

Commerce's budget gets slashed

Executive summary: The S.C. Commerce Department is struggling with deep budget cuts, even as other Southern states are recruiting new business.

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The S.C. Department of Commerce's state budget allocation has been cut more than half at a time when South Carolina has one of the worst unemployment rates in the country.

The agency's budget has been cut 58% from the level approved one year ago, Marketing and Communications manager Kara Borie said.

The budget approved for the fiscal year beginning July 1 includes \$5.88 million for the agency. Last year's budget was \$14 million, a number that already had been pared by across-the-board and midyear cuts.

Many state agencies were cut at a time of severe budget pressure, said state Chamber of Commerce CEO Otis Rawl, yet he hopes "you don't kill the goose that laid the golden egg."

Burnie Maybank, a Nexsen Pruet attorney who works in economic development, called the level of cuts "horrible."

He notes that the Commerce Department's closing fund, designed to be flexible in order to help close deals to bring new investment, has been allocated \$0 for the second straight year.

Other funds such as the set-aside fund have money. It was allocated \$20 million, but it is constrained on what in can be spent on, such as infrastructure for a new site.

If a project wanted to renovate an existing site, there are few ways that Commerce can help, Maybank said.

"Clearly they don't have the tools they used to," Maybank said.

Budget provisos approved by the Legislature allow Commerce to dip into these funds to meet operating expenses this year.

That option will be used, Borie said, but the agency will be careful in how it does so, lest it reduce its ability to make deals that can spur new economic growth.

Commerce's performance has been the subject of recent controversy, with state leaders such as Senate Finance Chairman Hugh Leatherman saying the Cabinet agency is not doing its job.

Plenty of people around the state are critical of how Commerce works and deals with others in the economic development realm, Rawl said. That could not have helped.

Rawl also notes that the Legislature, in a time of tough choices, didn't make what he calls a worse decision: to raise taxes. Doing so would have been "the last nail in the coffin" for the state's business climate, Rawl said.

To cope with cutbacks, the department has offered a voluntary separation package to workers with long experience, Borie said. There have been no layoffs, she said. It also has tried to

manage smartly its remaining resources, such as shrinking its office space trimming expenses. Travel and marketing have been “cut dramatically,” she said.

Even amid the recession, the Commerce Department is working hard to find growth opportunities for South Carolina, Borie said.

Despite the travel cuts, the agency still sends staff to important events. It recently had a group at the Paris Air Show, the year’s major gathering of the aerospace industry. That’s an important area for South Carolina thanks to the Vought-Alenia facilities in Charleston that are producing fuselages for the Boeing 787 Dreamliner.

Deputy Secretary Jack Ellenberg was to attend both the air show and the Volkswagen Industrial Forum, a gathering of suppliers in Wolfsburg, Germany.

While a credit crunch has cut into business expansions, there still are competitors making gains in economic development. Southern states are working hard – and dangling incentives – to land relocations and expansions, according to The Wall Street Journal.

“The level of competition on retention, expansion and relocation projects has become more intense,” North Carolina Deputy Secretary of Commerce Dale Carroll told the Journal.

States such as North Carolina and Georgia are trying to lure corporate headquarters out of the economically troubled Midwest, the article said. NCR announced in June that it would move its corporate headquarters from Dayton, Ohio, to the Atlanta area.

South Carolina has to keep up its own efforts, Rawl of the state chamber said. Companies that have no debt are looking to take advantage of cheap construction and finance costs and expand, he said.

He said he recently was talking to a company that employs 650 people about doing business in South Carolina. No state money was available to give it a short-term loan on its costs, which would be a possibility if there was money in the closing fund, he said.

South Carolina has to be out recruiting new business now, or it could be left behind when an economic recovery takes hold, Rawl said.

“We cannot sit here and be a no-growth state,” Rawl said.

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