



EXECUTIVE BUDGET SUMMARY

FY 2020-21

TAX AND REGULATORY REFORM

The FY 2020-21 Executive Budget provides \$428.5 million in savings for South Carolina taxpayers, representing one quarter of every new dollar in this budget, including:

- A \$250 million taxpayer rebate, to be distributed pro-rata based on amount paid;
- A 1% rate reduction over five years for all personal income tax brackets, starting with an immediate \$160 million cut that is paid for and certified in this budget; and
- An immediate and full retirement income exemption for military veterans and first responders, including retired state and federal law enforcement, firefighters and peace officers, representing \$18.5 million in relief the first year.

With \$1.8 billion in new revenue for FY 2020-21, we have a unique opportunity to make progress on multiple fronts. At the same time, the surplus makes clear: this is the year for tax reform.

Reducing the tax burden on South Carolina's people and businesses is one of the most important ways we can lay a foundation for future growth. Recently, Governor McMaster issued a \$69 million dollar (34%) cut to the unemployment insurance taxes paid by our state's employers thanks to successful reforms to our state's unemployment trust fund. This budget takes the next step to reduce impediments on our people and future prosperity.

South Carolina maintains the highest marginal tax rate (7%) in the southeast and the 12th highest in the nation. The FY 2020-21 Executive Budget proposes and pays for a 1% rate reduction over five years for all personal income tax brackets, resulting in \$2.6 billion in taxpayer savings. In the first year of implementation, taxpayer savings would constitute \$160,000,000.

Coupled with these savings, this budget again proposes sending money back to taxpayers in the form of a rebate check, totaling \$250 million – or a quarter of a billion dollars. The amount of the rebate for each individual taxpayer, regardless of filing status, will be based on the number of residents that filed a 2019 Individual Income Tax Return. The Department of Revenue will issue all rebates on a basis proportional to the amount paid.

Last year in his Executive Budget, Governor McMaster also proposed this initiative, and the final amount approved by the General Assembly totaled \$67 million. It was a start – but we should commit to returning tax dollars back to our people at every opportunity.

For the third year in a row, this budget includes a full retirement income exemption for military veterans and first responders, including retired state and federal law enforcement, firefighters and peace officers. This exemption would be effective immediately upon ratification and extend into perpetuity. Under Governor McMaster's plan, retired veterans and first responders will never pay state taxes on their retirement income again – ever.

The Office of Revenue and Fiscal Affairs has scored these proposals, determining that the majority of retired first responders under 65 will save an average of \$734 per year. Yearly savings for retired first responders over 65 will average about \$117 due to preexisting income deduction eligibility (at a total of \$9,351,000). For military retirees, yearly savings will average \$402 for those under 65 and \$68 for those over 65 (at a total of \$9,181,615).

Altogether, taxpayer savings in this budget total \$428,532,615 – or 24% of the total surplus revenue. This fiscal year, roughly one quarter of every new dollar is going back to the taxpayer.

Regulatory Reform. The costs of regulatory creep are well studied. Nationally, according to estimates by the Competitive Enterprise Institute, regulatory compliance costs total \$1.9 trillion, constituting a “hidden tax” of \$14,615 annually per household. Researchers at the Mercatus Center at George Mason University have estimated that federal regulation is slowing national economic growth by about 0.8 percentage points a year.

But regulations also have the pernicious effect of distorting markets by influencing the decisions of companies – often serving as the determinative factor in where a company decides to do business. In South Carolina, Governor McMaster has focused on eliminating overburdensome regulations to better facilitate innovation, investment, vision, creativity and prosperity. In April of 2017, he issued an executive order requiring a reduction of regulatory scope and impact. Later that year, he embarked on a statewide listening tour to solicit suggestions from Main Street business owners about ways government can make it easier for them to do business.

South Carolina’s reputation as an attractive destination for business has benefited from this reform-based approach, as demonstrated by our strong economic performance. However, other states are always working to catch us; we must keep and enhance our competitive edge if we are to build for an even better tomorrow.

New legislation introduced by Senator Tom Davis (S. 902) in partnership with the Governor’s Office would require all future governors to submit a biennial report to the General Assembly concerning statutes and regulations that he or she has determined to be burdensome. The report would include: statutes to be repealed or amended; regulations to be repealed, codified or amended; boards, commissions, agencies to be eliminated, restructured or repurposed; and practices, procedures or protocols created by a state agency to be eliminated or amended. This legislation should be promptly passed and implemented.

EDUCATION

The FY 2020-21 Executive Budget provides:

- \$213.5 million for a \$3,000 across-the-board pay raise for every one of South Carolina’s 52,733 teachers and \$13.8 million for additional teacher recruitment and retention;
- \$52.7 million to expand full-day 4K offerings for all Medicaid-eligible children and children whose family income is 185% or less of the federal poverty index, and \$4 million for early childhood education in rural South Carolina;
- \$21.7 million to increase base student cost to account for inflation, as well as a \$10-per-student increase at a cost of \$9.4 million, with an additional weighting for students with multiple disabilities at a cost of \$45.2 million;
- \$70 million for the purchase of new instructional materials at our K-12 institutions;
- \$47 million for school bus purchases and leases;
- \$24.5 million for school resource officers and mental health counselors at our K-12 institutions;
- \$1.2 million for computer science education;
- \$26.1 million for tuition mitigation at our institutions of higher education;
- \$162 million from last year’s Capital Reserve Fund for deferred maintenance at our institutions of higher education; and
- \$54.2 million in South Carolina Education Lottery proceeds for need-based grants.

