

THE STATE OF SOUTH CAROLINA  
In the Court of Appeals

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APPEAL FROM RICHLAND COUNTY  
Court of Common Pleas

Thomas A. Russo, Circuit Court Judge

Appellate Case No. 2017-001726

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SC Court of Appeals

Sisters of Charity Providence Hospitals, .....Respondent,

v.

Palmetto Health, .....Appellant.

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FINAL REPLY BRIEF OF APPELLANT

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Robert L. Widener  
Celeste T. Jones  
Jane W. Trinkley  
MCNAIR LAW FIRM, P.A.  
Post Office Box 11390  
Columbia, South Carolina 29211  
(803) 799-9800

ATTORNEYS FOR APPELLANT

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## REPLY ARGUMENT

The Initial Brief of Respondent contains 15 pages of argument. (Init. Resp. Br. at 4-18). Nine of those pages (~ 60%) are a virtually verbatim restatement of the appealed order with no response to Palmetto Health’s appellate arguments challenging the appealed order.<sup>1</sup> Three of the remaining pages (~ 20%) simply state undisputed principles of law, including extended quotations from statutes and Supreme Court opinions, with no related argument in response to Palmetto Health’s Brief of Appellant. (See Init. Resp. Br. at 4, top half of 6, bottom half of 7, and bottom half of 8 to top half of 9). Thus, approximately 80% of Providence’s brief, on its face, is the equivalent of not filing a respondent’s brief, which

Initial Brief of Respondent	Appealed Order	Brief of Appellant
Arg. I(C) at 9-11, entitled: “[Providence] is Supported by Public Funds”	Part I at 2-4, entitled: “[Providence] is Supported by Public Funds”	Arg. III(A) at 11-13
Arg. I(D) at 11-12, entitled: “[Providence] Expends Public Funds and Manages Their Expenditures”	Part II at 4-5, entitled: “[Providence Expends Public Funds and Manages Their Expenditures”	Arg. I at 4-8 and Arg. III(B) at 13-14
Arg. I(E) at 13, entitled: “[Providence Has a History of Complying with FOIA”	Part III at 5-6, entitled: “[Providence Has a History of Complying with FOIA”	Arg. III(C) at 14
Arg. II(A) at 14-16, entitled: “The Grants Were Not Arm’s Length Transactions”	Part IV(a) at 6-8, entitled: “The Arm’s Length Transaction Exception Does Not Apply to [Providence]”	Arg. III(D) at 14
Arg. II(B) at 16-18, entitled: “Disabato Did Not Change the Law”	Part IV(C) at 10-11, entitled: “Disabato Did Not Change the Law”	Init. App. Br. at 19, n.4

could warrant reversal under Rule 208(a), SCACR, and *Robinson, infra*. See Rule 208(a), SCACR (“Upon the failure of respondent to timely file a brief, the appellate court may take such action as it deems proper.”); see also *Robinson v. Hassiotis*, 610 S.E.2d 858, 859 n.2 (S.C. App. 2005) (same). No published opinion addresses the situation of a respondent’s brief that, albeit filed, does not respond to the appellant’s arguments, but failing to respond violates the spirit and purpose of Rule 208(a), SCACR, and *Robinson, supra*.<sup>2</sup>

**I. Providence is using FOIA to advance its purely private business interests, which have absolutely nothing to do with the General Assembly’s purpose in enacting FOIA, and the appealed orders should therefore be reversed under the outcome determinative factor of legislative intent and purpose.**

The undisputed facts and law of this case demonstrate that the trial court erred in granting Providence’s FOIA request. Here are the undisputed facts and law:

1. The General Assembly’s purpose in enacting FOIA was to prevent secret government activity, promote an informed electorate, and prevent/detect government corruption, including corruption in the expenditure of public funds. (See Init. App. Br. at 8-9, and authorities cited therein).
2. Providence did not request any information on the public funds at issue in this case or any other information having anything to do with the purpose of FOIA. Moreover, Providence has never challenged and does not now challenge anything regarding the public funds at issue in this case. (See Init. App. Br. at 2, 10; see also R. 19-24.).
3. As admitted by Providence, its sole purpose in bringing this FOIA action was to acquire Palmetto Health’s private business information so that Providence could use that information in its then pending and ongoing private litigation against Palmetto, which is a matter for discovery in that litigation rather than FOIA litigation having nothing to do with the purposes of FOIA. (See R. 339).

