

CHAPTER 75. SOUTH CAROLINA RESEARCH CENTERS OF ECONOMIC EXCELLENCE

SECTION 2-75-5. Short title; legislative intent.

(A) This chapter is known and may be cited as the “South Carolina Research Centers of Economic Excellence Act”.

(B) The General Assembly finds that:

(1) it is in the public interest to create incentives for the senior research universities of South Carolina consisting of Clemson University, the Medical University of South Carolina, and the University of South Carolina to raise capital from the private sector to fund endowments for professorships in research areas targeted to create well-paying jobs and enhanced economic opportunities for the people of South Carolina;

(2) these endowed professorships should be used to recruit and maintain leading scientists and engineers at the senior research universities of South Carolina for the purposes of developing and leveraging the research capabilities of the universities for the creation of well-paying jobs and enhanced economic opportunities in knowledge-based industries for all South Carolinians;

(3) in communities across the United States in which better paying jobs and enhanced economic development in knowledge-based industries has flourished, the local or state government has created incentives and made a long-term commitment to public and private funding for a significant number of endowments for professorships in targeted knowledge-based industries;

(4) the South Carolina Education Lottery provides a source of funding and an incentive for the senior research universities to raise, in dollar-for-dollar matching amounts, sums from nonstate sources sufficient to create endowed professorships;

(5) these endowed professorships should be awarded to the senior research universities through a competitive application process, provided that the competitive process must encourage the senior research universities to submit cooperative applications with one another as well as in cooperation with other institutions of higher education; and

(6) these endowed professorships, funded equally from the South Carolina Education Lottery and from other nonstate sources, provide a foundation for the creation of centers of economic excellence.

SECTION 2-75-10. Research Centers of Excellence Review Board; appointment of members; terms; responsibilities and duties.

There is created the Research Centers of Excellence Review Board. The review board shall consist of eleven members. Of the eleven members, three must be appointed by the Governor, three must be appointed by the President Pro Tempore of the Senate, three must be appointed by the Speaker of the House of Representatives, one by the chairman of the Senate Finance Committee, and one by the chairman of the House Ways and Means Committee. The terms of members are three years and members are eligible to be appointed for no more than two additional terms. Of the members initially appointed by the Governor, the President Pro Tempore, and the Speaker of the House, one shall be appointed for a term of one year, one for a term of two years, and one for a term of three years, the initial term of each member to be designated by the Governor, President Pro Tempore, and Speaker of the House when making the appointments. The Governor, the President Pro Tempore, and the Speaker of the House shall appoint persons with substantial experience in business, law, accounting, technology, manufacturing, engineering, or other professions and experience which provide an understanding of the purposes of this chapter. The review board shall be responsible for providing annually to the Commission on Higher Education a schedule by which applications for funding are received and awarded on a competitive basis, the awarding of matching funds as provided in Section 2-75-60, and for oversight and operation of the fund created by Section 2-75-30. Members of the review board shall serve without compensation and must provide an annual report by November thirtieth of each calendar year to the General Assembly as well as the State Budget and Control Board, which shall include an audit performed by an independent auditor. This annual report must include, but not be limited to, a complete accounting for total state appropriations to the endowment and total proposals awarded up to the previous fiscal year.

SECTION 2-75-20. Ex officio members.

The presidents of the senior research universities shall serve as ex officio nonvoting members of the board.

SECTION 2-75-30. Centers of Excellence Matching Endowment; funding source and management.

(A) There is created the Centers of Excellence Matching Endowment. The endowment must be funded annually by appropriations from the South Carolina Education Lottery Account in an amount equal to thirty million dollars annually, except that endowment appropriations may not be funded until all state-supported scholarships are fully funded and only if eighty percent of the total state appropriations have been awarded by the review board as of June thirtieth of the previous fiscal year. Three-quarters of the endowment shall be awarded by the review board in its discretion. One-quarter of the endowment shall be awarded by the review board pursuant to requests by and recommendations of the Secretary of Commerce as set forth in subsection (C). The total state appropriated funding amount shall include funds that have been returned to the endowment due to a dissolution, withdrawal, or termination of a center of excellence. The fund must be managed by the State Treasurer, subject to awards from the endowment as provided in this chapter. Interest earnings of the endowment must remain in the fund, and may be used at the review board's discretion for additional state awards. Interest earnings are not considered part of the total state appropriations unless used by the review board for additional state awards.

