, and, as such, is actively involved in the community. Each year Department personnel, including the Secretary and division directors, man the Salvation Army collection post at the corner of Lady and Main Streets in downtown Columbia for two hours a day for two weeks between Thanksgiving and Christmas. During the Christmas season each division “adopts” a family in need, collecting and distributing gifts and food. The Department also participates in American Red Cross Blood Drives, Juvenile Diabetes Walk A Thon, and Palmetto Health’s Walk out Breast Cancer.



Category 2 – Strategic Planning

- 2.1 The South Carolina Competitiveness Initiative has been implemented as a comprehensive strategic plan for economic development. The initiative's main component consists of eight action campaigns around which committees have been formed to address weaknesses and capitalize on strengths within the South Carolina economy, with the ultimate goal of boosting the state's standard of living. Strategies include adopting a sector-based focus to business recruitment, fostering a better environment for start-ups and small businesses, and enhancing education and workforce training programs.
- 2.2 The agency has recognized building the value of building the state's economy around the interdependent industries and businesses that constitute economic sectors as its primary objective.
- 2.3 Each division has developed measurable goals and long range strategic initiatives that enhance accountability and good stewardship of taxpayer's dollars.
- 2.4 The Department is developing a unique marketing strategy involving a comprehensive approach to marketing through public/private partnerships with local economic developers, regional economic development alliances, counties and businesses (existing, small, banks, colleges and universities and utilities). This new marketing plan will help us tell South Carolina's story and create opportunity for new and existing industry, small business and community development.



Category 3 – Customer Focus

3.1 One of the key components of agency culture is the concept that our ultimate customers are the people of South Carolina. In previous administrations, industrial prospects were the ultimate customers. Industrial prospects and bringing new jobs to the people of the state remains the core function of the agency, but under the leadership of the Governor and the Secretary, there is a fundamental change in recognizing that the people of the state are our ultimate customers to whom we are accountable.

While the people of the state are the agency’s ultimate customers, the agency has a number of other customers. The diversity of the agency is reflected in the diversity of customers and stakeholders it serves.

- Businesses making location decisions including the film and television industries;
- Existing, emerging and small businesses and industries;
- Companies needing export, recycling and finance resource assistance;
- State and local governments;
- Communities;
- State government employees seeking to use state aircraft;
- South Carolina’s public airports and commercial airports;
- State Ports Authority and its customers wishing to ship cargo by rail; and
- CSX and Norfolk Southern Railways.

3.2 The Department of Commerce is much more accessible and the leadership much more available for comment from customers and stakeholders.

Information Services constantly monitors our Internet site to identify which areas of the site are “hit” most often and by whom.

3.3 Creation of the Small Business Ombudsman as a designated single point for entrepreneurs who are looking for assistance or support from business experts shows Commerce’s commitment to customer service.

3.4 The Recycling Market Development Team works with businesses, industry, government and other organizations to provide technical and economic development assistance to foster a thriving recycling economy and sustainable business development in South Carolina.



- 3.5 When customers indicate a shortcoming in product and/or infrastructure, staff is responsible for relaying that information to communities so they may improve their ability to capitalize on future opportunities.
- 3.6 The Department of Commerce is a sales, marketing, and product development organization and, as such, the building of strong relationships with customers and stakeholders is essential to our success. Project managers deal one on one with their clients in order to ensure continuity throughout the sales process. This enables them to develop in-depth knowledge of the client's needs, which translates into pertinent information in a timely manner from the Marketing and Research Section.
- The agency works with individual communities in much the same manner. A single point of contact is appointed for each community to continually assess their needs and to inform them of important changes. They are also well positioned to act as a catalyst for changes that need to take place. Finally, a new mandate for the project managers is to visit communities in order to improve relationships and build consensus essential to moving the state's economy forward.
- 3.7 Every quarter, the Department of Commerce prepares an electronic newsletter for distribution to local economic developers and other allies. The newsletter contains updates from the Commerce divisions of Business Solutions, Business Development, Community and Rural Development, Grants and Incentives, Railways, Administration and Aeronautics. The goal of the newsletter is to keep Commerce's allies better informed of agency happenings that may be of interest or have relevance to their own economic development activities.
- 3.8 The Department of Commerce works hard to collaborate with other state entities. The CDBG program works with the State Housing Authority to assist non-profit customers to understand the unique needs of their separate customers.
- 3.9 The Workforce Development Division employs a Partnership Development Coordinator whose primary responsibility is that of collaborating with workforce development partners (including the Employment Security Commission, Department of Social services, Vocational Rehabilitation, Department of Juvenile Justice, Department of Education, State Technical College System, and Commission on Higher Education, etc.) to establish common goals and maximize resources. During the past 12 months, more than 30 partnership meetings were held.
- 3.10 The Division of Aeronautics fosters air commerce by overseeing the safety and development of the state's public use airports and provides safe, reliable air transportation for state government and business prospects. The Airport Development Section provides technical assistance and financial resources to six (6) commercial service and fifty-four (54) publicly-owned general aviation airports. Airport sponsors rely on federal and state assistance to provide technical



and financial aid in developing airports in accordance with federal, state, and local regulations, codes, ordinances, and guidelines.

The Division of Aeronautics continues to partner with the South Carolina Aviation Association and other entities to provide aviation educational programs for pilots and airport operators.

- 3.11 The Research Division works diligently to support all departments and divisions throughout the Department of Commerce to achieve their goals. This is done by fielding information requests from other departments and divisions in a timely manner as well as implementing long-term investigative projects. Research also supports the efforts of individuals and businesses seeking economic information, particularly labor market and employment information. Research maintains databases and lists which store information to help support Commerce's economic allies, as well as assist in the recruitment and expansion of businesses in the state.
- 3.12 Each week, Marketing/Communication distributes an e-clip of the week's articles that have appeared in newsprint, magazine and/or broadcast. The weekly e-blast, "Commerce Clips" is distributed to businesses, developers, regional alliances and local economic developers. "Clips" has been well received and the distribution list continues to grow each week.
- 3.13 The Workforce Development Division publishes an annual report on the number and results of job seekers and employers served by WIA.



Category 4 – Information and Analysis

- 4.1 Research is constantly analyzing business trends. This group assists Project Managers with proposals from prospective companies. These proposals are complex and require census, educational, workforce, quality of life and local supplier's information and can be presented in GIS formats.
- 4.2 Research also manages an extensive building and sites program that monitors commercial real estate which is pivotal in supporting project managers and potential new businesses locating in South Carolina. Additionally, Research produces Industry Analysis information, which profiles South Carolina's strengths to position the state advantageously for continued capital investment. These Industry Analyses are also used to generate leads for project managers. Research also conducts long-term research programs, which constantly monitors and incorporates economic data from sources such as the Bureau of Labor Statistics and the Bureau of Economic Analysis amongst others, to gauge state economic conditions.
- 4.3 Marketing/Communications works closely with the Research Division to track monthly BEA statistics and incorporate these into talking points and presentations given by associates of the Commerce Department. Marketing/Communications also works closely with Research to monitor national rankings as they relate to South Carolina.
- 4.4 Business Plan Summaries for each Division were developed. These summaries include budget numbers, strategic goals and initiatives. The Goals and Initiatives are tied to the budget. Each Fiscal Year the Goals and Strategic Initiatives will be reviewed and updated. This provides accountability not only for the department but also for the businesses and communities that we work with on a day-to-day basis. These summaries are used as a "dashboard" for the Secretary and Chief of Staff to determine the efficiencies and effectiveness of each division.
- 4.5 Monthly Financial Reports are completed for each of our grant funds. Quarterly reports are issued on these grant funds at the Coordinating Council for Economic Development. Senior Leadership and staff use these financial reports to determine commitment of funds, balance and pending commitments.
- 4.6 The Coordinating Council staff is constantly working on cost estimates for the Enterprise Zone incentive. These numbers are used to check those done by the Budget & Control Board to advise legislators on budget estimates.
- 4.7 The agency Web Site is updated constantly and affords our customers an opportunity to get information quickly about all facets of Economic Development.
- 4.8 The South Carolina Comprehensive Aviation Information Reporting System (SC-CAIRS) plan encompasses an array of documentation such as airport