South Carolina has made great strides in education over the past year. In the FY 2019-20 Appropriations Act, we invested \$159 million dollars in our teachers, raising salaries across-the-board by 4% with the goal of recruiting new teachers and reversing the trend of losing them before their fifth year in the classroom.

We also invested in rural South Carolina – providing the “spark” for recruiting new jobs and investment into our state’s most impoverished school districts. The Rural School District Economic Development Closing Fund will enhance recruitment of companies in areas of the state they might not otherwise consider – creating jobs, infrastructure and long-term revenue.

In his 2019 State of the State Address, Governor McMaster said, “the words ‘Corridor of Shame’ will be a distant memory.” Indeed, five years after the *Abbeville* ruling’s criticism of “the creation of school districts burdened with administrative costs disproportionate to their size,” districts are finally consolidating. Hampton School Districts 1 and 2, Barnwell School Districts 19 and 29,

Clarendon School Districts 1 and 3 – all are currently in the process of joining together to reduce overhead, create efficiencies and put more dollars into the classroom where they belong.

This Executive Budget demonstrates Governor McMaster’s continued commitment to investing in students, parents and teachers.

Teacher Salaries. Teacher vacancies in our public schools continue to pose an obstacle – particularly in rural areas.

According to the December 2019 report from the South Carolina Center on Educator Recruitment, Retention and Advancement (CERRA), 6,650 teachers left the classroom at the end of the 2018-19 school year, leaving 555 vacant positions at the start of fall 2019 as compared to 621 in the fall of 2018. Fewer teachers have retired since the Teacher and Employee Retention Initiative was eliminated in June of 2018.

Of those leaving, 36% of teachers taught for five years or less, while 13% left after one year or less of teaching. As a state, we need more specific information on why teachers leave. A considerable number of teachers (40%) state personal/family reasons. However, it is likely that many are less than candid about their reasons for leaving, especially if they are related to job dissatisfaction.

We know that low pay remains a key contributing factor in the ongoing teacher shortage. We must continue investing in our teachers, and in future teachers, to ensure that our young people receive the best education possible. To facilitate robust recruitment and retention, salaries must be competitive with fellow teachers in the southeast – and compelling enough to attract more to enter the profession.

By paying teachers more, we will send a strong message: South Carolina is serious about education, South Carolina is investing in education and South Carolina will continue to do so.

This budget proposes a \$3,000 pay raise for every one of our state’s 52,733 public school teachers – 100% paid for by the state. This \$213.5 million investment represents an average of 7% per teacher – and an 8.6% increase over the minimum starting salary for new teachers entering the profession.

The adjustment will boost our state’s national ranking from 41st into the top 25 states for average teacher pay. Further, it will constitute a substantial cumulative increase; in the last three years, the minimum starting salary for new teachers will have gone up by 26%, from \$32,000 to \$38,000. In 2020, South Carolina teachers will make \$2,456 above the southeastern average for the first time in decades.

This budget also increases the amount of Education Improvement Act (EIA) reimbursement funds available for teacher supplies from \$275 to \$400 per teacher. We know that teachers spend substantial dollars out-of-pocket for supplies each year; this will ensure they are fully reimbursed for their personal investments in students and classrooms.

We must do more. We must reform our education delivery system in South Carolina. We must not only act to directly impact teachers, but students as well – from birth to graduation.

Full-Day 4K. Poverty is the enemy of education. Some of our children live in circumstances so dire that education is but a fleeting experience. For parents struggling to put food on the table, building a strong educational foundation can be a challenge.

It is time that we invest in early childhood education. It is time that we offer choice for those without any.

In 2018, only 37% of young people in our state entered kindergarten ready to learn. High quality, full-day 4K programs – especially for our most at-risk youth – provide a tremendous return on investment through better kindergarten readiness rates and higher graduation rates. We know that children in poverty who attended full-day 4K programs in public schools outperformed their peers who did not.

In 1984, the creation of the EIA led our state’s first investment in early childhood education by creating and funding half-day 4K programs. Then, in 2006, the General Assembly funded full-day 4K programs for four-year-olds in poverty who lived in districts named in the *Abbeville* suit.

Over the past 13 years, the program has gradually expanded, allowing four-year-old children living in districts with a poverty rating of 70% or greater to participate in a full-day kindergarten program provided in either a private child care center or public school. Yet, today, four-year-old children in only 62 of the 79 traditional school districts in our state are eligible to participate. In these 62 districts – of the 20,253 children eligible to participate – 77% participate in Head Start or the state-funded full-day 4K program. A total of 80% attend public schools, while 20% attend private child care centers.

In the remaining 17 school districts, there are an estimated 13,000 “at risk” four-year-old children who are unable to attend a full day kindergarten like their “eligible” peers in the 62 school districts.

A 2019 study from University of Colorado Boulder entitled “The Effects of Full-Day Prekindergarten: Experimental Evidence of Impacts on Children’s School Readiness” explores the hypothesis that “expanding the length of the school day will provide children with more exposure to high-quality learning opportunities, which, in turn, will yield greater and longer lasting benefits.” The study provides compelling evidence that “a full-day, full-week preschool supports young children’s development.”

Such studies demonstrate what is already self-evident. We should provide all-day, high quality early childhood education for every four-year-old living in poverty in our state.

This Executive Budget proposes that the state invest an additional \$52.7 million in EIA funds to expand the existing full-day 4K program to all Medicaid-eligible children and children whose family income is 185% or less of the federal poverty index. This includes a significant increase in the per pupil reimbursement rate – from \$4,600 to \$4,800.