Providence has never denied any of the foregoing undisputed facts and law, nor does it does deny them in its Brief of Respondent. (See Init. Resp. Br., *passim*).

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<sup>2</sup> Providence makes some arguments dispersed among the same remaining pages. (See Init. Resp. Br. at 5, bottom half of 6, top half of 7, top half of 8, and bottom half of 18). Those arguments are addressed in Argument IV, *infra*.

The cardinal rule of statutory construction, to which all other rules are subservient, is to ascertain and effectuate the General Assembly's intent and purpose in enacting the statute. Thus, the language used in the statute must be construed in the light of the General Assembly's intended purpose in enacting the statute. *State v. Brandenburg*, 797 S.E.2d 416, 418 (S.C. App. 2017); *City of Camden v. Brassell*, 486 S.E.2d 492 (S.C. App. 1997). The language cannot be construed in a manner that would lead to an absurd result or would not serve with the General Assembly's purpose. *Tempel v. South Carolina State Election Comm'n*, 735 S.E.2d 453, 455 (S.C. 2012). The true guide to statutory interpretation is a practical, reasonable, and fair interpretation consonant with the purpose, design, and policy of lawmakers. The General Assembly's purpose will prevail over the literal import of any particular words, because the words used in a statute are subservient to the General Assembly's purpose rather than the purpose being subservient to the words. *Floyd v. Nationwide Mut. Ins. Co.*, 626 S.E.2d 6, 10 (S.C. 2005); accord *Pascoe v. Wilson*, 788 S.E.2d 686, 695 (S.C. 2016); *Arkwright Mills v. Murph*, 65 S.E.2d 665, 667 (S.C. 1951).

The undisputed facts in this case present the following question: In enacting FOIA, did the General Assembly intend that a private corporation could use FOIA and FOIA litigation to pursue its wholly private interest in a wholly private business dispute with another private corporate competitor when the litigation bears no relationship to the purpose of FOIA? The only reasonable answer to this question is "no." The only purpose of FOIA is to advance good government for the benefit of the electorate. Interpreting FOIA to allow Providence's wholly private use of FOIA is an absurd result that has no reasonable basis in the language and purpose of FOIA. Accordingly, this Court should reverse the appealed orders and remand for the entry of judgment in favor of Palmetto Health.

**II. Palmetto Health is not subject to FOIA, because it is not “supported” by public funds, and it is not “expending” public funds.**

Palmetto Health is not subject to FOIA unless it is “supported” by public funds or is “expending” public funds. See S.C. Code Ann. § 30-4-20(a) (Rev. 2007). As shown in Palmetto Health’s Brief of Appellant, the undisputed evidence in this case demonstrates that Palmetto Health is not supported by public funds and is not expending public funds. (See Init. App. Br., Arg. I, at 4-8). Providence makes no argument in response. (Init. Resp. Br., *passim*). As also shown in Palmetto Health’s Brief of Appellant, the trial court’s contrary ruling is flawed factually, legally, and analytically. (See Init. App. Br., Arg. III at 10-19). Providence makes no response to this showing except for its earlier noted and virtually verbatim regurgitation of the trial court’s order. (See n.1 and accompanying text, *supra*; see also Init. Resp. Br., *passim*).

**A. Palmetto Health is not supported by public funds.**

Palmetto Health is a private corporation in the private business of providing hospital services to patients, who are healthcare customers. To be “supported by” public funds, Palmetto Health would have to receive unrestricted public funds such as a gift that it could use in any manner that it saw fit, or public funds as general funding for Palmetto Health’s private hospital business operation. Here, the undisputed evidence demonstrates that all public funds received by Palmetto Health were restricted funds that were restricted to specific purposes, specific services, and specific goods that were not involved in Palmetto Health’s ordinary private hospital business operations. Indeed, absent the grants or some other outside funding source, Palmetto Health would not provide these goods and services. Accordingly, Palmetto Health is not “supported by” public funds.

B. Palmetto Health is not expending public funds.

All public funds ever received by Palmetto Health were restricted funds that were not paid to Palmetto Health until: (1) Palmetto Health first incurred and paid the costs for providing the goods and services required by the grant documents; (2) Palmetto Health documented those costs and payments as required by the grant documents, including reports to the granting authority; and (3) Palmetto Health then received a reimbursement payment from the restricted funds. In short, Palmetto Health was paid with public funds for providing goods and services that the granting authority had contracted with Palmetto Health to receive under the specific conditions and for the specific purpose set forth in the grant documents. Accordingly, Palmetto Health is not “expending” public funds.