layout plans, master plans, digital orthophotography and obstruction mapping, airport and airspace technical bulletins, and a host of electronic GIS and data. These tools allow airport sponsors/owners to manage their airports in accordance with Federal and state laws and regulations. This information provides the basis for the annual production of the Aeronautical Chart and the South Carolina Airport Directory and Pilot's Guide.

SC-CAIRS is the mainstream for state aviation information and will be updated in 2008 with the latest technology enhancements. Resource material can be found at www.scaeronautics.com.

- 4.9 The Workforce Development Division has purchased JobsEQ, a web-based, analytical tool which incorporates labor and market data from over 15 sources. JobsEQ will assess and align the education and workforce indicators with local, regional, and state economic trends. The analysis ties the trends in the regional economies to the occupations and skills characteristic of these localities. A database is used to show the relationships between human capital and economic health. JobsEQ can be used to identify issues such as the current and future gaps between student/worker skills and the skills demanded by employers to help localities understand what is needed in the short-term as well as to prepare for the future. This tool will be available to a variety of workforce policy- and decision-makers.



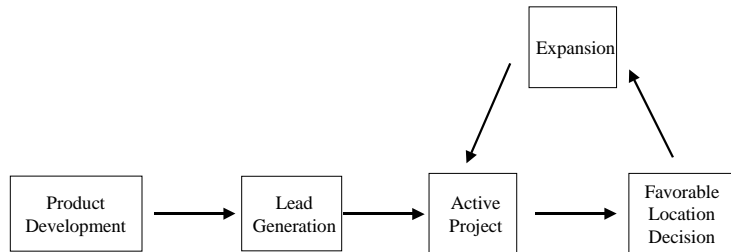
Category 5 – Human Resources

- 5.1 The Department continues to promote training and development opportunities for employees. Funds have once again been allocated and utilized for employee training. Annual Training Objectives are identified in each employee's performance planning stage document. As new processes and business evolves, additional training is coordinated.
- 5.2 The Department continues the two incentive pay programs for agency employees. The Sales Incentive Plan (SIP) for project managers in the Global Business Development Division and the Agency Performance Incentive Plan (APIP) for all other covered employees in full time equivalent positions who are not eligible for the SIP. Both programs are managed in conjunction with the agency Employee Performance Management System (EPMS) process. Financial incentives are based on exceptional performance levels as they relate to quantitative and qualitative measures assigned to employees on an individual basis.
- 5.3 A number of measures have been implemented by Human Resources to ensure a safe, positive workplace.
- Employees receive annual updated to the policy manual. The manual contains all of our updated agency policies including affirmative action, harassment, discipline and performance. Policies are also posted on the Department's intranet. These policies are updated as needed each year.
 - The Division of Public Railways and the Aeronautics Division have written safety procedures and guidelines and regularly perform inspections on equipment.
- 5.4 Staff in the Human Resources coordinate activities in a wide range of community oriented fund-raising activities such as the Salvation Army, United Way, Community Health Charities, Central SC Habitat for Humanities, and Juvenile Diabetes.



Category 6 – Process Management

6.1 As with any organization based on sales and marketing, the building of relationships is an integral part of our success. Our process makes the Department's front-line sales team the single point of contact with the client company or the company's representatives as soon as an inquiry is identified as a viable project. This allows the project manager to begin amassing information on the company, the project, and the project's requirements and facilitates the building of personal relationships with decision makers. During the reorganization process a key decision was made to consolidate the international, national and existing industry sales teams in one division.



The chart above outlines the “life cycle” of a project:

- 1) A lead is received from a company, consulting firm, or one of our economic development allies.*
- 2) The project is screened by the Global Business Development Division Director to determine its viability. Once it is determined to be a viable project, a project manager is assigned that will act as the constant point of contact for the client company. It is the project manager's responsibility to establish personal contact with the client.
- 3) The project manager determines the parameters of the project and the information needs. These are then relayed to the Research Section of the Global Business Development Division and/or local development allies. Once the data is gathered, it is then funneled to the customer. As the project matures, communities and states are eliminated, and additional information is required from both the state and community until a favorable location decision is made.

* Please note that as the chart shows, even before the inquiry is received, the process of product development is underway through the work of the Community and Rural Development Division, Business Solutions, Division of Public Railways and the Aeronautics Division.



- 4) Research gathers all data to support the project managers in converting a lead into a win (a business choosing South Carolina as its location target or facilitating an expansion). Research supports the project managers in amassing information on the company, the project, and the project's requirements. Research completes Requests for Information and Requests for Proposal from project managers and gathers all information from the respective counties and local development allies. This includes gathering data on building and sites, permitting, infrastructure, workforce and quality of life issues, amongst other factors. Research manages the proposal process, conversing with local economic allies as well as consultants, allowing the project managers to continue to focus on building the personal relationship with the target business.
- 5) After the decision is made and a facility becomes operational, the Business Solutions Division establishes contact to monitor the progress of the facility and offer advice and help should problems arise.
- 6) Assuming the plant operates successfully and profitably it will expand within the first five years of operation at which time a project manager from Global Business Development Division will be assigned to facilitate the process.
- 7) A quality workforce plays a vital role in businesses locating, expanding, and remaining competitive. Utilization of workforce services and resources provides for on-going identification, assessment, and training of individuals to meet business needs.

The process has remained virtually unchanged for the last ten years with major exception – the time it takes for the process to run its course has become compressed. What used to take years in the early 1990's now frequently only takes months and sometimes even weeks. In order to meet the increased time demands of clients, the Department utilizes technology whenever possible to reduce turn-around time. For example:

- a) SiteScope (an application of GIS – geographic information systems) allows consultants to scan our entire database of industrial sites from their offices via the Internet.
- b) Proposals for companies are frequently sent to clients by electronic mail and CD. This allows company representatives to distribute information to their team members quickly and efficiently.
- c) Customers can meet face-to-face with state and local decision leaders through the Department's teleconferencing facilities.

6.2 Project managers maintain contact with customers regularly in order to stay abreast of new developments and to ensure information needs are met. As



the project “matures” and moves toward a final decision, contacts intensify and the Department’s senior leadership may be briefed daily.

6.3 Each of the other divisions is tasked with supporting the front-line sales team. Each uses the latest technology available to maximize their outcomes. (See 6.1 above for examples of technological innovations used to support the sales function.)

