



State of South Carolina Office of the Governor

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GOVERNOR

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July 5, 2012

The Honorable Robert W. Harrell, Jr.
Speaker of the House of Representatives
Statehouse, Second Floor
Columbia, South Carolina 29201

Dear Mr. Speaker and Members of the House of Representatives,

I am vetoing and returning without my approval, certain line items in R330, H.4813, the Fiscal Year 2012-2013 General Appropriations Act.

First, I believe that we should acknowledge this year's progress – passing tax cuts for small business income, reforming the long-term sustainability of our pension system, and continuing to expand school choice in this State. These things will result in a more sustainable government and increased educational opportunities that send the message that South Carolina is open for business.

Despite that progress, the upcoming fiscal year will be full of unique challenges, and I repeat the need to live within our means. While tax revenues are up, hundreds of millions of new tax revenues do not reflect our true economic health as a state or a nation. Much of this money is one-time surpluses and will not be available again. More of the money is the result of cautious optimism – the people of our State are confident in our economic prospects though they have not yet all materialized.

To this end, I applaud the General Assembly for using most one-time money to fully-fund reserves, but new recurring revenue should have been allocated more in accordance with the uncertainty we face. Recent rulings by the Supreme Court of the United States will radically change our healthcare system and skew the cost of employment nationwide. Now is not the time to return to our old ways of constituent-driven earmarks.

One of the benefits that came out of the tight financial times South Carolina has seen the last few years has been the elimination of the pork projects and special interest payouts that for too long were hallmarks of our political system. Many of you showed political courage in stepping away from the parochial ways of our past and truly fighting to protect the taxpayers of our state as a

whole. In reviewing this budget, one of the largest disappointments has been the return of this nefarious process. Included in what follows is a list of those projects – and an opportunity to confirm to the people of South Carolina that our government does not believe in, and will not accept, pork barrel spending.

What follows in this veto message is not an exhaustive list of those areas of the budget with excessive growth. Rather, this message contains items where growth is too high, and I was afforded the opportunity to veto a line that would nullify objectionable growth. The structure of our General Appropriations Act does not lend itself to a reasonable debate – we may disagree over relatively small portions of many lines. My veto pen is a blunt tool, and I only have the option of vetoing entire lines and potentially destroying entire programs where only part is undesirable. The current process lacks the transparency that would allow a project by project debate between the executive and legislative branches; this is unfair to the taxpayer.

Ultimately, budgets are about our priorities and our commitment to being responsible with taxpayer dollars. Where I proposed increases in mental health and law enforcement, the General Assembly went a step further and provided growth above what I believe was responsible. Other sections, particularly in provisos and one-time money, return the state to the old-fashioned earmarks of the past. If you look to the Fiscal Year 2012-2013 Executive Budget, you see government funded over \$100 million in tax relief, a commitment to infrastructure, and a tremendous amount of revenues still unspent. These vetoes get us closer to that track.

I. Part IA – Funding

Focusing on the Core Functions of Government

Those who see more government as the solution to all of our problems are constantly advocating for new or expanded programs to cure various perceived social ills. Although often arising from good intentions, the expansion of the state into new areas of our lives has a price – not just the obvious financial cost to the taxpayer, but also a price in terms of a loss of focus and direction. Staying focused on the core functions of government requires discipline and can mean saying “No” to some popular programs, but it is essential if we are to give our essential programs the attention and the resources that they require.

Veto 1 Part IA, Page 120; Section 30 – Arts Commission, Total Funds Available: \$3,446,946 Total Funds; \$1,937,598 General Funds

Supporting the arts and supporting the Arts Commission are not the same thing. The Arts Commission’s administrative costs are significant – in fact, a full 30 percent of the funds allocated to the Arts Commission in Part IA are dedicated to administration, personnel, and operating expenses. Who would donate to a charity that spent that much money on overhead? Instead of taking a command-and-control approach to promoting the arts, we would be better off returning these funds to the public, to let them decide for themselves what artistic endeavors deserve financial support.

also the rankings issued by the Education Oversight Committee. By both sets of standards, these two programs are not making the grade. The EOC awarded both of these initiatives a score of only 1.8 out of a possible 5.0; out of the dozens of educational programs evaluated by the EOC, only two scored worse. Similarly, in his budget request, Superintendent Zais recommended that funding for both of these programs be eliminated. I agree with the assessments offered by South Carolina's educational experts: our instructional dollars can be better spent.