At a cost of \$52.7 million, this will almost double the number of four-year-old children eligible for full-day 4K. Not only will this expansion improve kindergarten readiness, it will empower parents to make the best decisions for their children. This proposal will expand where an eligible child may attend – including qualified parochial, private, independent or church schools. Allowing more institutions to enter the 4K realm will allow free market principles of competition to play a role in improving education outcomes by incentivizing schools to improve effectiveness and innovation.

This expansion can be entirely paid for with new penny sales tax revenue, which is projected to increase \$69.5 million in FY 2020-21. But revenues alone will not be enough to meet this challenge. Health care providers, faith-based organizations and non-profit organizations all have a role to play in laying a foundation for our children’s future success.

Governor McMaster is directing the Office of First Steps to develop a statewide strategy to improve services to children and their families from birth to age three. The Governor’s Office will work with the First Steps board to set goals for serving a higher proportion of our at-risk children and establish a plan and timetable for reaching this goal. The board will establish priorities in early childhood programs that will target services to the most at-risk students so that available resources meet the greatest need.

The Governor is proposing an additional \$3 million in EIA funds for the Office of First Steps to accomplish these objectives. Applications must address the needs of children living in Tier III or Tier IV counties, our most rural.

This executive budget also includes \$1 million in EIA funds for Save the Children – the national non-profit which helps expecting and new parents learn how to provide early childhood education for their children to strengthen their language, math, social and emotional development.

State Aid to Classrooms. With \$1.8 million in surplus revenue, we should dedicate additional resources into our classrooms where they will make an impact. This budget includes a \$21.7 million increase in state aid to classrooms to account for inflation, as well as a \$10-per-student increase in the base student cost at \$9.4 million, with an additional weighting for students with multiple disabilities at a cost of \$45.2 million. Coupled with salary increases for teachers, this budget’s investment in classrooms totals \$289,779,302.

Studies show that students’ anxiety and stress related to social media are reduced when cell phone access during school hours is prohibited. We all know that cell phone use is distracting. This budget includes an anti-bullying proviso which requires school districts to implement policies prohibiting the use of cell phones or other personal electronic communications devices before they receive any increased funding for base student cost. Teachers should be free to teach and students free to learn without the burden of added distraction.

This budget also includes \$71 million for the purchase of new instructional materials. South Carolina schools have not replaced their mathematics text books since the elimination of “Common Core” in 2015. These dollars will allow them to finally purge these outdated books from

shelves and refocus instructional efforts on an approach tailored to the needs of South Carolina students.

For the third year in a row, this budget commits to replacing our aging fleet of school buses. While past budgets have successfully gotten fire-prone buses off the roads, we should continue to cycle out older vehicles – leasing when possible to reduce ownership of aging assets. The FY 2020-21 Executive Budget includes \$15 million in recurring dollars to lease new buses and \$32 million in non-recurring dollars for purchases.

Students must be prepared to compete in the 21st century economy. According to the 2019 State of Computer Science Report released by Code.org, South Carolina gets high marks for being one of only two states in the country (along with Nevada) to have computer science graduation requirements. However, the report also highlighted the need for our state to complete and publish a state plan for K-12 computer science.

While all South Carolina school districts are now required to offer computer science, classroom offerings can vary wildly from school to school – some might offer coding, while others might offer less challenging coursework. This Executive Budget provides \$1.2 million for coding and computer science regional specialists and materials. The South Carolina Department of Education (SCDE) will develop a state K-12 computer science plan to be reviewed and approved by the State Board of Education, which will include timelines and strategies for achieving the goals by December 30 of the fiscal year.

School Safety. Last year in his executive budget, Governor McMaster requested \$46 million to advance the goal of placing a trained police officer at every school in every county – all day, every day. The General Assembly appropriated \$10 million in the FY 2019-20 Appropriations Act. It is time that we fulfill our commitment to students and parents. This budget offers \$23.4 million to continue and complete this process.

The Governor’s Executive Budget also funds the Department of Mental Health’s school mental health services program in the amount of \$1.1 million. This funding will allow DMH to hire more counselors to assist troubled youth and recognize warning signs of violent behavior before it occurs.

Future Reform. Last year, Governor McMaster, Speaker Lucas and President Peeler called on the Office of Revenue and Fiscal Affairs (RFA) to objectively review South Carolina’s outdated education funding formula and suggest a new, more efficient and modern funding model for the General Assembly to consider. In October, the final report proved much of what we already believed to be true – the manner in which we fund K-12 education is confusing, not working and no longer sustainable. We have no easy solution nor a quick fix before us.

Education reform means accountability, efficiency and transparency for local school boards and administrators – ensuring taxpayer dollars are being properly delivered and utilized in the classrooms. It means removing outdated, inefficient and confusing testing and paperwork from the classroom so that teachers can teach and students can learn.

The House of Representatives has passed a comprehensive education reform bill, and the Senate is working on their own version. Through collaboration and cooperation, working together as a team, we can deliver a modern education reform plan that will deliver real results in all of South Carolina’s classrooms.

Higher Education. For too long, rampant spending at our institutions of higher education has resulted in skyrocketing tuition rates. In 2018, South Carolina led the nation in student debt. This is one “number one” we do not need. In South Carolina, graduates leave school with an average debt of \$26,535. Pennsylvania is second with \$26,084. Alabama is third with \$25,917.