6.4 The Department of Commerce builds alliances with key economic developers in each county. These alliances consist of those members of the state’s economic development community that are crucial to the success of the state’s economic development efforts. They also consist of the local development offices, state and local government entities, and private companies that have a stake in the economic success of the state. These relationships with our partners are nurtured in a number of ways.

- The leadership of the agency is active in the South Carolina Economic Developers’ Association, maintaining two seats on the association’s Board of Directors.
- The Community and Rural Development Division is tasked with maintaining constant contact with more than half of the state’s 46 counties. These counties are provided with technical support and strategic planning expertise in order to improve product development. The Division further supports product development with grants from the Rural Infrastructure Fund.
- The South Carolina Coordinating Council further supports product development with grants for infrastructure.
- Interaction with state agencies such as DHEC, the Department of Revenue, and the Center for Advanced Technology Training, currently known as Ready SC, and the State Ports Authority is encouraged early in the process so they can gain a better understanding of the customer’s operation and minimize impact of potential problems on the final location decision.
- Consultants that represent companies making location decisions are contacted to make sure the Department is meeting their needs.

6.5 Marketing and Communications works closely with Global Business Development to facilitate the project announcement process from the generation of the memorandum to the entry in Maximizer to communicating the information to the Governor’s office. A flowchart of this information was generated to document the process and provide checkpoints along the way for accuracy and quality control of information. The Communications coordinator works closely with the company, as well as county and alliance developers to generate and distribute press releases as appropriate.



- 6.6 All projects generated by the Marketing/Communications division are reviewed by its Director and proofread by a professional proofreader to ensure all communications are accurate and error-free.
- 6.7 A yearly Marketing/Communications plan is generated each year with input from each Division director to successfully employ tactics which will achieve the established goals of the Division, as well as the Agency.
- 6.8 Since CDBG grants are awarded to units of local government, the CDBG Program maintains close contact with community developers and officials in customer communities. The CDBG Program is represented on the Board of the South Carolina Community Development Association, which coordinates community development professionals and promotes cooperative exchange of techniques and ideas. The CDBG Program also works closely with the ten regional councils of governments to ensure effective project implementation on the state's local and regional levels.
- 6.9 The Department's effort to provide grant funds to the most effective community development projects is enhanced by the objective project selection process used by the CDBG Program. The CDBG Program administered two competitive grant programs, Community Investment and Local Planning. Projects submitted in these programs were evaluated against objective scoring criteria that were established by staff with customer input and approved by HUD. The CDBG staff applies an extensive scoring methodology to determine those grants that are most likely to achieve the desired results.
- 6.10 Requests for grants associated with economic development projects are handled in much the same way as banks handle loans. Project managers bring requests to a Screening Committee that looks at the worthiness of the project and then appropriate amount of funds as well as the most appropriate source of funds.
- 6.11 The Enterprise Zone staff works closely with the staff of the Department of Revenue to monitor the Enterprise Zone program to insure that only those companies meeting their job creation commitments receive incentives. Quarterly and annual reports are submitted and checked for compliance.
- 6.12 The Division of Aeronautics, Airport Development Section provides state grants for airport maintenance and development. Grants are matched with federal and/or local airport sponsors. Airport owners, or their respective representatives, submit a request to the Aeronautics Commission, which approves and awards funds on case-by-case bases. Once approved, the staff has a grant management process, which entails a plan review, on-site construction inspection, and final distribution of funds in accordance with state grant assurances.



Category 7 – Results

Direct Investment (both Foreign and Domestic) into South Carolina continues to be strong. Commerce staff's hard work set new records in 2006 with firms investing \$2.998 billion in South Carolina. So far this year looks even better: Investment totals in June 2007 were already at \$1.36 Billion (a 14% increase over June 2006 figures).

The following are some of the results in 2006.

Please note: Beginning with calendar year 2003, the Department of Commerce implemented a new standard regarding the reporting of capital investment activity. In this annual report, the investment dollar and job creation numbers given represent the sum of only those projects in which the Department played a major role. Unlike figures from previous years, these figures DO NOT represent all capital investment activity in the state.

7.1 GLOBAL BUSINESS DEVELOPMENT

- In 2006, Commerce assisted with the expansion or location of 139 firms creating 14,420 jobs and investing \$2.99 billion in South Carolina.
- The state's rural areas accounted for 4,209 new jobs created and \$842 million in capital investments. This represents 29.2% of job creation and 28.1% of capital investments statewide.
- Fifty-seven new firms announced the creation of 7,456 new jobs and capital investment totaling \$1.29 billion. New firms represented roughly 52% of announced new jobs and 43% of announced investment.
- Manufacturing continues to be the leading sector for investment (66.2%) and job creation (57.2%).
- The automotive sector was the leading industry sector in capital investment (\$301.1 million). Distribution/logistics was the leading sector for job creation (2,636).
- The leading source nations for international investment were France (36%) and China (19.1%). The leading international job creators were firms from China (45.3%) and the United Kingdom (22.2%).



New and Existing Firms

In 2006, Commerce assisted with 82 existing industry expansions, which created 6,964 new jobs (48% of total job creation) and \$1.7 billion (57% of total investment). New industries accounted for 41% of total projects, 52% of total new jobs and 43% of total investment.

2006 Capital Investment Activity						
By New and Existing Firms						
	Firms	%	Jobs	%	Capital Investment	%
New	57	41	7,456	52	\$1,294,705,000	43
Existing	82	59	6,964	48	\$1,703,440,000	57
Totals	139	100	14,420	100	\$2,998,145,000	100

Sector Analysis

The South Carolina Department of Commerce continues to focus on creating and sustaining major industry sectors. The sectors making the largest capital investment in 2006 were Automotive with \$301.1 million and Wood/Paper Products with \$294 million. The Distribution/Logistics sector led the way in job creation with 2,636 jobs, followed by Automotive. South Carolina continues to play a major role in the automotive industry with the addition of companies like Johnson Controls, and expansions like BMW, American LaFrance, and Timken.

Besides growth in target industry sectors, the Department of Commerce also attracted industries such as appliance manufacturing, financial services, equipment rental, and information services. Some of the top companies in these industries included Haier, South Financial, Sunbelt Rentals, and Mergent.



2006 Capital Investment Activity by Sector (In Alphabetical Order)						
Sector	Firms	%	Jobs	%	Capital Investment	%
Aerospace	3	2.2	375	2.6	\$16,000,000	0.5
Automotive	15	10.8	1,044	7.2	\$301,060,000	10
Biotech / Pharmaceuticals	4	2.9	303	2.1	\$127,500,000	4.3
Chemicals	8	5.8	305	2.1	\$169,895,000	5.7
Distribution / Logistics	17	12.2	2,636	18.3	\$91,250,000	3
Food Processing	4	2.9	248	1.7	\$37,470,000	1.2
Plastics	8	5.8	707	4.9	\$157,880,000	5.3
Recreation	2	1.4	200	1.4	\$14,500,000	0.5
Textile	4	2.9	342	2.4	\$27,180,000	0.9
Wood / Paper Products	8	5.8	587	4.1	\$294,000,000	9.8
Other	66	47.5	7,673	53.2	\$1,761,410,000	58.7
Total	139	100	14,420	100	\$2,998,145,000	100

International Investment

Direct foreign investment in South Carolina continued to be strong in 2006. The South Carolina Department of Commerce assisted 33 international firms, which produced \$926 million announced investment and 2,858 announced new jobs. French firms led the way in capital investment, accounting for 36% of the total international capital investment. China-owned companies accounted for 45.3% of jobs created by international companies with 1,250 jobs.