Veto 6 **Part IA, Page 87; Section 22, Department of Health and Environmental Control, II. Programs and Services, F. Health Care Standards, 2. Facility and Service Development – Total Facility & Service Development: \$727,189 Total Funds; \$411,317 General Funds**

I believe in the virtues of free markets and open competition, and for that reason, I am vetoing the Certificate of Need program as I did last year. Bureaucracy should not be telling us which community has or does not have sufficient need for a hospital or a particular piece of complex medical equipment. Through this process, the Department of Health and Environmental Control is essentially responsible for guarding the gates for a cartel of healthcare facilities that have received their CONs and now have a vested interest in denying them to other prospective healthcare providers. Let's shut down this program and let resources flow more freely and efficiently through our healthcare system, instead of letting the central government planners decide for us.

Adopting Responsible Budgeting Practices

We all come to Columbia with a set of priorities and certain goals that we wish to accomplish during our tenure in office. It is no surprise, then, that as we prepare each year's budget, there is enormous pressure to spend every dollar – both recurring and non-recurring. When these funds are slated for allocation to popular programs, such as education, it is all the more difficult to vote "No."

Last year, there were lines in the budget that I was forced to veto, not because I oppose education, but because I support responsible budget practices. This means that I cannot endorse the use of non-recurring revenues to finance recurring expenses.

Veto 7 **Part IA, Page 7; Section 1, Department of Education, XII. Education Improvement Act, C. Teacher Quality, 2. Retention and Reward, Special Items – Teacher Salary Support State Share Non[-recurring]: \$10,070,600 Total Funds**

The use of one-time money to assist school districts in paying the costs of teacher salaries is not a responsible or sustainable practice. On another line, this budget contains \$38.6 million in new,

recurring support for teacher salaries; I have approved that line. Using an additional \$10 million in one-time money for the same purpose, however, is the equivalent of making a promise about next year's budget that we can't be certain we'll be able to keep.

Controlling Spending Growth

Some veto decisions are relatively easy to make – cutting wasteful spending, eliminating an earmark, or striking down a proviso that imposes an unfunded mandate on an agency. Others are more difficult to resolve, such as when funding for a legitimate program has been increased beyond a reasonable level. The veto pen is a blunt tool – I can accept the amount passed by the General Assembly or I can eliminate it entirely, but I have no ability to provide for funding at any amount in between. Faced with this “all or nothing” choice, I have vetoed the following budget lines.

Veto 8 **Part IA, Page 9; Section 1, Department of Education, XIII. Governor's School Science & Math, Personal Service – Classified Positions: \$1,173,826 Total/General Funds**

From all sources, the Governor's School for Science & Mathematics is appropriated \$8.4 million, which is more than \$3 million higher than the previous year's appropriation. All told, the General Assembly's budget would increase state support for GSSM by more than 50 percent on an annual basis. I consider this increase excessive and believe that we can support the GSSM in a more fiscally responsible manner. At less than \$1.2 million, this veto leaves over half of the total increases intact, providing the school with a healthy increase to support the further development of its programs.

Veto 9 **Part IA, Page 96; Section 23, Department of Mental Health, IV. Non-recurring Appropriations – Deferred Maintenance: \$1,000,000 Total Funds; \$1,000,000 General Funds**

The Fiscal Year 2012-2013 Executive Budget recommended and the General Assembly approved an additional \$16 million for the Department of Mental Health plus amendments to Proviso 80A.27 (Sale of Surplus Real Property) to allow DMH to retain the proceeds of the sale of the Bull Street property and apply it towards the department's deferred maintenance needs. Those proceeds should total roughly \$15 million for deferred maintenance. Given the major investment that this budget has already made in DMH, I am vetoing the additional \$1 million in funding for deferred maintenance.

Veto 10 **Part IA, Page 224; Section 70A, Legislative Department - The Senate, I. Administration, Special Items – Joint Citizens & Legislative**

Committee on Children: \$300,000 Total Funds; \$50,000 General Funds

Last year, this Committee did not receive dedicated support from the General Fund. I respect the Committee's work but am wary of creating a new General Fund budget line for this program. This budget provides millions of dollars worth of increases for the General Assembly's own appropriations including its legislative service agencies. Given that very significant growth, I feel that if the Legislature values the Joint Committee's work, then it should be able to find the required funds internally instead of asking the taxpayers to support another appropriations line.

Veto 11 Part IA, Page 230; Section 70F, Education Oversight Committee, I. Administration – Other Operating Expenses: \$703,088 Total Funds; \$200,000 General Funds

Given its role, the Education Oversight Committee has historically received support, not from the General Fund but, through EIA. This budget contains generous increases in state support for education including through EIA. If the EOC needs an additional \$200,000 to support its operations, then the General Assembly should have provided those funds through the traditional funding source, instead of giving the EOC a foothold in the General Fund.