Last year, Governor McMaster proposed and signed into law a tuition mitigation plan which placed a 7% increase in higher education’s base appropriation (totaling \$42 million) with schools, which then had to verify that they had not increased tuition before spending a single dollar. Public colleges that pledged to forego tuition increases received these dollars on a pro-rata basis after certification by the Commission on Higher Education (CHE).

This budget again increases base funding for higher education – by a level of 5%, or \$26,149,958 – to reflect inflation costs. These dollars will be placed directly with the institutions with the caveat that they be used contingent only upon certification by CHE.

Higher education has tremendous deferred maintenance needs which should not go ignored in a year in which the state has \$1.8 billion in new revenue. This budget proposes that the \$162 million now sitting in last year’s Capital Reserve Fund go directly to these institutions. This funding will be distributed pro-rata based on the number of in-state students at each school – and will constitute the largest deferred maintenance investment in years. Under this formula, every school in the state should get one of their top deferred maintenance priorities. Schools with large numbers of in-state students will see proportional benefit.

Deferred maintenance amounts by institution:

Two-, Four-Year and Research Universities

Institution	Non-Recurring Dollars
The Citadel	\$2,617,458
Clemson University	\$15,956,246
College of Charleston	\$7,136,986
Coastal Carolina University	\$5,699,867
Francis Marion University	\$3,963,701
Lander University	\$2,943,980
South Carolina State University	\$2,786,531
USC - Columbia	\$21,332,761
USC - Aiken	\$3,333,904
USC - Upstate	\$6,126,776
USC - Beaufort	\$1,870,368
USC - Lancaster	\$1,557,583

USC - Salkehatchie	\$922,503
USC - Sumter	\$1,088,406
USC - Union	\$1,130,674
Winthrop University	\$5,393,422
Medical University of South Carolina	\$2,120,807
<u>Total</u>	\$85,981,973

Technical Colleges

Institution	Non-Recurring Dollars
Trident Technical College	\$12,708,991
Northeastern Technical College	\$1,324,051
Florence Darlington Technical College	\$4,281,769
Greenville Technical College	\$11,121,820
Horry-Georgetown Technical College	\$5,583,629
Midlands Technical College	\$10,158,105
Orangeburg-Calhoun Technical College	\$2,482,200
Piedmont Technical College	\$4,634,708
Spartanburg Technical College	\$4,692,827
Central Carolina Technical College	\$3,742,849
Tri-County Technical College	\$5,929,172
York Technical College	\$4,324,037
Aiken Technical College	\$2,088,050
Denmark Technical College	\$471,291
Technical College of the Lowcountry	\$2,181,040
Williamsburg Technical College	\$778,793
<u>Total</u>	\$76,503,332

As Governor McMaster said back in 2017, we do not need another bond bill – this is why. Our success allows us to make a one-time investment in our institutions of higher education, without taking on any additional debt. We are making this investment in cash – not on a credit card.

It’s time to right-size our institutions of higher education. With this investment, there is an expectation that school administrators get control of tuition. If this investment is made and fees and costs continue to go up, it will constitute a break of faith with the citizens of this state, who in many cases are under-represented at our state colleges and universities.

We must redouble our efforts to ensure more of our in-state students are able to get an education in South Carolina. According to CHE, in FY 2018-19 the 33 public colleges and universities had a combined unmet scholarship need of \$59.8 million, while independent institutions had an unmet need of \$5.9 million. This budget endeavors to fill this gap, dedicating \$54.2 million in South Carolina Education Lottery proceeds for need-based grants. This allocation will provide

substantial relief for meritorious students who would otherwise have to take on debt to pay for their education.

ECONOMIC & WORKFORCE DEVELOPMENT

The FY 2020-21 Executive Budget provides \$109 million for workforce development, including:

- \$50 million for the creation or expansion of career and technical education center offerings in rural areas of the state;
- \$18 million for equipment for high-demand job skills training at our technical schools;
- \$10.3 million for readySC direct training; and
- \$30.5 million for workforce scholarships.

Economic Development. South Carolina roars into the twenties at the forefront of a new era of economic success and prosperity. Since 2017, we have announced nearly \$10 billion in new capital investment and close to 35,000 new jobs. Our unemployment rate is a record low of 2.4%, the second lowest rate in the country, and far outpacing the United States average (3.5%).

We have the ninth fastest growing population in the nation; since 2000, we have added more than one million new residents. In recent years, we've added approximately 60,000 people annually – an average of more than 170 each day.

According to *Area Development* magazine, South Carolina places third overall for best places in the country to do business, second for workforce development programs, third for cooperative and responsive state government, fourth for favorable regulatory climate and fifth for most competitive labor climate. We are open for business.

Workforce. Prosperity requires businesses have access to a pipeline of future employees who are trained, educated and ready to work.

According to *U.S. News and World Report*, South Carolina is ranked in the top 5% for high potential for job growth, especially in manufacturing, technology, health care and engineering fields. But there is a flip side to this prosperity. Businesses are struggling to fill vacancies in their workforce. The labor market is tight. Competition for workers is fierce. And some businesses are closing – not for a lack of customers – but because they cannot find enough staff.

According to the South Carolina Department of Employment and Workforce, “critical needs” jobs account for 45% of the workforce, while only 29% of people have the necessary skills to fill those jobs. And, according to a report by the Lumina Foundation, by 2025, 60% of Americans will need some type of high-quality credential beyond high school to participate in the workforce.

We have the people and all the resources that we need – what is important is that we expand our investment in retraining and technical education to ensure our workforce continues to play a decisive role in recruiting new business. New efforts like The Continuum in Lake City are

working to reach students at a younger age to prepare them for careers in advanced manufacturing or other industries.