2006 Capital Investment Activity By Country (In Alphabetical Order)						
Country	Firms	%	Capital Investment	%	Jobs	%
Australia	2	6.3	\$3,500,000	0.4	25	0.9
Belgium	1	3.1	\$25,000,000	2.7	50	1.8
China	3	9.4	\$177,000,000	19.1	1,250	45.3
Finland	2	6.3	\$16,900,000	1.8	130	4.7
France	5	15.6	\$332,500,000	36	288	10.4
Germany	5	15.6	\$112,100,000	12.1	98	3.6
Italy	1	3.1	\$15,000,000	1.6	20	0.7
Japan	3	9.4	\$54,000,000	5.8	76	2.8
Netherlands	1	3.1	\$300,000	0	50	1.8
Sweden	2	6.3	\$74,720,000	8.1	100	3.6
Switzerland	2	6.3	\$19,300,000	2.1	60	2.2
United Kingdom	5	15.6	\$94,400,000	10.2	611	22.2
Total	32	100	\$924,720,000	100	2,758	100

**excludes confidential investment from one country*



County Capital Investment Data

During 2006, Commerce facilitated \$842 million in capital investment and 4,209 jobs from 48 firms in South Carolina's non-MSA counties. Non-MSA areas accounted for roughly 28% of capital investment and 29% of job creation.

2006 Capital Investment Activity By Rural and Urban Areas						
	Capital Investment	%	Jobs	%	Firms	%
Rural	\$842,015,000	28.1	4,209	29.2	48	34.5
Urban	\$2,156,130,000	71.9	10,211	70.8	91	65.5
Total	\$2,998,145,000	100	14,420	100	139	100

7.2 COMMUNITY AND RURAL DEVELOPMENT

The Division of Community and Rural Development (C&RD) continues its mission to improve the quality and competitiveness of South Carolina communities. Through programming focused on community product, leadership development, and strategic planning, C&RD works closely with local leaders to create opportunities for greater investment, job creation, and leadership potential.

Division staff members work with local leaders to develop product, such as speculative buildings, to ensure that communities have available properties for investors and job creators considering a business location. Product development progress for the fiscal year is listed below.

Product Development

Product Type	Number completed	Number in Progress
Speculative Buildings	1	5
Industrial Parks	2	4
Certified Sites	58	0

Redeveloping rural South Carolina's downtown business districts also enhances the competitiveness of any community. The Opportunity Grant program, which began in 2004, helps rural communities revitalize their downtowns. In 2005, the three original recipients – Bennettsville, Bishopville and Union – were awarded Phase II Opportunity Grants. Nine communities competed in the second \$3 million Opportunity Grant round funded through the Rural Infrastructure Fund. In July 2006, three new communities – Cheraw, Clinton and Greenwood - were awarded community grants that are being used to initiate projects such as streetscapes, building façade improvements, small business and tourism development. The Opportunity Grants awarded to date are listed below.



Community Revitalization

Community	Rural Infrastructure Fund Investment	Total Project Cost
Bennettsville	\$1,700,000	\$3,305,000
Bishopville	\$2,249,597	\$3,755,625
Union	\$1,924,355	\$2,984,555
Cheraw	\$844,000	\$1,230,891
Clinton	\$900,000	\$3,035,000
Greenwood	\$934,763	\$1,968,763

Another key component of the C&RD program focuses on continued economic development education for local leadership. Through partnerships with South Carolina economic development allies, C&RD develops programming that conveys timely and necessary information to local leaders that strengthens their decision making for the future of South Carolina communities. Participants in C&RD programs are varied in leadership capacities and dispersed amongst rural and urban areas of the state.

Leadership Development

Program Type	Number of Attendees	Number of Graduates	Program Rating
South Carolina Rural Summit	298	N/A	4.25 (5 pt. scale)
South Carolina Economic Developers' School	87	59	2.76 (3 pt. Scale)
South Carolina Economic Developers' Advanced Symposium	9	9	3.77 (4 pt. Scale)

Strategic planning continues to be the basis for community improvements throughout South Carolina. Whether through a county, development board, or downtown revitalization strategic plan, South Carolina communities are planning for their future and developing projects important to the local community. Often a multiple meeting process, most staff facilitation has occurred in the twenty-two "least" and "distressed" counties of the state.

Strategic Planning

Plan Type	Number updated or created
Countywide Strategic Plans	3
Development Board Plans	10



7.3 EXPORT DEVELOPMENT AND FOREIGN RELATIONS

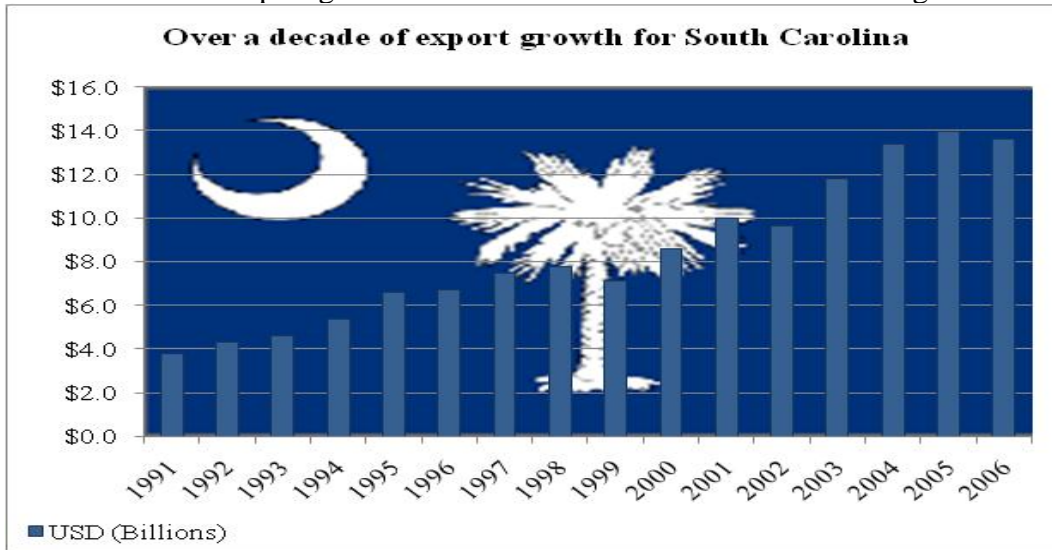
Globalization plays a critical role in the future of successful businesses. It's a fact that companies engaged in international business are more stable, achieve higher growth rates, and pay higher wages. Exports are vital to the state's economic health as well. The benefits of exporting extend beyond the obvious advantage of profit earnings. In fact, South Carolina was the 24th largest exporter among the 50 states in 2006.

The importance of export development to the state is irrefutable:

- Exporting supports thousands of jobs in South Carolina: It is estimated that for every \$1 billion of goods sold for export, 16,000 jobs are sustained. Using this formula some 217,600 jobs in South Carolina were supported by exports last year.
- A study published by the Institute for International Economics and the Manufacturing Institute found that companies that export experience higher productivity rates (+44%), pay higher wages (+13%), offer better benefits (+37%), have higher growth rates, are more competitive and stable, and they are less likely to go out of business.
- More than one-fourth (25.6%) of all manufacturing workers in South Carolina depend on exports for their jobs.
- Export-supported jobs account for an estimated 10.5% of South Carolina's total private-sector employment, or more than one of every 10 jobs.

