State of South Carolina
Office of the Governor

NIKKI R. HALEY
GOVERNOR

1205 PENDLETON STREET
COLUMBIA 29201

June 28, 2011

The Honorable Robert W. Harrell, Jr.
Speaker of the House of Representatives
506 Blatt Building
Columbia, South Carolina 29201

Dear Mr. Speaker and Members of the House,

We are line-item vetoing portions of H.3700, R-106, the Fiscal Year (FY) 2011-2012 General Appropriation Bill.

We appreciate the cooperation of the General Assembly thus far. Our number one goal should be to learn from the past and avoid repeating mistakes related to spending that put South Carolina government in turmoil over the last four years. Our country and state's economy is not out of the woods yet. **We strongly believe that, if we sustain the vetoes and live within a reasonable cap on spending, we will establish a firm footing and new mindset of government working for the people and not the people working for their government.**

As we travel this state, the sentiment we hear from small business owners and individuals about state government spending is clear – "Don't spend all the money." What they are saying is **don't repeat the process that took us from a $5 billion general fund budget in 2003 to a $7 billion general fund budget in 2007 and back to a $5.4 billion budget in 2010**. What they want is for government spending to be more predictable. **For too long, we have budgeted based on how much new money there is and we must change that approach**.

This year and going forward, we are asking that a year-over-year spending growth cap of CPI plus population growth be used as a ceiling for spending. Applying this cap to the current year expenditure base of $5,416,802,158 results in an allowable FY 2011-2012 expenditure of $5,678,433,702 through the General Appropriation Bill.

	FY 2010-2011	General Assembly FY 2011-2012	Spending Cap	Difference
General Fund	$ 5,416,802,158	$ 5,754,074,608	$ 5,678,433,702	$ 75,640,905

CPI	3.40%
Avg.Pop. Growth	1.43%
Total Cap	4.83%

Haley Administration	Veto Savings
$ 5,648,416,751	$ 105,657,857.00

This year's cap of 4.83 percent was calculated by adding the average compound population growth rate from 2000 to 2010 of 1.43 percent to the April 2010 to April 2011 Southern Regional CPI of 3.4 percent.

Given the limit stated above, the General Assembly in the FY 2011-2012 General Appropriation Bill spent $5,754,074,608, which is $75,640,905 over the allowable cap. Again, this cap should be used as a ceiling and not exceeded. **All additional dollars above the cap should be for taxpayer relief, for managing our state's obligations, or held in reserve.**

What follows is a list of line-item vetoes that reduces the coming year's appropriation to meet the constraints of this cap. In addition, you will see we have also vetoed the Capital Reserve Fund Bill that spends reserve funds that should **be set aside as they were last year**, (explained further in veto message to H.3701). We hope to use next year's Executive Budget to address structural changes that will more accurately reflect spending priorities and resource requirements of agencies and programs.

We have a great opportunity to show the people of South Carolina that we are committed to being good stewards of their dollars. The actions that you take on these vetoes can set a new tone for our state. We respectfully ask you to join us in making these cuts as we move forward in strengthening our economy, our state, and returning confidence in government to the people of South Carolina.

I. PART IA FUNDING

VETO 1 **Part IA, Section 1; Page 2; Department of Education; V. Standards and Learning; Special Items; SAT Improvement; $169,487.**

Nothing – including this veto – prevents school districts from developing programs to help students improve their scores on standardized college admissions tests. Funding for this statewide initiative has already been suspended by Proviso 1.92. We are vetoing this line to prevent these funds from being used to support more unnecessary government programs.

VETO 2 **Part IA, Section 1; Page 2; Department of Education; V. Standards and Learning; Special Items; High Schools That Work; $1,403,145.**

This program – one of many implemented by the Education and Economic Development Act – is intended to assess and improve transition from high school to college. This effort is duplicated many times over in high school and college-level programs like guidance counseling services which are offered in every high school in the state.

VETO 3 **Part IA, Section 1; Page 10; Department of Education; XIII. Aid to School Districts; A. Aid to School Districts; Special Items; ETV - K-12 Teacher Training; $4,829,281.**

VETO 4 **Part IA, Section 50; Page 175; Law Enforcement Training Council; I. Administration; Special Item; ETV-State & Local Training of Law Enforcement; $574,244.**

As indicated in my State of the State address, ETV provides services that could be funded through private support or bid out competitively. While we applaud the General Assembly for directing the revenue earned by state-owned assets managed by ETV back to the agency, we believe that ETV should develop a sustainable model that does not involve General Fund appropriations. We have indicated this to ETV's leadership, and have appointed a board that will assist updating ETV's business model to take them off of dependence on General Fund dollars.