As noted earlier, I value the EOC's assessments and rankings, and weighed them when preparing my Executive Budget. At the same time, K-12 education is unlike many other core programs in that it can draw from a significant, dedicated funding source. We should continue to fund EOC exclusively through EIA and leave General Fund resources available for all the other programs that have no dedicated pool upon which to rely.

Veto 12 Part IA, Page 160; Section 44, Judicial Department, V. Administration, C. Information Technology – Other Operating Expenses: \$2,800,000 Total Funds; \$1,500,000 General Funds

Earlier this year, the General Assembly passed legislation allowing the Judicial Department to establish electronic filing fees at a level that would cover the cost of providing the underlying services. I believe that this new unrestricted funding source should have the effect of reducing the Judicial Department's needs for additional funding to support its technological needs.

II. Part IB – Temporary Provisions

Housekeeping Items

Veto 13 **Part IB, Page 468; Section 90, Statewide Revenue, Proviso 90.7 – SR: E-Verify**

This proviso states calls for each “state entity” to certify its participation in the E-Verify program before it may receive ARRA funds. These funds have been allocated, rendering this proviso obsolete.

Veto 14 **Part IB, Page 333; Section 19, Educational Television Commission, Proviso 19.2 – ETV: Digital Satellite**

When it submitted its annual budget request to the Office of State Budget last fall, the Educational Television Commission asked that this proviso be deleted, stating “it is no longer needed as the digital satellite system is no longer operational.” Furthermore, the Video Resources Oversight Council established by this proviso “has not met in several years.” It’s time to get this proviso off the books.

Veto 15 **Part IB, Page 343; Section 22, Department of Health and Environmental Control, Proviso 22.22 – Allocation Patient Days**

This proviso conflicts with H.5028, which passed unanimously in both the House and the Senate and was signed by me on May 14, 2012. The Department of Health and Human Services, Department of Health and Environmental Control, and South Carolina Health Care Association have all requested that this proviso be vetoed.

Good Government

Veto 16 **Part IB, Page 465; Section 89, General Provisions, Proviso 89.130 – GP: Open Market for Bus Contract Vendors**

Although couched in language that suggests it invites competition, this proviso is actually – as explained by Superintendent Zais in his letter requesting a veto – one legislator’s attempt to circumvent the state’s procurement procedures. This proviso would allow companies that failed to win contracts through competitive bidding to make direct sales pitches to individual bus shops – instead of working through the Department of Education’s procurement office.

Accordingly, companies who routinely lose bids would not have to improve pricing, bids, or the quality of their services to get a second chance to win state contracts. Sustaining this veto will help maintain the integrity of our procurement process.

Veto 17 **Part IB, Page 301; Section 1, Department of Education, Proviso 1.92 – SDE: Lee County Bus Shop**

This new proviso would force the SC Department of Education to fund two specific bus maintenance facilities in Lee and Kershaw Counties at precisely the same level of support they received in the prior year – no more, no less. This is an unwarranted intrusion into the department’s provision of student transportation services, which can only serve to increase overall costs and reduce system efficiency. Superintendent Zais opposes this proviso; I agree with his assessment.

Veto 18 **Part IB, Page 321; Section 1A, Department of Education, Education Improvement Act, Proviso 1A.64 – SDE-EIA: Education Oversight Committee Innovation Initiative**

I have cited the Education Oversight Committee’s rankings several times in expressing my opposition to specific line items in this budget. Although I appreciate EOC’s work, this new proviso would expand the Committee’s mandate significantly beyond that which is provided for by law, by tasking it with designing and implementing new programs autonomously. This proviso thoroughly undermines the authority of Superintendent Zais and his agency and blurs EOC’s role that is currently and clearly defined as a respected and impartial evaluator. Meaningful programmatic changes should be driven through the appropriate executive agency.

Veto 19

Part IB, Page 361; Section 31, State Museum Commission, Proviso 31.10 00 MUSM: State Museum Admissions Tax

This new proviso would capture \$50,000 in admissions tax revenue and divert it to the State Museum to support its operations. I oppose this measure because if the State Museum needs more money, then the appropriate course of action would be to seek funding on the appropriate Part IA line. This type of backdoor attempt to bring money into the State Museum is inappropriate. Fortunately, there is a solution. Folding the State Museum into the Department of Parks, Recreation, and Tourism would allow both agencies to reduce their overhead costs, further undermining the argument for a proviso such as this.