In 2006, South Carolina companies exported \$13.6 billion worth of products to 197 countries – a 2.36% decrease over the previous year.

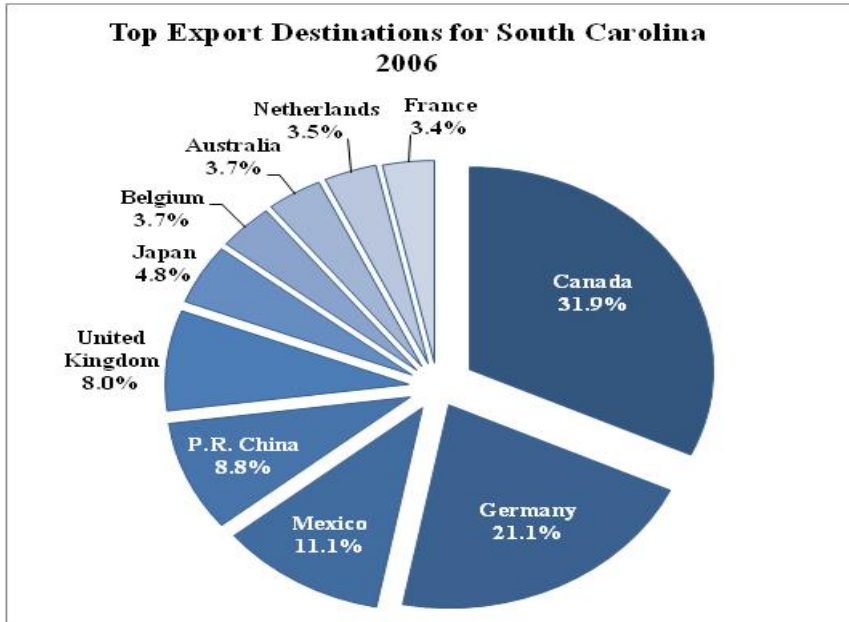
South Carolina's exports to the world increased \$6.9 billion from 1996 to 2006. South Carolina's 103% export growth from 1996 to 2006 ranked it 18th among the 50 states.



Source: Global Trade Information Services, 2007.

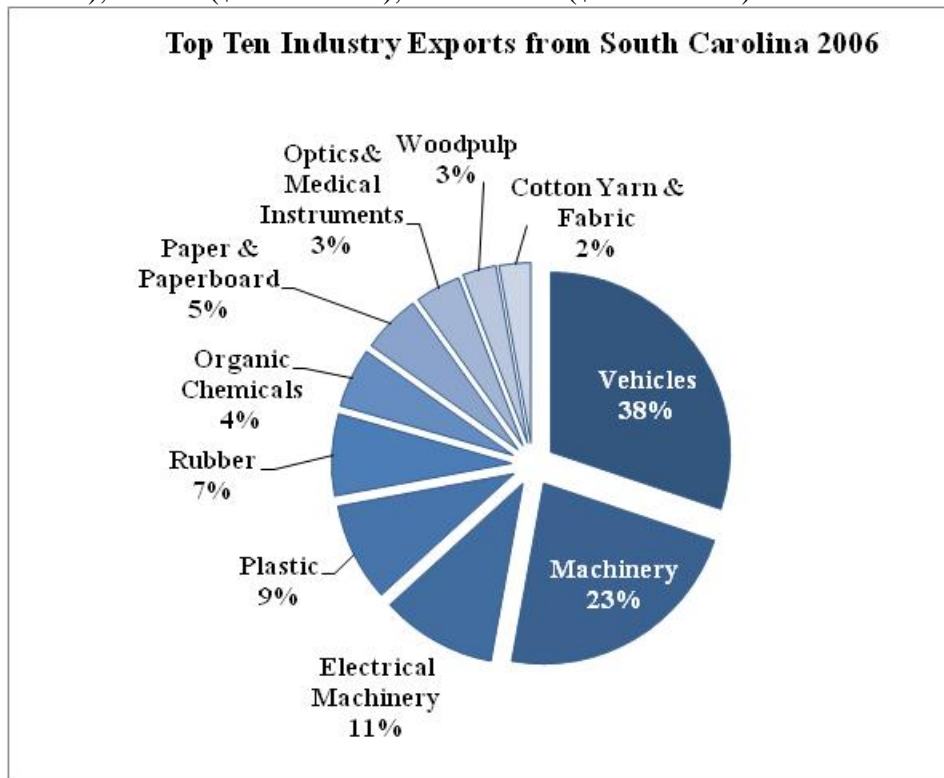


The state's largest export market last year was Canada, which received exports of \$3 billion. This was nearly one-third (31.9%) of South Carolina's total 2006 exports.



Source: Global Trade Information Services, 2007.

South Carolina's leading manufactured exports are Vehicles, which alone accounted for \$3.2 billion, or 38%, of South Carolina's total export shipments in 2006. Other top manufactured exports last year were Machinery (\$2.4 billion), Electrical Machinery (\$1.1 billion), Plastic (\$946 million), and Rubber (\$781 million).



Source: Global Trade Information Services, 2007.

Commerce's export development team provided support to medium-sized and smaller companies wanting to expand and participate in overseas markets. Client company size based on employment averages around 50 employees. The team provided assistance to more than 500 requests for export assistance from South Carolina businesses, large and small, helping them better compete in the global economy by identifying new markets and sales opportunities through international trade events and one-on-one counseling. The export development staff visited 60 companies to provide on-site export consultation; introduced companies to 115 new markets collectively; organized 4 international trade missions involving 12 South Carolina companies; made 32 presentations to groups on international trade and Commerce's trade program, and helped clients generate nearly \$492 million in new sales last year.

7.4 FILM

The Film Commission recruited film and television projects with total budgets of \$141MM and SC spending of \$66.3MM which essentially doubled the amount recruited the previous year. This is the second year in a row that revenues have doubled over the previous year. These productions created over 6,000 jobs over 963 days of production in SC. Notable projects include the George Clooney/Renee Zellweger feature film, "Leatherheads" (filmed in three Upstate counties) and our first television series, Lifetime's "Army Wives", which filmed in the Charleston area. Facilitating this increase was the passage of the Fiscal Year 2006-2007 Proviso which augments the state's film incentive program and an aggressive marketing plan targeting film producers. Marketing initiatives included advertising, , marketing trips to key markets, a new proposal development/delivery system and familiarization trips that brought Hollywood decision makers to South Carolina. The SC Production Fund, created to develop personnel infrastructure through collaboration with our institutes of higher learning, has produced two films and will initiate a series of training seminars designed to elevate the skills of SC film professionals and students alike. Continuing efforts to develop production facilities infrastructure have resulted in a partnership with Trident Technical College and their film training program. This public/private partnership seeks private investors to partner with Trident Tech and their available land to build a production facility. Supplier infrastructure is developing with the recruitment of 6 SC industry suppliers setting up shop over the past year.



