

SCRA getting big Commerce Payments While Seeking Revenue-Friendly Legislation

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By Rick Brundrett - The Nerve

File: 9.8.81 Department of Commerce has paid more than \$2.9 million since fiscal 2015 to a state-created nonprofit that listed \$69 million in net assets as of June 30 and now wants lawmakers to double its main funding source.

Asked for specifics on the \$2.93 million paid to the Columbia-based South Carolina Research Authority, Commerce spokeswoman Alex Clark in an email Thursday to The Nerve said the department and SCRA have been “involved in a number of partnerships over the last several years,” including:

- Agreements with the countries of Israel and Estonia to “promote, facilitate and support” industrial, technical, medical or education research projects with companies and various unspecified “entities.”
- Oversight and management of the South Carolina Applied Research Center’s “Supply Chain and Logistics” program, which “strives to solve real world problems through a collaborative research or educational project” between companies and colleges and universities in the state.
- Oversight of a program called “SC FutureMakers,” which is “focused on increasing the skilled workforce pipeline in South Carolina in response to growing workforce challenges facing South Carolina manufacturers in recruiting skilled and talented associates, and, moreover, on connecting students and workers with career opportunities.”

Clark did not respond by publication of this story to follow-up questions seeking more details on the projects. Commerce paid SCRA a total of \$1.9 million last fiscal year; Clark said a “significant portion of the SC FutureMakers agreement for FY17 was not paid to SCRA until FY18, which resulted in a larger amount being paid to SCRA that fiscal year.”

In an email response Thursday to The Nerve, SCRA spokeswoman Jessica Cokins did not provide specifics on the \$2.93 million, noting only that Commerce’s payments were “in return for services rendered on various projects included in a 2014 agreement between the SCRA and Commerce,” and that the projects were “performed in cooperation with South Carolina higher education and industry.”

SCRA, which was created in 1983, is supposed to, among other things, “increase the opportunities for employment of citizens of South Carolina,” and “promote and encourage expansion of the research and development sector, with emphasis on capital formation and investments in research and development within South Carolina,” according to its enabling legislation.

On its website, SCRA says it “fuels South Carolina’s Innovation Economy by supporting entrepreneurs, enabling academic research and its commercialization, and connecting industry to innovators.” Its four “Innovation Centers” in Columbia, Anderson, Charleston and Summerville

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“offer state-of-the-art facilities for emerging companies and academic institutions,” the site says.

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Under the law, the organization is governed by a 24-member board of trustees that includes Commerce secretary Bobby Hitt, the governor or his designee, the heads of state universities and colleges, and the chairmen of the budget-writing House Ways and Means and Senate Finance committees or their designees – currently Ways and Means chairman Murrell Smith, R-Sumter, and Senate Finance member Nikki Setzler, D-Lexington, according to SCRA’s website. The board chairman – currently Don Herriott – is appointed by the governor.

In recent years, including last fiscal year, Senate Finance Committee chairman Hugh Leatherman, R-Florence, was listed as a trustee on the organization’s federal income-tax returns.

The most recent income-tax return for the fiscal year that ended last June 30 listed total revenues of about \$12.9 million and total expenses of \$16.2 million, with net assets at \$69 million. Its fiscal 2017 financial report – the most recently available – listed \$45.3 million in “unrestricted” assets for that year.

Despite its legislative mandate to focus on the economic wellbeing of South Carolinians, critics contended that the organization for years, through a Summerville-based, nonprofit affiliate known as Advanced Technology International, focused on out-of-state, federal research-and-development contracts. ATI listed total revenues for the fiscal year that ended June 30, 2017, at nearly \$535 million, according to its federal income-tax return.

The day after The Nerve published a story in February 2016 [questioning SCRA’s spending and accounting practices](#), the organization announced that longtime CEO Bill Mahoney was stepping down to “return to the private sector.” SCRA’s current executive director is Bob Quinn.

SCRA sold ATI in January 2017; on its website, SCRA says it “remains self-sustaining” in part through “proceeds from the sale” of ATI. SCRA also is a landlord: Of the organization’s nearly \$12.9 million in total revenues last fiscal year, about \$3.1 million, or about 24 percent, was rental income, according to its federal income-tax return.

SCRA’s single-largest income source is generated through contributions to the “Industry Partnership Fund” (IPF), which offers a dollar-for-dollar state tax credit to contributors. The fund is used by SCRA’s Columbia-based nonprofit affiliate, known as SC Launch Inc., to provide grants and loans to qualified startup companies in South Carolina in the “life sciences, information technology, and advanced manufacturing and materials sectors,” according to its website.

Current state law caps total annual contributions to the IPF at \$6 million. A Senate [bill](#) that was introduced last month and passed the full Senate this week would increase the annual total to \$12 million, while a House-passed [bill](#) now before Leatherman’s Senate Finance Committee would increase the cap to \$9 million.

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Both bills would ban members of SCRA's or SC Launch's governing boards from claiming the credit, which current law doesn't specifically do.

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SCRA representatives have been “in discussions with legislators about the importance of increasing from \$6 million to \$12 million the annual tax credit cap,” Cokins, the SCRA spokeswoman, told The Nerve. Despite the collective millions SCRA has received from Commerce in recent years, Cokins said the organization doesn't receive “direct” state funding.

“The proposed increase (in the tax credit cap) would significantly assist the SCRA in carrying out its legislative mandate to help create high-paying jobs and expand the state's innovation economy by accelerating technology-enabled growth and research, academia, entrepreneurship and industry,” she said in her email response, noting the IPF is “critical to the SCRA's execution of its mission.”

SCRA on its website claims an “annual average impact” of \$688 million in South Carolina, and 4,099 jobs statewide “supported through SCRA operations and programs.” But the site doesn't give a specific breakdown of those numbers.

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