Veto 20

Part IB, Page 398; Section 67, Department of Employment and Workforce, Proviso 67.9 – DEW: Benefit Amount

This proviso attempts to ease the unemployment tax burden of a claimant’s most recent employer by spreading the responsibility for the employee’s benefits over his last four employers. Unfortunately, however, there are insufficient guidelines to reasonably limit the liability of past employers. Moreover, the proviso completely fails to account for work done outside of the state.

Based on the limited amount of data available to the Department of Employment and Workforce and this proviso’s poorly vetted guidelines, the agency cannot possibly implement this policy change in the manner in which it was intended. This would result in an unfair tax shift to companies who would otherwise not be responsible for a claimant’s benefits.

Veto 21

Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 52, Arts Commission – Grants: \$500,000

Supporting the arts and supporting the Arts Commission are not the same thing. The Arts Commission’s administrative costs are significant – in fact, a full 30 percent of the funds allocated to the Arts Commission in Part IA are dedicated to administration, personnel, or operating expenses. Who would donate to a charity that spent that much money on overhead? Instead of taking a command-and-control approach to promoting the arts, we would be better off returning these funds to the public, to let them decide for themselves what artistic endeavors deserve financial support.

Veto 22 **Part IB, Page 347; Section 22, Department of Health and Environmental Control, Proviso 22.46 – Vital Records**

This new proviso is an unfunded mandate that requires the Department of Health and Environmental Control to provide vital records services in each county that received them as of the beginning of 2012. The department would be needlessly forced to cannibalize other more critical programs in order to comply with this directive, even though vital records remain available online and in dozens of offices across the state.

Veto 23 **Part IB, Page 365; Section 37, Department of Natural Resources, Proviso 37.10 – DNR: Lake Paul Wallace Authority**

This proviso conflicts with Act 229 of 2012, which is also related to the Lake Paul A. Wallace Authority, and which took effect July 1, 2012.

Veto 24 **Part IB, Page 471; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 13(c), Department of Public Safety – Capitol Complex Garage Security Equipment: \$75,000**

This earmark for Capitol Complex Security was not requested by Department of Public Safety Director Smith, the individual responsible for securing the Capitol Complex. I have confirmed with Director Smith that if up to \$75,000 is required to secure the Capitol Complex garage, he will be able to absorb the cost within his agency's budget. Additional funds are not required.

Veto 25 **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 25, Department of Motor Vehicles – Programming & Training/Implementation of S.1031: \$88,550**

The Department of Motor Vehicles collects sufficient funds on an annual basis to pay for its operation and program development. Many of DMV's excess funds are statutorily directed to the General Fund. I have confirmed with Director Shwedo that he will be able to implement S.1031, known as the "Demolishers' Bill" and which passed this year, without these additional funds.

Local Earmarks

- Veto 26** **Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 48(c), Department of Parks, Recreation, and Tourism – Irmo Veterans Park: \$30,000**
- Veto 27** **Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 48(d), Department of Parks, Recreation, and Tourism – Patriot Park Environmental Pavilion: \$100,000**
- Veto 28** **Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 48(b), Department of Parks, Recreation, and Tourism – Southeastern Wildlife Exposition Regional Marketing and Advertising: \$200,000**

As passed by the General Assembly, the Statewide Revenue proviso contained one-time money for four items through the Department of Parks, Recreation, and Tourism. One of these items – which I also included in my Executive Budget – was \$250,000 to replace the Kings Mountain Bridge because the current bridge is no longer safe.

The three items identified below were not requested by the department and did not appear in my Executive Budget. They are earmarks for specific projects or events that will benefit very specific communities or organizations, and which do not rise to a level of statewide significance such that they would merit funding through this proviso. Please join me in rejecting this kind of earmarking by sustaining my veto of these items.

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- Veto 29** **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 34, Department of Transportation – SMART Ride - Camden: \$60,000**

There is no reason why the SMART Ride program for Camden merits greater consideration than its companion in Newberry. These funds were not included in the Executive Budget and were not sought by the Department of Transportation. This is an old-fashioned earmark.

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- Veto 30** **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 32, Department of Public Safety – Andrews Public Safety Building (1 to 1 Match): \$100,000**

In the Executive Budget, I proposed funding for more troopers so that we could improve highway safety. I was disappointed that this request was not honored in this budget and was even more frustrated when I saw this line. The Department of Public Safety did not request these funds and was unaware of this project when it appeared in the budget. We have better uses for this money – like improving highway safety – than to pay for this earmark.