7.5 SMALL BUSINESS OMBUDSMAN

- Number of small business inquiries addressed: 405
- Number of counties served (re: small business inquiries): 41
- Number of minority businesses served: 123
- Number of women-owned businesses served: 153
- Customer survey: 607 follow-up surveys were completed in fiscal 2006-2007 utilizing a two week, three month and six month system.
- Number of counties participating in SC Industry Appreciation Week and Ambassadors awards: 45
- Number of people directly involved in SCIAW/Ambassadors events: over 3,000
- News stories (print) generated: over 70 across the state
- Fourth Annual Salute to Small Business held (Commerce supporting): 250 attendees, 20 exhibitors

7.6 VENTURE CAPITAL

- The Venture Capital Investment Authority Board interviewed and chose four Venture capital firms for allocations of the \$50 million in venture capital. (First investments are expected for fiscal 2007-2008)
- Invest SC has been formed to act as the funding agent for the Venture Capital funds.

7.7 PRIVATE FINANCE & EQUITY

- Number of businesses assisted: 103
- Establishment of New Market Tax Credit website that targets eligible financing in distress areas
- Partnered with InnoVenture 2007 that showcased 250 different companies, researchers, investors, universities with 600 targeted attendees
- Capital Access Program implemented that will enable up to \$20 million for Small Businesses. Results for the first 6 months of SC CAP:
 - Currently 23 loans outstanding totaling \$1.2MM. Average loan size is \$55,000.
 - Jobs Created 17; Jobs Retained 92; Total Jobs 109
 - 12 Banks registered for SC CAP - 4 provided the lending over the past 6 months.



7.8 RECYCLING MARKET DEVELOPMENT

There are over 300 recycling companies with 15,600 current jobs in recycling in South Carolina (multiplier equivalent of over 37,440 jobs) which has the result of \$1.5 billion in personal income impact and \$6.5 billion total economic impact.

- Number of business inquiries addressed: 150
- Number of counties served (re: Smart Business Recycling program and recycling business inquiries): 32
- Number of existing recycling businesses visited: 10
- Number of media occurrences regarding Recycling Market Development program: 3 presentations, 5 articles, 2 editorials, 5 press releases, 1 feature on ETV, 1 feature on radio.
- Third Annual Recycling Business Forum: 100 attendees, 10 exhibitors; Business and Industry Recycling Seminar: 50 attendees

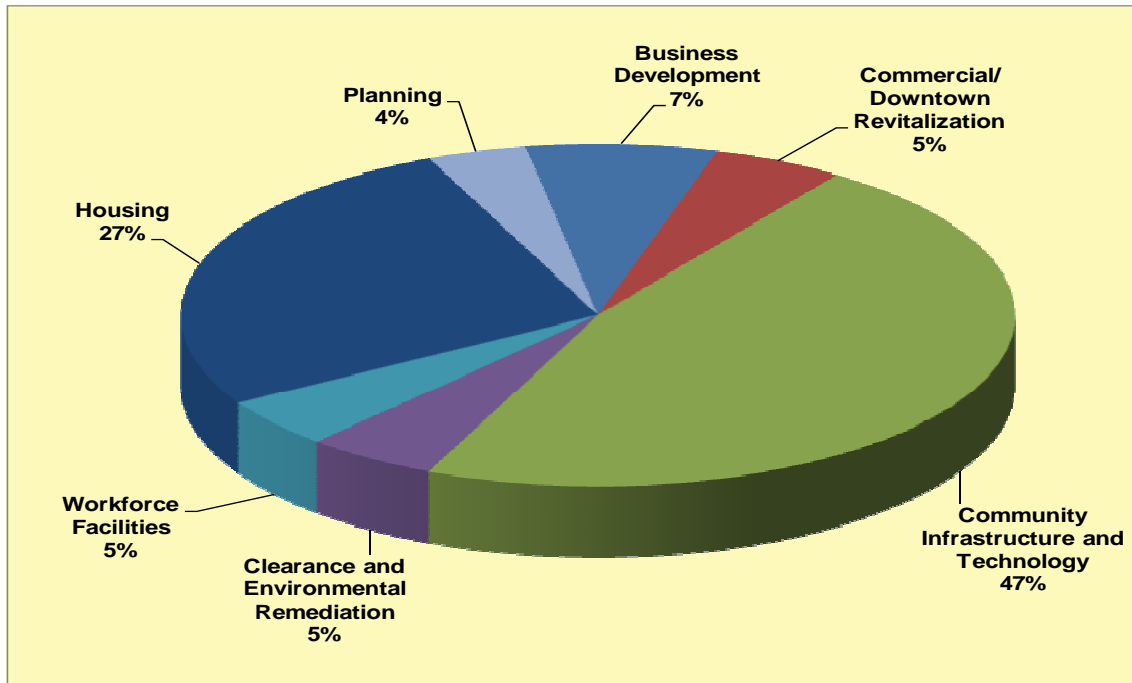
7.9 GRANTS AND INCENTIVES

The Community Development Block Grant (CDBG) Program provides grants to units of local government for a wide variety of projects including improving community infrastructure and public facilities, rehabilitating neighborhoods and housing, and creating or retaining jobs.

- The CDBG Program awarded \$27.3 million for 89 projects in rural communities, further improving South Carolina's business climate and quality of life.
- More than 75,000 citizens will benefit from
 - economic development assistance of \$2 million to 6 communities, to assist companies that will create 220 jobs and capital investment of \$16.8 million;
 - increased economic opportunities in 3 communities through infrastructure and downtown improvements;
 - provision of clean and safe public water or sewer in 29 communities and connections for 543 low and moderate income families;
 - clearance and environmental remediation projects in 4 communities that will eliminate barriers to economic development and improve community sustainability;
 - new or improved access to workforce and skills development facilities for 3 communities;
 - preservation of 212 affordable housing units and creation of 32 new affordable rental units;
 - increased capacity and coordination statewide and locally in 16 communities.



2006 CDBG Use of Funds



CDBG Category	Amount
Business Development	2,013,626
Commercial/Downtown Revitalization	1,393,029
Community Infrastructure and Technology	\$12,788,833
Clearance and Environmental Remediation	1,392,350
Workforce Facilities	1,295,290
Housing	7,328,424
Planning	1,050,241
TOTAL	\$27,261,793

Job Development Credit Program

The Job Development Credit (JDC) Program is a discretionary incentive implemented in 1996 to reward companies for creating new jobs and investing in South Carolina, especially in less-developed areas. The JDC acts like a rebate, refunding some or all of a company’s qualifying and eligible capital expenditures. The JDC can only be claimed, however, after a company has proven that it has met an agreed-on level of new capital investment and net new job creation. The JDC is performance-based: A company must perform—in a manner consistent with its approval for the program and the level of job creation and new capital investment on which the approval was based—before it can benefit from the program.



2006 Job Development Credit Approvals (by County Development Tier)

County Designation	Total Projects Approved	Total Jobs	Total Investment	Average Company Hourly Wage
Developed	17	2,477	\$1,843,271,554	\$22.20
Moderately Developed	16	2,135	157,307,897	16.71
Under Developed	7	658	62,250,000	13.73
Least Developed	18	2,485	278,337,447	23.46
Distressed	11	1,085	200,762,136	16.53
Totals	69	8,840	\$2,541,929,034	

Enterprise Zone Retraining Credit Program

The Enterprise Zone Retraining Credit Program helps existing industries maintain their competitive edge and retain their existing workforce by allowing them to claim a Retraining Credit for existing production employees. If approved for the Enterprise Zone Retraining Credit, companies can reimburse themselves up to 50% of approved training costs for eligible production workers (not to exceed \$500 per person per year).