VETO 5 **Part IA, Section 2; Page 14; Lottery Expenditure Account; I. Lottery Expenditure Account; Special Items; Unclaimed Prizes; $12,400,000.**

In coordination with the Department of Education and the appropriate legislative officials, we are already investigating the privatization of our state-run school bus system. We are vetoing this line because the state should not purchase new vehicles now for a fleet of school buses that we would likely sell to a network of new providers as part of a privatization effort. The bottom line is that the State of South Carolina does not need to be in the business of running a bus system. Our time, dollars, and focus need to be on educating our children.

VETO 6 **Part IA, Section 6; Page 25; Commission on Higher Education; I. Administration; Special Items; Greenville Technical College – University Center; $594,390.**

VETO 7 **Part IA, Section 6; Page 25; Commission on Higher Education; I. Administration; Special Items; University Center of Greenville - Operations; $1,084,899.**

VETO 8 **Part IA, Section 6; Page 25; Commission on Higher Education; I. Administration; Special Items; Lowcountry Graduate Center; $785,099.**

We are vetoing funds for these higher education centers because these facilities duplicate existing programs and services. Students currently have access to similar programs at these universities' main campuses and, in many cases, online. If participating institutions see the need for this delivery method, they should fund it using their existing resources.

VETO 9 **Part IA, Section 6; Page 25; Commission on Higher Education; I. Administration; Special Items; NFTE; $118,297.**

Trying to teach enthusiasm for entrepreneurship to South Carolina youth through a non-profit organization is not how we should be spending state education dollars. Instead of teaching them entrepreneurship, we need to do a better a job of teaching South Carolina children math and science. We are vetoing this item because it should be funded by private-sector dollars.

VETO 10 **Part IA, Section 6; Page 25; Commission on Higher Education; II. Service Programs; Special Items; EPSCOR; $40,329.**

As the state's primary research universities traditionally spend 10 to 15 percent of their budgets in any given year on research, we believe a program designed to promote competitive research in higher education is redundant.

VETO 11 **Part IA, Section 6; Page 27; Commission on Higher Education; V. Total Higher Education Awareness Program; $179,856.**

This program allocates resources to make 8th grade students and their families aware of college to promote attendance to an institution of higher education. This is duplicative of services

offered by school districts across the state, including basic guidance counseling. Further, each university in the state – public or private – has aggressive recruiting and marketing programs.

VETO 12 **Part IA, Section 15A; Page 44; University of South Carolina; I. University of South Carolina; A. USC - Non-Medicine; Special Items; Small Business Development Center; $491,734.**

We are vetoing the University of South Carolina's Small Business Development Center, because this program is not central to the university's mission and duplicates services already offered by the South Carolina Department of Commerce and the U.S. Small Business Administration.

VETO 13 **Part IA, Section 17B; Page 65; Area Health Education Consortium; I. Consortium; A. General; Total Funds $5,476,127; General Funds $3,582,260.**

This veto does not remove the AHEC funds dedicated to programs that train physicians and introduce them into rural areas. We are vetoing the parts of AHEC that focus on duties that can be performed by individual program coordinators, other areas of state government, or the private sector.

VETO 14 **Part IA, Section 22; Page 85; Department of Health and Environmental Control; II. Programs and Services; F. Health Care Standards; 2. Total Facility/Service Development; Total Funds $6,120,203; General Funds $411,317.**

We are vetoing this section of the Department of Health and Environmental Control's budget because it is the funding for the department's Certificate of Need (CON) program. As we all know, the CON process is politics at its worst. Health care decisions should be decided by real community needs, not by Columbia politics.

VETO 15 **Part IA, Section 30; Page 120; Arts Commission; Total Funds $3,605,566; General Funds $1,927,795.**

We have said since the beginning of this administration that this budget year was going to be difficult. Our goal in the budget process has always been to alleviate the pain for the state at-

large by focusing our dollars on core functions of government. We value the arts, much like we value the Heritage Golf Classic, and like the Heritage, we also know that we have strong private partners that have the ability and the willingness to continue funding the arts. It should not, however, be the responsibility of the taxpayers of this state. Therefore, we veto this line, because it is not a core function of government and largely uses its state funding for administrative and staffing purposes.

VETO 16 **Part IA, Section 35; Page 134; Clemson University (Public Service Activities); III. Agricultural Research; Total Funds $15,350,935; General Funds $8,952,812.**

According to Clemson University's FY 2011-2012 budget planning documents, Clemson intends to spend 17.3 percent – $138 million – on research funded by a variety of sources to include state appropriations, grants, and private sources. We are vetoing the Agricultural Research line at the Clemson PSA because we believe that more than adequate resources exist within Clemson University's current budget to conduct this research.