This budget provides over \$109 million for South Carolina workforce development. That includes \$18 million for equipment for high-demand job skills training at our technical schools, \$10.3 million for readySC direct training and \$30.5 million for workforce scholarships. It also includes \$1.4 million for Jobs for America's Graduates (JAG), the national non-profit which helps at-risk and disadvantaged students achieve career success. Since its inception in 2009, JAG-SC has launched 2,623 high school seniors with an average 96.57% Graduation Rate. This funding will allow JAG-SC to expand to hire new teachers and expand to ten new sites throughout the state.

This budget also allocates \$50 million for the creation or expansion of career and technical education center offerings in rural areas of the state. These career and technical education center grants will be utilized to provide students and adults with college courses and workforce training designed to address the identified needs of local business and industry. Per proviso, grants will only be available in counties with one school district.

The 2020-21 Executive Budget also dedicates more than \$1.5 million to the South Carolina Vocational Rehabilitation Department to help individuals with barriers achieve employment success. This includes money for new equipment furthering job-driven credential attainment to better meet the needs of our thriving manufacturing industry.

In 2018, Governor McMaster asked our state Health and Human Services Director Josh Baker to request a waiver from the federal government that would allow the state to require certain able-bodied recipients of public assistance to pursue 80 hours a month of community engagement, education, job training or employment.

Recently, Governor McMaster created the "State Community Engagement Implementation Task Force" to coordinate efforts between the numerous agencies and entities necessary to implement the new requirements and begin adding new skilled, trained and educated workers to our workforce.

This initiative will result in a healthier South Carolina by encouraging able-bodied Medicaid recipients to engage in their communities, further their training and education, and eventually find gainful employment rather than relying on temporary government assistance.

PUBLIC SAFETY

The FY 2020-21 Executive Budget includes:

- \$38.2 million in new, recurring dollars for law enforcement and criminal justice recruitment and retention;
- \$100 million nonrecurring for safety and security upgrades and \$29.5 million in recurring dollars for health services and expansion of the Gang Enforcement Security unit at the Department of Corrections;
- \$15 million for cybersecurity efforts at the Aiken Readiness Center;
- \$5 million to revitalize state armories; and
- \$2.5 million to expand the South Carolina National Guard College Assistance Program (SCNG CAP).

The most important role of government is protecting its citizens. As the state's former top law enforcement official and current chief executive, Governor McMaster remains dedicated to vigorous enforcement of the law and supporting our public safety officials in every capacity.

According to the South Carolina Office of Highway Safety, 978 people were killed on highways in South Carolina in 2019. The year prior, we lost over 1,000. A more robust Highway Patrol presence on our roads will have a deterrent effect on reckless and drunk driving.

In November, the Governor nominated North Charleston Police Chief Reggie Burgess as the new Director of the South Carolina Department of Public Safety (DPS). One of the finest leaders that South Carolina has ever produced, Chief Burgess has a remarkable record of achievement. As director, he will restore morale, recruitment and retention of additional troopers while also addressing discipline and grievance policies.

Currently, there are 130 vacancies at DPS – this governor is committed to putting 100 new troopers on the roads within one year. This budget dedicates \$38.2 million in new, recurring dollars for recruitment and retention – not just at DPS, but across all law enforcement agencies ensure a safer, more secure South Carolina.

That includes: \$8.5 million for recruitment and retention of officers, teachers and health professionals at the Department of Juvenile Justice (DJJ); \$5.5 million for recruitment and retention at the State Law Enforcement Division (SLED); \$2 million for recruitment and retention at the Department of Probation, Parole and Pardon Services; and \$2 million for recruitment and retention at the Department of Natural Resources (DNR).

Every member of the General Assembly is aware of the struggles facing the men and women working at our Department of Corrections (SCDC). Each day they are confronted with the challenges of contraband, violence, gangs, staffing, health care and facilities that are inadequate, outdated or simply broken.

This year our investment is dramatic in both size and message. This budget invests over \$100 million dollars toward making our prisons safer and more secure, both inside and outside the fence, by replacing and repairing existing infrastructure, facilities and control systems.

This budget also commits \$29.5 million in recurring dollars for health services at SCDC and for expansion of the Gang Enforcement Security unit.

Military and Veterans. South Carolina is a military state. We have more than 50,000 active duty and reserve members of the military, eight major military installations and more than 400,000 veterans in South Carolina. 50% percent of all soldiers entering the Army each year come through Fort Jackson. Victory starts here and victory lives here.

That is why it is important that we make veterans an even greater priority. We must ensure they receive the benefits and access to services that they earned over a lifetime of protecting our country.

Governor McMaster was proud to work with the General Assembly to support legislation creating the South Carolina Department of Veterans' Affairs. Veterans in South Carolina will now have a gubernatorial-appointed secretary leading this cabinet-level agency to act as their advocate on the state and federal level.

Lt. Col. Bobby Cox is a skilled, capable leader with decades of experience in military and government. As secretary, he will assist former, present and future members of the armed services of the United States in South Carolina by advocating for and assisting in securing benefits for veterans and their dependents from the federal government – for pensions, medical care, mental health and rehabilitative services, housing, job placement and education.

This budget provides \$37,888,352 for two new veterans nursing homes (with locations to be determined by the agency). It also provides \$2.5 million to expand the South Carolina National Guard College Assistance Program (SCNG CAP). Currently, SCNG CAP offers financial assistance to members of the South Carolina Army and Air National Guard as an incentive for enlisting or remaining for a specified period of time in either body. Recipients may receive up to a maximum of \$4,500 for the Army National Guard and up to a maximum of \$9,000 for the Air National Guard per academic year, with the cumulative total not to exceed \$18,000. In many cases, these dollar amounts are not sufficient to cover all tuition costs at our state institutions of higher education. With this additional investment, based on last year's numbers, SCNG CAP recipients will have all of their tuition covered.