- In 2006, 22 retraining applications were approved, enabling 19 companies to retrain an estimated 11,071 employees over a five-year period.

Coordinating Council for Economic Development

The Economic Development Set-Aside Fund is the Coordinating Council’s primary business development tool for assisting local governments with road, water/sewer infrastructure or site improvements related to business location or expansion. The Rural Infrastructure Fund is used mainly to assist local governments in the state’s rural areas with economic development preparation through a variety of activities, but funds area also used for building, site or infrastructure improvements related to business location or expansion. For major business locations or expansions representing significant potential economic impact, the Closing Fund may also be used to secure the jobs and investment for this South Carolina. The Water Wastewater Fund represented one-time tobacco-related funding which was used to fund infrastructure projects throughout the state, and all funds were originally awarded in previous years. However, some recaptured funds did become available in 2006 and were used to fund additional water/sewer infrastructure grants. In 2006:

- \$20.4 million in business development assistance was awarded to 19 local governments in 18 counties for water, sewer, roads, rail, site preparation, building



improvements (RIF only) or other infrastructure necessary to facilitate business expansions or locations. The related businesses will create 4,862 new jobs and \$1.8 billion in new capital investment.

- 4 communities in Distressed and Least Developed counties received a total of \$2.8 million for revitalizing downtown commercial areas and stimulating economic development.
- \$1.5 million was awarded to 6 communities in primarily Distressed and Least Developed counties for projects aimed at developing buildings and sites which can be used to attract jobs and investment.
- 1 community in a Least Developed county received \$300,000 in recaptured tobacco funds for public infrastructure.
- \$150,000 was awarded to one community in a Distressed county to facilitate economic development by encouraging and supporting entrepreneurial, small business growth and development.
- \$712,577 was awarded to 13 communities in Distressed and Least Developed counties to fund master plans, economic analyses and marketing plans. \$25,000 was also awarded to Aiken County for an economic recovery plan for the Savannah River Basin.

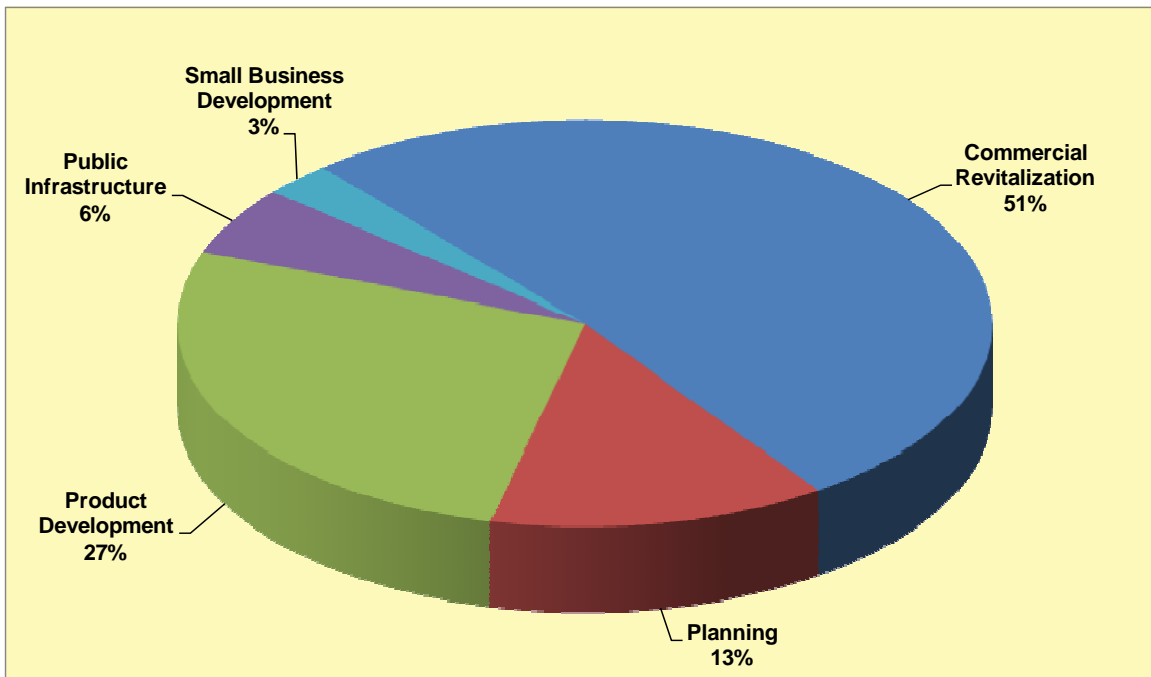
The above amounts include only new grant awards during 2006 and do not include amendments or adjustments to any previously approved grant funds.



**2006 Coordinating Council Business Development Grants and
Related Jobs and Investment**

County Tier	Total Awards	New Jobs	New Capital Investment
Developed	\$5,211,000	934	\$1,120,793,000
Moderately Developed	2,349,893	1,673	170,050,000
Under Developed	1,090,311	255	87,200,000
Least Developed	8,407,763	1,229	220,940,000
Distressed	8,808,374	771	220,815,000
Totals	\$25,867,341	4,862	\$1,819,798,000

2006 Coordinating Council Non-Business Development Grants

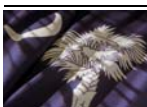


Category	Amount
Commercial Revitalization	\$ 2,823,796
Product Development	1,483,000
Planning	737,577
Public Infrastructure	300,000
Small Business Development	150,000
TOTAL	\$5,494,373



Business Development Grants Awarded in 2006 by County

County	County Tier	Scope of Work	Funding Source	Grant Amount	Projected New Jobs	Projected Investment
Aiken	Developed	Roads	Setaside	\$350,000	76	\$50,000,000
Berkeley	Developed	Site Prep	Closing Funds	1,000,000	200	600,000,000
Charleston	Moderately Developed	Roads	Setaside	225,000	50	77,000,000
Charleston	Moderately Developed	Site Prep	Setaside	400,000	150	14,900,000
Charleston	Moderately Developed	Road, Water/Sewer and Site Prep	Setaside	724,893	220	37,600,000
Charleston	Moderately Developed	Roads	Setaside	175,000	21	6,750,000
Chester	Distressed	Water/Sewer and Site Prep	Rural Infrastructure	155,000	35	5,000,000
Chester	Distressed	Road, Water/Sewer and Site Prep	Rural Infrastructure	3,200,000	400	100,000,000
Dillon	Distressed	Site Prep	Rural Infrastructure	100,000	11	1,900,000
Dorchester	Developed	Road and Rail	Setaside	100,000	10	5,500,000
Dorchester	Developed	Roads	Setaside	150,000	18	291,793,000
Greenville	Developed	Roads	Setaside	300,000	200	37,000,000
Greenville	Developed	Water/Sewer and Site Prep	Setaside	2,950,000	280	125,000,000
Greenwood	Least Developed	Road and Site Prep	Setaside	2,000,000	350	3,500,000
Greenwood	Least Developed	Roads	Setaside	1,500,000	150	
Jasper	Least Developed	Water/Sewer	Setaside	350,000	34	7,000,000
Lancaster	Least Developed	Site Prep	Setaside	145,000	145	13,740,000
Lancaster	Least Developed	Roads	Setaside	1,200,000	300	65,000,000
Laurens	Least Developed	Water/Sewer	Rural Infrastructure	400,000	50	2,700,000
Lexington	Developed	Road and Site Prep	Setaside	136,000	50	5,500,000
Lexington	Developed	Road and Water/Sewer	Setaside	200,000	100	6,000,000
Oconee	Under Developed	Roads	Setaside	90,311	62	67,000,000
Orangeburg	Under Developed	Site Prep and Building	Rural Infrastructure	1,000,000	193	20,200,000
Orangeburg	Distressed	Rail	Setaside	300,000	30	12,025,000
Spartanburg	Moderately Developed	Roads	Setaside	250,000	911	12,750,000
Union	Least Developed	Rail	Rural Infrastructure	400,000	200	129,000,000