(B) Except as provided in subsection (C), an endowed chair proposal is considered awarded once a full review process is complete and the review board has voted in an affirmative on each proposal. A full review process shall include the following, but is not limited to:

- (1) a technical and scientific review of each proposal. The three research universities shall work with the review board staff to nominate reviewers. The review board staff shall select no fewer than five technical reviewers to review each proposal, and a minimum of three technical and scientific reviews must be received by the review board staff for each proposal. The review board staff shall determine an appropriate number of technical reviewers and scientific and technical reviews. The review board staff shall limit the number of university-nominated reviewers to two per proposal;
- (2) an on-site review of each proposal. The review board staff shall contract with a minimum of five out-of-state expert reviewers, to include individuals with expertise in economic development as well as in appropriate scientific disciplines, to serve on a site review team that shall visit each of the research universities. The review board staff shall determine an appropriate number of expert reviewers. The on-site review team shall interview relevant investigators and other university personnel regarding proposals and shall have access to collected scientific and technical reviews as well as other materials germane to the proposed projects. The on-site review team shall evaluate the proposals using an approved set of metrics; each recommendation must include a detailed narrative which explains the on-site review team's recommendations; and
- (3) a presentation of findings. The on-site review team shall present its findings to the review board, which shall make final decisions on awards. The on-site review team shall recommend an appropriate level of funding to achieve successfully the stated goals of each project. The review board shall consider these recommendations in determining award amounts for each project."

(C) The Secretary of Commerce may request that the review board allocate and award, pursuant to Sections 2-75-50 and 2-75-60, an endowment of up to two million dollars for each significant capital investment committed by a qualified project or industry sector. Upon such request, the review board shall review the requested endowment and may award the endowment upon an affirmative vote. Once allocated, the qualified project or industry sector will have thirty-six months from the date of allocation to make the significant capital investment. Once the significant capital investment has been made, the Secretary of Commerce shall certify to the review board and the review board shall make awards for one or more endowed professor who will directly support the industry in which the significant capital investment is made. The review board may only make awards from funds appropriated from the South Carolina Lottery Account pursuant to this section from Fiscal Year 2011 forward, together with any unallocated funds and any accrued interest earnings which have not already been awarded by the review board, including funds that have been returned to the endowment due to a dissolution, withdrawal, or termination of a center of excellence. A dissolution, withdrawal, or termination of a center of excellence includes the failure of the center to provide the requisite matching funds during the allowable timeframe. For purposes of this subsection:

(i) 'qualified projects or industries' are those that have made a significant capital investment in South Carolina after January 1, 2010, in one or more of the following areas: Engineering, Nanotechnology, Biomedical Sciences, Energy Sciences, Environmental Sciences, Information and Management Sciences, Distribution and Logistics Sciences, or any other science, research, development, or industry that creates well-paying jobs and enhanced economic opportunities for the State as determined by the Secretary of Commerce; and

(ii) 'significant capital investment' means at least one hundred million private dollars for a single project or at least five hundred million private dollars for an industry sector. No public funds used to support a qualified project or industry may be included as part of the significant capital investment.

The requirements related to matching funds contained in Sections 2-75-50, 2-75-90, and 2-75-110 shall not apply to these awards. Awards by the review board pursuant to this subsection may only be used to fund new or existing endowed professorships at one or more of the state's three research universities."

SECTION 2-75-40. Applications for awards from endowment.

The senior research universities, individually, in conjunction with one or more other senior research universities or with other South Carolina higher education institutions, may make application for awards from the endowment as provided in this chapter.

SECTION 2-75-50. Application requirements.

An application for an award from the endowment shall:

- (1) provide to the review board documentation of private matching funds, on hand, in an amount equal to the amount for which application is made;
- (2) provide to the board documentation that all matching funds have been committed and raised exclusively from sources other than South Carolina tax dollars, and that the funds have been committed and raised after January 1, 2002;
- (3) be in an amount of not less than two million dollars and not more than five million dollars;
- (4) document that the application has significant potential to provide for enhanced economic development for the citizens of South Carolina in a specified knowledge-based industry or field of commerce; and
- (5) provide specific partnering activities with other institutions, businesses, or the community.

(B) Eligible research universities are strongly encouraged to partner with other South Carolina colleges and universities to develop proposals to enhance the economic competitiveness of our State and to enhance science and engineering through collaborations in related disciplines.