We should always seek to honor and reward those that dedicate their time and efforts to serve our nation. This adjustment will do so – and may also encourage more in-state enrollment in the process.

Let it be known: if you join the South Carolina Army or National Guard, and you meet qualifications, your tuition will be paid for – all of it.

This budget includes \$15 million for phase two of construction of the Aiken Readiness Center – a state-of-the-art facility that will provide cyber training and modernization of the National Guard’s cyber mission. The facility will provide the basis for a collaborative effort between military, education, business, industry, and research centers to be able to protect the infrastructure and continue to attract new industry to the state. It includes \$5 million for armory revitalization to address current and on-going facility revitalizations and assist in eliminating the backlog of deferred maintenance.

GOOD GOVERNMENT

The FY 2020-21 Executive Budget includes:

- \$22.6 million to end roll-up appropriations and replace them with a competitive grant appropriation for each agency;
- \$33,000,000 for merit-based raises for state employees;
- \$9,000,000 in recurring dollars for one free wellness visit – for every employee and dependent;
- \$69 million in new, recurring dollars for the Department of Social Services to better provide for in-home, trauma-informed, evidence-based prevention services to children and families; and
- \$8 million in new dollars for addiction services and the Substance Abuse Provider System.

Budgetary Reform. Too often, the General Assembly uses the practice of “rolling up” funding in the budget for individual earmarks, pet projects and “pork” commonly intended for local projects by in certain legislators’ districts. They are placed on lines inside a specific state agency budget and given vague names like “Parks Revitalization” and “Sports Marketing.” Ninety percent of the membership – and one hundred percent of the public, to whom these tax dollars actually belong – is unaware of the intended recipients of these appropriations, as no public list is provided. In practice, months after the budget has become law, an agency head is contacted by legislators or their staffers and instructed where and to whom these funds are to be sent.

Last year, Governor McMaster vetoed over \$20 million in “roll up” funds in the FY 2019-20 General Appropriations Act and provided the following explanation:

“This line represents a pass-thru earmark void of necessary transparency. The appropriation lacks disclosure or explanation, justification, description, purpose, location or amount. These earmarks should be publicly disclosed and debated through the normal appropriations process and allowed to stand on their own merits, not rolled up into one line thereby sheltered from scrutiny.”

These vetoes were subsequently overridden by the General Assembly and became law. This has become a routine exercise between governors and the legislature.

This budget takes an unprecedented step toward maintaining the public’s trust in government by implementing new procedures to ensure transparency in the appropriations process – ending roll-ups and replacing them with a competitive grant appropriation for each agency. Agencies shall establish a process for entities, organizations and individuals to apply for funding. Applications will be required to provide detailed explanation, justification, description and intended use of

these funds. Agencies shall also post online all information about grants, the application process, required criteria and award information.

In the future, organizations, festivals, tournaments and other standard recipients of earmarked dollars will apply for these grants and awards will be determined through a merit-based process established by an agency director. This new process will be transparent and accountable to taxpayers. Moreover, it will demonstrate to the people of South Carolina that their money is being spent wisely.

Amounts appropriated to each agency will be based on last year's funding levels, totaling \$22,630,000. Line-item appropriations are clearly delineated in this budget, as follows:

- Archives and History - \$5,400,000
- Arts Commission - \$450,000
- Health and Human Services - \$3,500,000
- Parks, Recreation and Tourism - \$6,500,000 (Parks Revitalization); \$4,500,000 (Sports Marketing)
- Public Safety - \$2,000,000 (Local Law Enforcement Grants)
- Labor, Licensing and Regulation - \$280,000 (Local Fire Department Grants)

Revenue expenditures should always be listed on the line. The Governor has made clear – if the General Assembly allows these allocations to stand on their own merits, he will issue a veto only where they fail to live up to the standards expected by the taxpayers, who are the true owners of every government brick and building in the state.

Ethics. South Carolinians must trust their representatives, and representatives must demonstrate they are deserving of that trust.

Along with former Attorney General Medlock, Governor McMaster co-chaired the South Carolina Ethics Commission, and made a series of ethics reform recommendations – some of which have been implemented, and some of which have not. It is the continued goal of this administration to see them all enacted.

South Carolina needs stronger and expanded investigative authority for the State Ethics Commission to obtain, verify and confirm information related to campaign finance disclosures and statements of economic interest. This budget doubles the registration fee for lobbyists from \$100 to \$200, allowing for increased investigation and enforcement efforts by the State Ethics Commission.

We should require anyone paid to influence decisions made by county, city or town councils to register as lobbyists. And we should require that Members of the General Assembly comply with the Freedom of Information Act (FOIA). After all these years, the legislature still shields itself from FOIA requests. If we are to hold all public servants accountable, this self-imposed exemption must end.

Raises and Wellness Visits for State Employees. Our booming economy and record low unemployment sometimes put state agencies at a disadvantage with the private sector filling jobs. Right now, there are more than 8,700 vacant full-time employee positions in state government (excluding higher education). Government should run like a business so it should compete like a business, too.

This budget allocates \$33,000,000 for merit-based raises for state employees, based on the agency director's discretion and with a salary cap of \$100,000. At their discretion, agency directors will now have a new opportunity to reward those employees who deserve and require a salary adjustment so we do not lose them to the private sector.