VETO 17 **Part IA, Section 38; Page 146; Sea Grant Consortium; Total Funds $6,929,892; General Funds $327,392.**

The Sea Grant Consortium is a cooperative of South Carolina universities focused on obtaining grants for research and education on the topics of coastal and marine conservation. Universities receive enough money to absorb this cost. There is no need for an additional government program that further burdens taxpayers.

VETO 18 **Part IA, Section 50; Page 175; Law Enforcement Training Council; I. Administration; Special Item; ETV-State & Local Training of Law Enforcement; $574,244.**

As indicated in my State of the State address, ETV provides services that could be funded through private support or bid out competitively. While I applaud the General Assembly for directing the revenue earned by state-owned assets managed by ETV back to the agency, I believe that ETV should develop a sustainable model that does not involve General Fund appropriations. I have indicated this to ETV's leadership and have appointed a board that will assist updating ETV's business model to take them off of dependence on General Fund dollars.

VETO 19 **Part IA, Section 54, Page 188, Human Affairs Commission; I. Administration; Personal Service; Classified Positions; $269,759.**

The Human Affairs Commission's management practices resulted in a deficit in FY 2010-11. The Budget and Control Board responded by offering to move the Commission to state-owned space, and to provide the Commission's back-office services at no-cost. Unfortunately, these offers were refused. We are therefore vetoing these funds in an attempt to compel the Commission to make the fiscally responsible choice and implement these cost-saving initiatives.

VETO 20 **Part IA, Section 80A; Page 253; Budget and Control Board; II. Operations and Executive Training; B. Internal Operations; Special Item; ETV Coverage; $513,269.**

I fully support funding to allow Budget and Control Board meetings to be broadcast publicly to further transparency of state government operations. However, as I stated in my State of the State address, these ETV services could be funded through private support or bid out competitively. While I applaud the General Assembly for directing the revenue earned by state-owned assets managed by ETV back to the agency, I believe that ETV should develop a sustainable model that does not involve General Fund appropriations. I have indicated this to ETV's leadership and have appointed a board that will assist in updating ETV's business model to take them off of dependence on General Fund dollars.

VETO 21 **Part IA, Section 80A; Page 262; Budget and Control Board; VII. Insurance and Grants Division; C. Office of Local Government; 2. State Revolving Fund; B. Loans; Special Items; Loans; Total Funds $1, 578, 385; General Funds $878,385.**

We are vetoing this line-item because there is sufficient cash available in revolving loan accounts to sustain this program for the next fiscal year. This loan provides a cash-match for local and county governments to support infrastructure development using state and federal dollars. Once the project is complete, the loan is repaid and the monies are deposited into an account to fund additional loans. The balance of these accounts is enough to sustain FY 2011-2012 activities, and in these difficult economic times, we cannot afford to leave money on the table that could be used for depleted reserves, debt repayment, or tax relief.

II. PART IB TEMPORARY PROVISOS

VETO 22 **Part IB, Section 6.24; Page 333; Commission on Higher Education: Scholarships Funded from Unclaimed Capital Credits.**

VETO 23 **Part IB, Section 76.13; Page 414-415; Office of State Treasurer: Economic Development Unclaimed Capital Credits.**

These provisos are in direct conflict with existing law, and we are therefore vetoing them. Current law (Act 44 of 2011) exempts certain electric and telephone cooperatives from remitting unclaimed property funds to the State Treasurer. That law requires cooperatives to use those funds for energy efficiency initiatives benefiting customers while these provisos require that those funds be remitted to the State. These vetoes should be sustained to avoid this clear conflict of law and to give cooperatives flexibility to use these funds on the customers who pay for their services.

VETO 24 **Part IB, Section 22.48; Page 351; Department of Health and Environmental Control: SCHIDS.**

As has been stated time and again, we do not support restructuring by proviso. The South Carolina Health Integrated Data Services is a program established by temporary proviso in 2007 at the Budget and Control Board, Office of Research and Statistics, and is now being transferred to DHEC in the same manner. If this program is needed on an ongoing basis, the program and its location should be dealt with through permanent law, not a one-year proviso.

VETO 25 **Part IB, Section 65.10; Page 397; Department of Labor, Licensing and Regulation; South Carolina Emergency Response Task Force/State Urban Search and Rescue Program.**

On the advice of Director Catherine Templeton, we are vetoing this item because LLR has identified additional funds to carry out the mission of this important program. We have full faith that the director will ensure this program receives adequate resources and that it does so in a fiscally responsible manner.