Veto 31 **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 30, State Museum – North Myrtle Beach Historical Museum: \$300,000**

Veto 32 **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 29(a), Department of Archives and History – City of Charleston African American Historic Sites Preservation: \$200,000**

Veto 33 **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 29(b), Department of Archives and History – City of Hilton Head - Mitchelville Capital Land Purchase: \$200,000**

When pork projects in the budget are discussed, the legendary examples of Green Bean Museums and Balloon Festivals are what we hear to exemplify local earmarks and waste. After several years of economic downturn, which led to better prioritization, one good year has ushered in the return of these pork projects. We need to send a clear message now that we have learned from our past of pork barrel spending. We will not return to those old practices.

Veto 34 **Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 47(d), Department of Natural Resources – DNR: Darlington County Watershed Project**

Veto 35 **Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 47(e), Department of Natural Resources – DNR: Lake Wallace Special Purpose District**

The Department of Natural Resources received one-time funding for two water basin studies through this proviso. I approved both of those items because they are important to the department's efforts to update the state water plan. Although embedded within the same section of this proviso, I have vetoed the Darlington County Watershed Project and the Lake Wallace

Special Purpose District lines because they are not tied to revising the state water plan, but are actually local earmarks.

Earmarks for Housing and Family Issues

- Veto 36** **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 31, Prosecution Coordination Commission – Center for Fathers and Families: \$200,000**

- Veto 37** **Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 41, Department of Disabilities and Special Needs – Charles Lea Center (1 to 1 Match): \$250,000**

- Veto 38** **Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 45, Housing Finance and Development Authority – Marion County Habitat for Humanity Pilot Project (1 to 1 Match): \$250,000**

These three items are additional earmarks that relate to various housing and social issues. While I do not attempt to question the merits of each organization or the quality of their missions, there are just as many service organizations as worthy who seek private sector support to maintain their operations.

Earmarks for Social Service Providers

- Veto 39** **Part IB, Page 357; Section 26, Department of Social Services, Proviso 26.24 – DSS: Women in Unity**

- Veto 40** **Part IB, Page 357; Section 26, Department of Social Services, Proviso 26.25 – DSS: Tri-City Outreach**

- Veto 41** **Part IB, Page 357; Section 26, Department of Social Services, Proviso 26.26 – DSS: Callen-Lacey Center for Children**

- Veto 42** **Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 44(a), Department of Social Services – United Center for Community Care: \$75,000**

Veto 43 **Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 44(b), Department of Social Services – Community Outreach Center Incorporated After School Program: \$25,000**

Five separate provisos in the Department of Social Services' budget lines serve as earmarks for handpicked service providers. Handing taxpayer dollars directly to these organizations without a competitive procurement process is not an appropriate or responsible use of these funds. Director Koller has made tremendous progress at DSS in the past 18 months, and she has done so without requesting new General Fund support for the upcoming year. I ask that you not carve these earmarks out of DSS' operating budget.

Higher Education Earmarks

Veto 44 **Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 39(e), State Board for Technical and Comprehensive Education – SC Skills USA: \$200,000**

The Technical College System did not request funding for this program. This line was inserted in the budget as a pass-through to SC Skills USA, which is the state affiliate of a national nonprofit that conducts competitions for high school students enrolled in technical or skilled service programs. This is not an essential program and certainly not an appropriate way to seek funding for an initiative.

Veto 45 **Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20, Non-Recurring Revenue, Item 36(a), Commission on Higher Education – University Center of Greenville Technology Upgrade: \$100,000**

The University Center of Greenville is governed by a consortium of public and private colleges and universities that are working together to expand access to higher education for students in the Upstate. I respect this goal, but note that these institutions already receive state support through direct appropriations, the Education Lottery, the Higher Education Tuition Grants program, or various other sources. Furthermore, the University Center is already collecting nearly \$1.1 million worth of direct subsidies through this budget.

I am vetoing this additional \$100,000 because it is unreasonable to expect taxpayers across the rest of the state to shoulder an additional burden on behalf of the relatively small number of students who attend courses through this Center. If this facility truly needs another \$100,000 to improve its technology, then the participating institutions should make the required contributions.