The FY 2020-21 Executive Budget also provides \$9,000,000 in recurring dollars for one free wellness visit – for every employee, each year. In the long run, this will save us millions of dollars, while ensuring a healthier, happier South Carolina.

Health. Improving the health and well-being of all South Carolinians is a top priority for this administration.

According to a study by the National Alliance on Mental Illness, one-in-five adults and 17% of youth in the United States experience some form of mental illness. In South Carolina, 4.5% of the population lives with serious mental health conditions like schizophrenia, bipolar disorder and major depression.

The people at DMH do admirable, effective work to provide medical and support services for children, adults and families impacted by mental health issues in South Carolina. Their staff are silent heroes. This Executive Budget provides \$3.5 million for recruitment and retention at DMH, as well as \$2 million to combat suicides at DMH facilities.

Protecting South Carolina's young people and vulnerable adults is one of the most important duties with which we are tasked in state government. In March, Governor McMaster nominated Michael Leach to serve as director of the South Carolina Department of Social Services (DSS). A trained mental health clinician, Leach has brought transformative leadership to DSS. This budget includes \$69 million in new, recurring dollars for the Department of Social Services for recruitment and retention and to better provide for in-home, trauma-informed, evidence-based prevention services to children and families.

The ongoing opioid crisis remains a key contributing factor to South Carolina's health woes. According to RFA, 10,717 patients were discharged from emergency departments and inpatient departments with issues related to opioid use/dependence in 2017. We are taking the steps to stop this scourge.

In December 2017, Governor McMaster declared the state's opioid crisis to be a public health emergency and established the South Carolina Opioid Emergency Response Team (SC OERT). Since its founding, the SC OERT has developed a multilateral strategy to prevent and treat the misuse of prescription opioids and use of illicit opioids in order to strengthen the health and well-being of the citizens of South Carolina. This budget dedicates \$8 million in new dollars for

addiction services and the Substance Abuse Provider System. With this funding, the South Carolina Department of Alcohol and Other Abuse Services will be better able to ease the trauma and anguish attendant to prescription painkiller abuse.

Pensions. We have been ringing the alarm bell for years. South Carolina's \$24 billion unfunded pension liability threatens to place unprecedented strain on state government if steps are not taken to address this crisis.

In 2017, Governor McMaster signed into law legislation increasing employee and employer contributions to the South Carolina Retirement System (SCRS) and Police Officers Retirement System (PORS), an unfortunate but necessary first step to begin reducing the state's unfunded liability. It is time for the legislature to make some hard decisions and implement systemic reforms to correct this problem.

We must maintain our commitment to the 11.5% of South Carolina's population that relies on state retirement systems, while protecting taxpayers from bearing any additional financial burden caused by inaction or indecision. That means enacting a date-certain transition away from defined benefit pension plans to defined contribution retirement plans for new state employees.

This budget includes proviso language which closes enrollment in the South Carolina Retirement System (SCRS) to new members. A person who otherwise would have been required or eligible to become a member of SCRS and employed by the state after December 31, 2020, instead shall join the State Optional Retirement Program (State ORP) administered by the South Carolina Public Employee Benefit Authority (PEBA).

Adopting this reform will require a concerted expenditure of political willpower on behalf of the General Assembly. Yet, it pales in comparison to the cost of inaction, which threatens a much more permanent paralysis.

ENERGY & ENVIRONMENT

The FY 2020-21 Executive Budget provides:

- \$10 million in non-recurring dollars to the Medical University of South Carolina (MUSC) to connect campus storm water drainage to the City of Charleston’s deep well storm drainage project;
- \$7 million in non-recurring dollars and \$559,697 in recurring dollars for the creation of the “Waties Technology, Education and Research (WATER) Station” on Waties Island, South Carolina;
- \$1.5 million to continue with development and implementation of the State Water Plan;
- \$10 million for rest area renovations, \$7.6 million to revitalize our welcome center facilities, \$2 million for destination specific tourism marketing, \$1 million for advertising and \$5 million in non-recurring dollars for the Medal of Honor Museum at Patriot’s Point – with \$8 million dedicated to deferred maintenance at our state parks; and
- \$5.8 million to the South Carolina Department of Transportation to hire contractors to assist with litter control on our 41,500 miles of state-owned roads.

In 2004, the Sierra Club named then-Attorney General McMaster the public servant of the year. In the ensuing years, McMaster has remained a steadfast, unwavering advocate for protecting our environment and precious natural resources, which drive a \$22 billion annual tourism industry – our state’s largest. This governor will never take a chance with our trees, mountains, rivers, lakes, flora, fauna or any one of our 187 miles of coastal shoreline – ever.

Floodwater. In 2019, we largely escaped the wrath of a major hurricane – but we know well what to expect. Four major flooding disasters affected South Carolina in the period between 2012 and 2018. Collectively, these events resulted in 37 deaths and harm to nearly 150,000 homes. Damages exceeded \$800 million, with an estimated total loss of \$320 million in tourism dollars.

Hurricanes and flooding are challenges of the utmost urgency. That is why this governor has taken a proactive approach to protect our people, property and way of life.

In the one year since the creation of the South Carolina Floodwater Commission, this state has seen unprecedented, bipartisan collaboration and cooperation – across all levels of government, academia, the military, the private sector and non-governmental organizations. Thousands of hours of volunteerism have gone into producing a report which endeavors to address our many challenges in a balanced, holistic manner.