VETO 26 **Part IB, Section 76.14; Page 415; Office of State Treasurer; Audit Finding Follow-Up.**

Simply put, this proviso is duplicative and contrary to existing South Carolina law. Following up on audits in order to make sure that agencies are taking the necessary steps to save taxpayer dollars is surely a necessary task; however granting such authority to the Treasurer's Office is unnecessary, because it already exists with the Legislative Audit Council, State Auditor's Office, and the Budget and Control Board. In addition, we agree with State Attorney General Alan Wilson that this proviso's directive to grant the Treasurer the authority to file lawsuits on behalf of the State does not line-up with existing South Carolina law. Currently, this authority lies with the Attorney General alone, and altering such law is contrary to our Constitution, statutes, and common law. As such, we are vetoing this proviso.

VETO 27 **Part IB, Section 79.6; Page 418; Election Commission; Primary and General Election Carry Forward.**

VETO 28 **Part IB, Section 79.12; Page 419; Election Commission; Presidential Preference Primary and Ballot Security.**

Prior to 2008, the taxpayers of South Carolina had never funded the First in the South Presidential Primary – instead, the political parties did. As I have made clear throughout the budget process, I believe private dollars are the appropriate way to fund a partisan Presidential Primary. The Attorney General of South Carolina has recognized that the State GOP can contract with the State Election Commission to run the primary. The United States Department of Justice has cleared an election conducted by the Election Commission and funded by a political party. The bottom line is this: South Carolina will host the First in the South Presidential Primary in 2012 and will be as successful as it always has been, but it should not fall on the taxpayers to cover the expense. For these reasons, we are vetoing these provisos.

VETO 29 **Part IB, Section 86.10; Page 431; Aid to Subdivisions, State Treasurer; Speed Camera Citations Restriction.**

This proviso is unnecessary, because it duplicates a recently enacted law (S.336, Act 65 of 2011). This act prohibits the use of cameras to issue traffic citations, as does this proviso.

VETO 30 **Part IB, Section 89.87; Page 458; General Provisions; Conservation Bank Funding LLR.**

VETO 31 **Part IB, Section 90.22; Page 476; Statewide Revenue: Excess FY11-12 Revenue – SC Conservation Bank; $2,000,000.**

Though well-intentioned, we do not believe that providing additional taxpayer dollars for the Conservation Bank is an appropriate use of our limited state dollars, especially when the agency is receiving funding through an established, statutory funding formula.

VETO 32 **Part IB, Section 90.18; Page 472; Statewide Revenue: Nonrecurring Revenue; Item (B)(1)(a) Department of Education – EFA Base Student Cost; $56,174,107.**

There are two issues with this line item that move us to veto it. First, we agree with Superintendent Zais that funding the EFA – a recurring expense – with one-time money is an irresponsible way in which to budget. Second, prior to these dollars being allocated by the Senate, South Carolina's education spending was on-par with most other states. Our issue in education is not how much money we spend, but how we spend it. Our government needs to break the habit of spending money simply because we have it, and these dollars will be far better used when returned to those they truly belong to – the taxpayers of South Carolina.

VETO 33 **Part IB, Section 90.18; Page 473; Statewide Revenue: Nonrecurring Revenue; Item (B)(6) Clemson University – PSA; Agency Operations; $250,000.**

We are vetoing this line for Clemson PSA operations, because we believe the agency can absorb this reduction through efficiencies in the agency's current fully funded budget.

VETO 34 **Part IB, Section 90.18; Page 473; Statewide Revenue: Nonrecurring Revenue; Item (B)(9) Department of Health and Environmental Control; Donate Life; $100,000.**

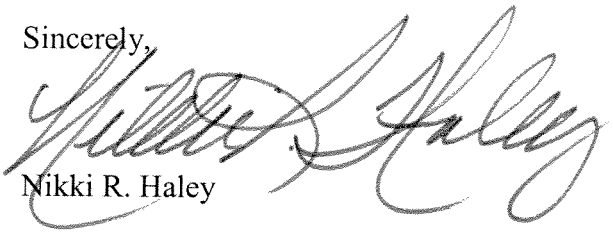
Donate Life is a private non-profit that promotes organ donation services. This is not an appropriate recipient of general fund dollars; the State of South Carolina already supports organ donation through the Department of Motor Vehicles, and we should not single out one non-profit organization to receive state dollars for this purpose.

VETO 35 **Part IB, Section 90.21; Page 475; Statewide Revenue: Nonrecurring Revenue – Increased Enforcement Collections; Second Item; Department of Education – Education Foundation Supplement; $20,000,000.**

We are vetoing this item because it is a "hold harmless" provision for only certain school districts. It is counter-intuitive that the General Assembly spends time and effort to create funding formula reform to avoid funding shortfalls and then creates a secondary funding source for those districts that lose money. We need to move our K-12 funding model to one where the money follows the student.

For these reasons, we are vetoing the aforementioned line-items and provisos in H.3700, R-106.

Sincerely,



Nikki R. Haley