- Veto 46** **Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 37(a), Clemson University PSA – Advanced Plant Technology Lab: \$4,000,000.**
- Veto 47** **Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 37(b), Clemson University PSA – Operating: \$100,000.**
- Veto 48** **Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 49, University of Charleston – Interactive Digital Technology Pilot Project (1 to 1 Match): \$2,000,000.**

I approved millions for deferred maintenance for our institutions of higher education through the Capital Reserve Fund. These allocations were consistently in excess of what these colleges and universities would have received had they been given the 2.3 percent increase in their operating budgets that I proposed in my Executive Budget, based upon the Higher Education Price Index. I should also note that I approved major projects for both of the universities identified below: \$3 million for Clemson’s Grid Simulator Project and \$1.9 million for the reconstruction of the College of Charleston’s Science Center. Funding these additional projects this year would be an excessive imposition on South Carolina’s taxpayers.

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- Veto 49** **Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 36(b), Commission on Higher Education – SC Manufacturers Extension Partnership: \$200,000**

I have approved the \$682,049 provided for the SC Manufacturers Extension Partnership in Part IA of the Department of Commerce's budget this year. This is the same amount that was appropriated for this program in the prior fiscal year. I have vetoed this second line for SCMEP because it would increase the cost of the program by \$200,000.

Healthcare Earmarks

- Veto 50** **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 27(a), Department of Health and Environmental Control – ADAP Prevention: \$200,000**
- Veto 51** **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 27(b), Department of Health and**

Environmental Control – SC Coalition Against Domestic Violence and Sexual Assault: \$453,680

- Veto 52** **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 27(c), Department of Health and Environmental Control – Kidney Disease Early Evacuation and Risk Assessment Education: \$100,000**
- Veto 53** **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 27(d), Department of Health and Environmental Control – Hemophilia - SC Bleeding Disorders Premium Assistance Program: \$100,000**
- Veto 54** **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 27(e), Department of Health and Environmental Control – S.C. Office of Rural Health - Benefit Bank: \$500,000**
- Veto 55** **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 27(f), Department of Health and Environmental Control – James R. Clark Memorial Sickle Cell Foundation: \$100,000**

I am vetoing each of the earmarks in Section 90 of the Department of Health and Environmental Control’s budget. Each of these lines attempts to serve a portion of our population for which we extend our sympathy and encouragement, but nevertheless, it is only a small portion of South Carolina’s chronically ill or abused. Overall, these special add-on lines distract from the agency’s broader mission of protecting South Carolina’s public health. Each new special interest that wins an earmark takes more of DHEC’s attention away from its overall mission.

Veto 56 **Part IB, Page 344; Section 22, Department of Health and Environmental Control, Proviso 22.26 – Head Lice**

This proviso carves \$200,000 out of the rest of the Department of Health and Environmental Control’s budget in order to fund a statewide head lice program. These resources are insufficient to capably manage such an initiative; instead, this proviso has the effect of undermining the agency’s more critical programs.

Technology Upgrades

The Center for Digital Government is a respected national organization associated with the publishers of *Government Technology* magazine; they publish the biennial *Digital States Survey*, which grades the states based upon their governance, practices, and accomplishments in the IT arena. In the most recent survey, South Carolina tied with two other states for last place.

The vision and leadership provided by a Department of Administration would have gone a long way towards improving our IT capabilities and oversight. In the meantime, several agencies sought significant levels of funding for IT equipment through this year's budget.

Veto 57 **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 21, Secretary of State – Information Technology Upgrade: \$500,000**

Between the increases provided in Part IA and the revision to Proviso 74.1, the Secretary of State's office will receive an additional \$298,000 in the upcoming year. In the Executive Budget, I recommended that this agency receive \$250,000 in one-time funds for its technology needs, based upon my review of the application development projects the office intended to undertake with these new funds. Given the significant new resources that will now be at the Secretary of State's disposal, coupled with the fact that this one-time money is twice what I recommended, I have vetoed this line because I believe the agency can complete the necessary work with the resources at hand.

Veto 58 **Part IB, Page 471; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 20(a), Department of Natural Resources – Replacement of IT Equipment and Maintenance: \$1,260,505**

This is the precise amount that the Department of Natural Resources sought in one-time funding when it submitted its annual request to the Office of State Budget last fall. My staff subsequently met with DNR leadership and reviewed a more detailed itemization of this request. As a result, I supported only \$195,000 in one-time funding for DNR's IT needs in my Executive Budget to cover desktop computing equipment and the associated licenses that would be required. DNR proposed to use the remainder of the funds to deploy its own new servers, network infrastructure, and disaster recovery plan in isolation, instead of in collaboration with the Division of State Information Technology's government-wide solutions, as would be more consistent with generally-recognized best practices. When we fail to take advantage of opportunities to take an enterprise-wide approach to IT problems, as a comparably-sized private sector organization would, we achieve poorer outcomes and waste taxpayer dollars along the way.