County	County Tier	Scope of Work	Funding Source	Grant Amount	Projected New Jobs	Projected Investment
Union	Distressed	Road, Water/Sewer and Site Prep	Setaside	1,493,764	130	90,000,000
Williamsburg	Distressed	Building	Rural Infrastructure	250,000	50	1,140,000
Williamsburg	Distressed	Water/Sewer	Rural Infrastructure	28,000	40	2,500,000
Williamsburg	Distressed	Road and Site Prep	Setaside	250,000	75	8,250,000
York	Moderately Developed	Site Prep	Setaside	250,000	145	10,550,000
York	Moderately Developed	Water/Sewer and Site Prep	Setaside	300,000	176	10,500,000
		TOTALS		\$20,372,968	4,862	\$1,819,798,000

7.6 ADMINISTRATION

One of the Division of Administration's primary focuses is on the support that is provided to the entire agency on a day to day basis. The Division of Administration completed a customer satisfaction survey to get feedback for improvements. The Division scored a 97.1% Above Average to Excellent. This means that overall 97.1% of the staff of Commerce believes that they receive above average to excellent customer service when they need help with anything from payroll to benefits to travel reimbursement to CALL IT requests.

The Division continues to ensure that all state laws, rules and regulations are followed. Annual audits have been good and show Commerce to be in good standing.

7.7 AERONAUTICS

The Division of Aeronautics (Aeronautics) awarded twenty-five (25) grants in 2006 totaling \$4,570,940. These grants were combined with the Federal Aviation Administration (FAA) matched share of \$13,358,536 and the airport owner share of \$2,648,940. Airports also received over \$950,000 in state assistance for airfield maintenance in 2006. The total federal investment by the FAA in South Carolina airports was \$34 million. Moreover, the division secured \$1.1 million of federal funding to increase the number of aviation weather stations to 25 sites, and will uplink critical weather data for dissemination into a national system. Furthermore, the division has begun a 20-year Airports System Plan update and will formulate a strategic plan for development at South Carolina's 60 publicly-owned airports. Aeronautics will participate in some commercial carrier airport safety and capacity improvement projects in the coming years.



7.8 WORKFORCE DEVELOPMENT

Work with Businesses

Incumbent Worker Training

Through *Incumbent Worker Training* grants, resources are used to train current employees in an effort to keep businesses and workers competitive. Incumbent Worker Training provides funding for training due to expansion, new technology, retooling, new services/product lines and new organizational structuring, or as part of a layoff aversion strategy. The results of this initiative are below:

- Last year, WIA funded the training of 7,068 workers at an average cost of \$313 per participant, spending a total of \$2,209,504.
- Employers report that 5,651 jobs were saved and 524 jobs were created, at a range of salaries.
- Therefore, this one-time investment of \$2.2 million in Incumbent Worker Training immediately adds a minimum of \$66 million into the state's economy in recurring annual wages. The annual ROI is at least 2990%.
- The overall employer rating of the program on a scale of 1-5 (with 5 being excellent) was 4.2.
- Participating businesses varied greatly: manufacturing/production represented the largest sector with 54% of the total, over 37% employed fewer than 50 workers, over 50 business types were represented from accounting firms to coffee roasters.

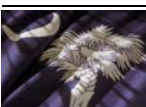
Additional Training

This past year, on-the-job training using WIA funds increased 98% over the prior year and customized training using WIA funds increased 275% over the prior year.

Work with Communities

WIA funded 19 local grant requests in order to tackle a range of workforce development priorities. Funded proposals ranged from initiatives to provide early childhood education classes for pre-Kindergarten teachers in the Pee Dee region to a robotics training lab at Spartanburg Community College.

For the second year, the SWIB funded a successful high school drop-out prevention program, Jobs for South Carolina's Graduates. The program is piloted in 14 schools and engaged 630 at-risk youth this past year. For the second year in a row, the program had a 95% retention rate of students and placed in the top 5 states in the nation for this achievement.



Rapid Response

The goal of the Rapid Response program is to reduce the period between unemployment and suitable reemployment for South Carolina workers. An experienced team made up of state and local staff from Workforce Development and Employment Security first meets with company management to discuss the anticipated layoff schedule, employee demographic data, and the services available to aid with reemployment including testing to match skills with job requirements, resume writing and preparation for interviews, career counseling, available job information, etc. Team members then meet with employees to outline available services and answer questions well before the first layoff.

- This past year, staff assisted 72 employers and over 13,118 employees.

Work with Job Seekers

The WIA program served over fifteen thousand (15,050) adults and dislocated workers and over four thousand (4,056) young people. This past year, WIA served 38% more adults and dislocated workers and 13% more youth compared to the prior year.

The WIA program met or exceeded all of its performance measures that were negotiated with the US Department of Labor.

- 81% of adults and 86% dislocated workers entered employment
- 87% of adults and 91% retained employment
- Adults and dislocated workers, on average, earned a salary equivalent to \$21,200 a year
- 68% of youth served entered employment, 54% attained a degree or certificate, and 53% increased their literacy or numeracy gains.



7.9 RESEARCH

The Research Department is responsible for developing industry-specific marketing plans, lists and databases to assist in generating leads for project managers. Industry-specific analyses are created to assist in the targeted marketing of South Carolina to encourage outside enterprises to locate in the state. This Industry Analyses are also used to support project managers at trade shows and sales trips. Furthermore, when leads are established and require Requests for Information or Requests for Proposal to be completed, the Research Department manages, directs, and gathers all necessary information in conjunction with Global Business and the Incentives Division. Research is also responsible for aiding all Departments and Divisions at Commerce in obtaining facts and figures and other supporting materials in support of their goals. This is achieved by monitoring economic and employment trends, labor market information, as well as monitoring state rankings. Research also works diligently to maintain a building and sites database, which serves not only a crucial source of lead generation, but also facilitates the ability of companies to locate in the state.

Activity Report for December 2006-June 2007

Number of proposal prepared: 31

Number of leads created: 212

Number of collateral material produced: 94

7.10 MARKETING AND COMMUNICATIONS

- 35 tradeshow/conferences planned and attended.
- 20 press conferences/events planned and executed.
- 5 trade missions and related marketing assistance provided.
- 50 advertisements placed in in-state and national publications.