C. Palmetto Health receives public funds as payment for providing specific goods and services requested by the public agency, but this does not make Palmetto Health subject to FOIA.

The undisputed facts establish that Palmetto Health receives the public funds in exchange for providing specific goods and services specifically requested by the grant authority as set forth in, limited to, and contracted for in the grant documents. Accordingly, Palmetto Health is not “supported by” or “expending” public funds as a matter of law under all Supreme Court opinions on the issue. (See generally Init. App. Br. I at 4-8, and Arg. III at 10-19). To avoid this ruling, the trial court amended FOIA with a “public benefit” test based on federal tax form instructions and federal tax policy for determining when funds could be treated as nontaxable income for federal income tax purposes. There is no basis in FOIA, the purposes of FOIA, the appellate opinions on FOIA, or any rule of statutory construction to impose a federal tax test on FOIA. Moreover, adopting this “public benefit” test would effectively destroy the “supported by / expending” limitation on the application

of FOIA to private corporations because, as a matter of law, every dollar of public funds must be spent for the public benefit.

D. FOIA does not apply to Palmetto Health

For the reasons set forth above and in Palmetto Health's Brief of Appellant, the undisputed evidence demonstrates that FOIA does not apply to Palmetto Health, because Palmetto Health is not "supported by" or "expending" public funds. Accordingly, the appealed orders should be reversed and the case remanded for the entry of judgment in favor of Palmetto Health. Reversal on this basis moots all other questions.

**III. Assuming Palmetto Health is subject to FOIA, the scope of FOIA's reach into Palmetto Health is limited to the scope necessary to achieve the purpose of FOIA.**

The General Assembly's purpose in enacting FOIA was to protect citizens from secret government activity, to promote an informed electorate on the operation of government, and to detect/prevent government corruption, including corruption in the expenditure of public funds. As a matter of law, this purpose is the controlling consideration in interpreting and applying FOIA. Here, if Palmetto Health is a "public body" solely by virtue of receiving public funds, then serving the purposes of FOIA compels the conclusion that Palmetto Health's status as "public body" is limited to those public funds. Therefore, Palmetto Health can be compelled to produce information related to the public funds, but it cannot be compelled to produce its private business information that has nothing to do with the public funds or any other purpose of FOIA. Nothing in FOIA indicates any legislative intent or purpose that FOIA can reach into a private corporation and extract its private information, when access to that private information bears no relationship to and does not serve the purpose of FOIA in any manner whatsoever.

Accordingly, the appealed orders should be reversed and the case remanded for the entry of judgment in favor of Palmetto Health. Reversal on this grounds moots all other questions.

**IV. Providence’s appellate arguments have no merit.**

A. Providence’s “Domains[] is Distinguishable” Argument

In its Argument II(C), Providence summarily argues that the Supreme Court’s decision in the recent *Domains* case is distinguishable, because the present case “contains no subsequent statute that would modify FOIA for these circumstances.” (Init. Resp. Br. at 18, citing *Domainsnewmedia.com, LLC v. Hilton Head Island-Bluffton Chamber of Commerce*, 814 S.E.2d 513 (S.C. 2018)). This argument is based on the majority’s principal holding that the General Assembly did not intend the recipient of public funds under the provisions of the A-Tax statute would thereby be made subject to FOIA. Providence, however, simply ignores Palmetto Health’s arguments under *Domains*, which arise from the majority’s refutation of the dissent in *Domains*. (See Init. App. Br. at 3-5, 7, 9, 11-12).<sup>3</sup>

B. Providence’s “Statutory Definitions are Binding” Argument

In its Argument I(A), Providence argues generally that the statutory definition of “public body” in FOIA is “binding,” and it is not “incoherent or inconsistent.” (See generally Init. Resp. Br. 4-5). Palmetto Health has never argued the statutory definition is not binding, nor has it argued the definition is incoherent or inconsistent. (See, e.g., Init. App. Br., *passim*).

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<sup>3</sup> It may be that Providence views the majority’s response to the dissent as mere dicta, which is how the trial court viewed the majority’s response to the dissent in *Disabato v. South Carolina Ass’n of Sch. Adm’rs*, 746 S.E.2d 329 (S.C. 2013). See Init. App. Br. at 19, n.2. If so, it fails for the same reasons as the trial court’s view, including the fact one cannot ignore the Supreme Court’s explanation of its own case. See *Id.*

Within this argument, Providence appears to make an argument about the Supreme Court's consistent ruling that providing "goods and services" does not satisfy the statutory definition of being supported by public funds or expending public funds. (Id. at 5, first full ¶ to end of section). Providence's point is unclear, and it never responds to Palmetto Health's appellate arguments on this point. (See, e.g., Arg. II, *supra*, and sections of Init. App. Br. cited therein).