Veto 59 **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 23, Commission on Indigent Defense – Information Technology Upgrade: \$101,000**

This budget increases state support for the Commission on Indigent Defense by about 75 percent. While I recognize that much of this new money will be allocated to legal defense, certainly, the Commission should be able to find enough to cover its most pressing IT needs.

Veto 60 **Part IB, Page 471; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 15(b), John de la Howe School – Information Technology Upgrade: \$200,014**

I approved the \$400,000 in Section 90 for seven cottages with significant deferred maintenance needs. The General Assembly’s revisions to Proviso 5.4 (JDLHS: Capacity) are a clear expression of the Legislature’s concerns with the enrollment levels at this facility. I share these concerns and believe we must first address these fundamental issues before undertaking a significant investment in the school’s technology upgrades.

Excessive Growth

Veto 61 **Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.29B, Non-recurring Revenue, Item 57, Budget and Control Board – Rural Infrastructure Fund: \$3,000,000**

According to the Office of State Budget, the Rural Infrastructure Fund has \$20 million unspent in the bank already. It is unnecessary and excessive to devote an additional \$3 million to the Fund.

Veto 62 **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 26, Vocational Rehabilitation – Restoration of Vocational Rehabilitation Program - State Matching Funds: \$1,000,000**

In the Executive Budget, I recommended \$2.5 million in additional General Fund support for the Vocational Rehabilitation Department. This represents an increase of more than 30 percent against the prior year. I have vetoed this particular line because it would add an additional \$1

million in new spending, and also because it would use one-time money to pay for what would become recurring expenses.

Veto 63 **Part IB, Page 471; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 16, Wil Lou Gray Opportunity School – Window Replacement: \$750,000**

I have vetoed this item because \$750,000 is an enormous amount of money, given the number of students who attend this school. Fortunately, there is another path to completing these energy-efficient improvements without making a major cash investment.

Through performance contracting, the school can finance the replacement of these windows using a portion of the energy savings to be realized. This would be a win for the school, the environment, and the taxpayer.

Veto 64 **Part IB, Page 470; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 8(b), Legislative Audit Council – Peer Review Audit - Government Auditing Standards: \$15,000**

Part IA of this budget provides the Legislative Audit Council with \$125,000 in new recurring funds. Even though this is more than I requested in the Fiscal Year 2012-2013 Executive Budget, I have not vetoed any of those additional resources. I should also note that I approved \$45,000 for the LAC’s technology needs in the Capital Reserve bill.

Given the amount of new money the LAC will receive this year – including through the Capital Reserve Fund – and in light of the fact that Government Auditing Standards only require that a peer review audit be performed every three years, I believe that the LAC can and should be able to fund its Fiscal Year 2012-13 audit through the \$160,000 in new money it will receive this year without this additional \$15,000.

Veto 65 **Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 46(a), Department of Agriculture – Marketing and Branding: \$500,000**

This budget provides \$700,000 more for the Department of Agriculture in Part IA than I recommended in the Fiscal Year 2012-2013 Executive Budget – \$500,000 for Marketing and

Branding and \$200,000 for Laboratory Services. I have accepted those increases, but I am vetoing the additional \$500,000 for Marketing and Branding that appears in Section 90. While I applaud Commissioner Weathers' achievements in making South Carolina produce world-renowned, this one-time money would be an unsustainable spike in resources. I believe Commissioner Weathers can continue to his successes within the means provided in his recurring budget.

Veto 66 **Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Item 46(c), Department of Agriculture – Market Operations: \$600,000**

When the Farmer's Market moved to Lexington County, we were told that the project would be financially self-sufficient. It is clear that this is not going to be the case. I have approved the \$400,000 requested for signage, fencing, and other infrastructure associated with the completion of the initial stage of this project, in part because the Department of Agriculture has provided assurances that by securing the perimeter of the facility, we would be able to dismiss some part-time security staff, thereby reducing the site's operating deficit. I cannot, however, approve an additional \$600,000 merely to plug the anticipated deficit for the rest of the year.

Veto 67 **Part IB, Page 470; Section 90, Statewide Revenue, Proviso 90.19 – SR: National Mortgage Settlement**

Since taking office, my top priority has been more jobs for South Carolina – which is why I've worked hard for tax cuts, tort reform, and other policies that are improving our business climate every day. Certainly tools such as the Closing Fund are useful for financing the infrastructure that helps us to attract and retain businesses, but at the same time, I consider it inappropriate to raid the proceeds of the national mortgage settlement in order to generate more resources for the Closing Fund.