SECTION 2-75-60. Review by panel of experts; site visits.

Upon a determination by the board that the provisions of Section 2-75-50 have been met, the board must appoint a panel of experts chosen from outside South Carolina for their expertise in the respective research field to review the application. The members appointed to the panel shall have no affiliation with the senior research universities. The panel will convene in the State to review the proposals and to conduct site visits to ensure that appropriate research infrastructure exists at the applying university. The panel shall make a report and recommendation to the board as to the merits of the application not more than ninety days after submission to the panel. The board shall then make a determination as to whether or not to award the matching funds and the amount of the award.

SECTION 2-75-70. Staff and support for operations of board and panels; reimbursement of expenses.

Staff and support for the operations of the board and the panels must be provided by the Commission on Higher Education. The Commission on Higher Education shall approve all necessary funds for the prudent operation of the board, including per diem, subsistence, and mileage expenses of board members as provided by law for members of state boards, committees, and commissions, and for the costs and expenses of the panel members. The expenditures authorized by this section must be provided from the fund created by Section 2-75-30 upon approval by the commission.

SECTION 2-75-80. Severability.

If any section, subsection, paragraph, subparagraph, sentence, clause, phrase, or word of this chapter is for any reason held to be unconstitutional or invalid, such holding shall not affect the constitutionality or validity of the remaining portions of this section, the General Assembly hereby declaring that it would have passed this section, and each and every section, subsection, paragraph, subparagraph, sentence, clause, phrase, and word thereof, irrespective of the fact that any one or more other sections, subsections, paragraphs, subparagraphs, sentences, clauses, phrases, or words hereof may be declared to be unconstitutional, invalid, or otherwise ineffective.

SECTION 2-75-90. Meeting matching requirement with private or federal funds specifically provided for use in certain areas.

(A) To meet the endowed professorships matching requirement, a research university may use funds specifically provided for use in the areas provided in subsection (B) that are derived from private or federal government sources, excluding state appropriations to the institution, tuition, or fees. Subject to the restrictions in subsection (B), only federal dollars received after July 1, 2003, may be used to meet the endowed professorships matching requirement.

(B) The matching funds in subsection (A) may be used only in the areas of Engineering, Nanotechnology, Biomedical Sciences, Energy Sciences, Environmental Sciences, Information and Management Sciences, and for other sciences and research that create well-paying jobs and enhanced economic opportunities for the people of South Carolina and that are approved by the Research Centers of Excellence Review Board.

SECTION 2-75-100. Use of Matching Funds.

(A) The review board may, at its discretion, permit the senior research universities to utilize a portion of the nonstate matching funds of any single award to pay for initial operating costs including, but not limited to, infrastructure improvement, purchase of equipment, and payment of salaries for junior faculty, researchers, technicians, and other support staff directly associated with the establishment of the professorship's research efforts and the creation of the center of economic excellence which the professorship serves. The portion established by the review board must apply equally to all of the senior research universities' centers of economic excellence and endowed professorships created under this act. The portion established by the review board may be modified by the review board in order to facilitate program success.

(B) The full amount of every state award, with the exception of programmatic support proposals, must be placed into and remain in endowment. Should a center of economic excellence be dissolved, withdrawn, or otherwise terminated, the entirety of the state award which has been drawn by the institution must be returned to the Centers of Excellence Matching Endowment.

SECTION 2-75-110. Source of Matching Funds.

In addition to accepting and applying nonstate funds, as stipulated in Section 2-75-90(A), to meet the matching requirement of each state award, a senior research university may accept and apply cash equivalent and in-kind donations from nonstate sources. Such donations must directly impact and promote the research of the endowed professorship and the center of economic excellence which the professorship serves. Such donations may include, but are not limited to, donated or rent-discounted laboratory, and research facility space; buildings, including sale-lease back; equipment; furnishings; and infrastructure upgrades. The value of each cash equivalent or in-kind donations must be determined using standard accounting methods and a cost share accounting policy established by the review board. The total value of cash equivalent and in-kind donations applicable per award may not exceed the portion of nonstate matching funds available for nonendowment use established by the board. Cash equivalent and in-kind donations may only be applied if received by a senior research university after July 1, 2002.

[Amended text from H 4478 of the 2009-2010 legislative session integrated by S.C. Commission on Higher Education staff on January 1, 2011.]