C. Providence's "Statutory Definitions are Deliberately Broad" Argument

In its Argument I(B), Providence argues that the statutory definitions of "public body" and "public record" are intended to be broadly inclusive. (See generally Init. Resp. Br. at 5-9). As to "public body," Providence argues that the "supported by / expending" definition must be interpreted expansively under the Supreme Court's decision in *Hanna* that "FOIA is remedial in nature and should be liberally construed to carry out the purpose mandated by the legislature." (Init. Resp. Br. at 6, citing *South Carolina Dep't of Mental Health v. Hanna*, 241 S.E.2d 563 (S.C. 1978)). However, even an intentionally broad construction cannot defeat the undisputed facts, which demonstrate that Palmetto Health is not supported by public funds and is not expending public funds. (See Arg. II, *supra*, and sections of Init. App. Br. cited therein). Moreover, Providence never explains how an "expansive" reading of the "supported by / expending" definition captures the undisputed facts in this case. (See Init. Resp. Br., *passim*). Finally, as shown herein, construing and applying FOIA to carry out its purpose demonstrates that the appealed orders should be reversed. (See Args. I-II, *supra*, and sections of Init. App. Br. cited therein).

The bulk of Providence's "broad definitions" argument relates to the definition of "public records," and it appears to be a response to Palmetto Health's argument on the

scope of FOIA's reach into Palmetto Health if its receipt of public funds somehow makes it subject to FOIA. (See Arg. III, *supra*, and sections of Init. App. Br. cited therein). Rather than respond to Palmetto Health's actual argument (*compare id. with* Init. Resp. Br., *passim*), Providence redefines it as a simplistic argument that the statutory definition of "public records" is too broad and should be rewritten by this Court. (See Init. Resp. Br. at last full ¶ on 6 to middle of 8). That simply is not Palmetto Health's argument. Rather, the question is the following: if Palmetto Health's receipt of public funds makes it subject to FOIA, what is the scope of FOIA's reach into Palmetto Health? Answering this question requires an examination of and limitation to the purpose of FOIA. See *New York Times Co. v. Spartanburg County Sch. Dist. No. 7*, 649 S.E.2d 28, 30 (S.C. 2007) (application of a statute hinges on "a *practical, reasonable, and fair interpretation consonant with the purpose, design, and policy of the lawmakers.*") (all emphasis added).

As shown earlier, the purposes of FOIA establish that application of FOIA to a private corporation is limited to the scope necessary to serve the purposes of FOIA and, in the present case, the trial court erred when it ordered the production of wholly private information that has no bearing on any FOIA purpose and was sought by Providence for its wholly private business competition purposes. (See Arg. III, *supra* and sections of Init. App. Br. cited therein). Moreover, as also shown earlier, the controlling inquiry is legislative purpose, and nothing in FOIA indicates any legislative purpose and intent that FOIA can reach into a private corporation and extract its private information, when access to that private information bears no relationship to and does not serve the purpose of FOIA in any manner whatsoever. Accordingly, this Court should reverse the appealed orders and remand for the entry of judgment in favor of Appellant Palmetto Health.

## CONCLUSION

For all of the foregoing reasons, and for the reasons set forth in Palmetto Health's Brief of Appellant, it is respectfully submitted that this Court should reverse the trial court and remand for the entry of judgment in favor of Palmetto Health.

Respectfully Submitted,

*Robert L. Widener,*  
*by Jane W. Trinkley*  
*Robert L. Widener with permission*

Celeste T. Jones

Jane W. Trinkley

MCNAIR LAW FIRM, P.A.

Post Office Box 11390

Columbia, South Carolina 29211

(803) 799-9800

Columbia, SC  
September 17, 2018

ATTORNEYS FOR APPELLANT

**CERTIFICATE OF COUNSEL**

The undersigned certifies that this Final Reply Brief of Appellant complies with Rule 211(b) SCACR and the Supreme Court Order of August 13, 2007.

*Robert L. Widener*  
Robert L. Widener *by Jane W. Brink*  
McNair Law Firm, P.A. *with permission*  
Post Office Box 11390  
Columbia, South Carolina 29211  
(803) 799-9800