Even without this proviso, the Closing Fund will receive \$15 million this year -- \$5 million more than last year. And there are other weapons in our economic development arsenal, as well. For instance, the SC Rural Infrastructure Authority currently has \$38 million at its disposal.

You have my commitment that we will continue to fight to bring jobs and businesses to South Carolina. We just don't need to do it like this.

Education

Veto 68 **Part IB, Page 331; Section 15, University of South Carolina, Proviso 15.3 – USC: School Improvement Council**

Veto 69 **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 28, Department of Education – SC School Improvement Council: \$35,000**

In preparing the educational funding proposals contained within my Executive Budget, I paid particular attention to rankings issued by the Education Oversight Committee. By EOC's standards, the above two programs in reference to the School Improvement Council do not make the grade. I agree with the assessments offered by South Carolina's educational experts: our instructional dollars can be better spent.

Veto 70 **Part IB, Page 471; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 14, Department of Education, Governor's School for the Arts and Humanities – Administration Building Construction: \$1,250,000**

I vetoed a personnel line for the Governor's School for Science & Math in Part IA, because I believed that it was excessive to increase that school's funding by more than 50% this year as this budget allows. Growth for the Governor's School for the Arts & Humanities is more restrained in this budget but is still present in the EIA's "Partnerships" lines. For the number of students who attend this school, I consider \$1.25 million for the construction of a new Administration Building to be excessive and unnecessary.

Veto 71 **Part IB, Page 407; Section 70, Legislative Department, Proviso 70.32 – LEG: EOC Efficiency Review**

Veto 72 **Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 56, Education Oversight Committee – School District Efficiency Review Pilot Program**

Proviso 70.32 tasks the Education Oversight Committee with responsibility for initiating an efficiency pilot program with as many as three school districts. Since the EOC lacks the resources to manage this program, this proviso is powered by a separate \$300,000 allocation in Section 90.

An efficiency program such as this is plainly beyond the scope of the EOC's mission. The fact that an outside consultant would need to be paid to administer this program makes the initiative's connection to the EOC all the more tenuous.

Superintendent Zais opposes this proviso in part because it usurps his agency's authority. If the General Assembly wishes to fund a K-12 efficiency program, it should reside with the Department of Education.

Ports

To be clear, voting to override these vetoes is a vote against the Jasper Ocean Terminal. These two provisos will jeopardize the Joint Project Office's efforts to move the JOT development forward, as they give the Savannah River Maritime Commission the authority to undermine the efforts of the JPO and put the project in jeopardy of default. I have repeatedly said that I support the development and expansion of all of our State's ports – Georgetown, Charleston, and Jasper – and will not choose one over the other. All of our ports are valuable assets that we must support. The Jasper Ocean Terminal is a viable and vital economic development project that will be a tremendous benefit to a rural area of the State. To move this project forward requires a vote to sustain these vetoes.

Veto 73 **Part IB, Page 402; Section 69, State Ports Authority, Proviso 69.4 – SPA: Joint Project Office Funding Approval**

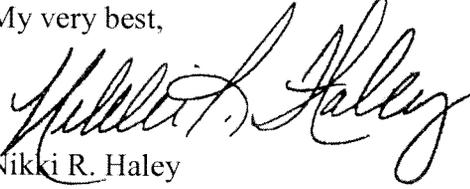
This proviso is unnecessary for two reasons. First, the State Ports Authority ended continued funding to the Joint Project Office in December of 2011 - a decision I did not support. Also, the JPO has voted to suspend spending due to pending litigation. Second, my goals and the tireless efforts of my appointee to the JPO, the only member from the Jasper area, are one in the same – to quickly move the development of the Jasper Ocean Terminal forward. The South Carolina delegation to the JPO should also have this shared goal.

Veto 74 **Part IB, Page 402; Section 69, State Ports Authority, Proviso 69.5 – SPA: Dredge Disposal Material**

This proviso will put the Jasper Ocean Terminal project in jeopardy of default. The 2008 Intergovernmental Agreement between South Carolina and Georgia declared from the outset that the JOT is a feasible and vital project and both states must take actions in good faith to further this project. This proviso gives the Savannah River Maritime Commission the discretion to re-evaluate the merits of this project and determine whether it is a "high priority project for the State" – a clear conflict with the Agreement.

For these reasons, I am vetoing the aforementioned line-items and provisos in R330, H.4813.

My very best,



Nikki R. Haley