South Carolina cannot solve the world's problems. We *can* solve our own – and we can set an example for the rest of the world to follow. The Floodwater Commission's report sets out short- and long-term recommendations to alleviate and mitigate flooding in South Carolina.

We must address deferred maintenance of our state's drainage systems. We must plant more native vegetation – to deter erosion and aid in groundwater infiltration. We must protect, replenish and expand our marshes. We must develop centralized, streamlined resiliency and response strategies. And, we must ensure under-resourced local governments have the means to apply for and access much-needed recovery funds.

Most importantly, we must continue to have an honest and open discussion regarding the flood-related challenges that we all face. Together, Team South Carolina can – and will – be a world leader in water management.

The Floodwater Commission's recommendations will take some time to implement. However, certain items require action immediately – without delay. The FY 2020-21 Executive Budget provides \$10 million in non-recurring dollars to the Medical University of South Carolina (MUSC) to connect campus storm water drainage to the City of Charleston's deep well storm drainage project.

Since 2015, MUSC has experienced at least one major flood annually. King tides and summer storms are increasing in frequency, creating flooding several times each year. These events render campus roads impassable, turning health care facilities into islands and delaying or blocking emergency access. This funding will mitigate flooding by enabling the existing campus storm water drainage system to operate and discharge storm water from the streets. More importantly, it will reduce risk to patients and staff, ensuring ongoing access to the life-saving health care provided in the Charleston Medical District.

The 2020-21 Executive Budget also includes \$7 million in non-recurring dollars and \$559,697 in recurring dollars for the creation of the "WATies Technology, Education and Research (WATER) Station" on Waties Island, South Carolina. This state-of-the-art new facility will foster collaboration among state agencies while serving the research, education and extension missions of partnering universities. It will support innovation, exploration, communication, guidance and training in key thematic areas related to flooding and erosional pressures facing the state. And, it will serve as a base for the South East Atlantic Econet's environmental measurements and innovation initiative.

This budget also calls for the creation of a chief resilience officer position to be appointed by the governor. The chief resilience officer shall be responsible for creating a best-in-the-nation strategic resilience plan so that the state can maximize federal assistance on critical policy and projects and provide coordination across all relevant agencies to facilitate rapid response to future crises as they arise.

Water is a shared resource that is vital to our state. We have a responsibility to plan for its future. The South Carolina Department of Natural Resources (DNR) is leading the effort to create an updated State Water Plan with the goal of ensuring sustainable water supplies and resources for

current and future generations. This budget commits \$1.5 million to help DNR develop a plan for the Pee Dee River Basin.

Offshore Drilling. President Reagan recognized that, “If we've learned any lessons during the past few decades, perhaps the most important is that preservation of our environment is not a partisan challenge; it's common sense. Our physical health, our social happiness, and our economic well-being will be sustained only by all of us working in partnership as thoughtful, effective stewards of our natural resources.”

We must be stewards of our natural resources – and that means protecting our coastline. Nearly every town council along the coast has voted to oppose offshore drilling and seismic testing. They are right to do so. Our commercial seafood fishing industry enjoys a vibrant offshore ecosystem. The impacts and habitat disruption that marine life might suffer due to seismic testing is simply not worth whatever benefit our state might see from placing oil rigs offshore.

The governor is profoundly concerned about the construction of industrialized infrastructure required to support offshore drilling operations. Massive refineries, gas storage tanks, maintenance and operating facilities are not economically compatible with existing coastal residential and resort development, protected sea islands, estuaries and tidal marsh refuges.

Governor McMaster commends the Trump Administration for their decision to shelve plans for offshore drilling in the Atlantic. South Carolinians can remain confident that we will continue our efforts to protect our pristine coastline and invaluable tourism industry from this destructive threat.

Parks, Recreation and Roads. To keep and enhance our thriving tourism industry, this budget invests significant dollars in our state parks, providing \$10 million for rest area renovations, \$7.6 million to revitalize our welcome center facilities, \$2 million for destination specific tourism marketing, \$1 million for advertising and \$5 million in non-recurring dollars for the Medal of Honor Museum at Patriot’s Point – with \$8 million dedicated to deferred maintenance at our state parks.

This budget also provides \$5.8 million to the South Carolina Department of Transportation to hire contractors to assist with litter control on our 41,500 miles of state-owned roads. If we allow our state to be trashed, not only will it hurt tourism, it will destroy for future generations that which makes us special – the mountains, the beach and everything in between.

Money alone will not solve this problem; volunteerism and good citizenship is key. In November, hundreds of volunteers picked up thousands of pounds of litter throughout the state as part of Lieutenant Governor Pamela Evette’s “Grab a Bag” anti-litter campaign. We can legislate, and we can promulgate policy. But there is simply no substitute for this type of engagement.

It is how government is supposed to work. It is how communities are supposed to work. And it is emblematic of the spirit of this great state.

INFRASTRUCTURE

The FY 2020-21 Executive Budget provides:

- \$5 million for continued construction of the Jasper Ocean Terminal; and
- \$574,913 for South Carolina Education Television’s rural broadband initiative.

South Carolina’s ports, roads and rail continue to provide unparalleled benefit for those doing business within our borders.

Our trade, transportation and logistics industries are thriving. Last year, S.C. exporters achieved a 9th consecutive record year in export sales – topping \$34 billion for the first time. We have one of the nation's fastest-growing container ports, two innovative inland ports, 2,300 miles of rail lines and more than 41,000 miles of state-maintained highways. There are 208 million people within two days drive of South Carolina.

But we have our share of challenges. Our roads need substantial – and efficient – reinvestment. We must complete projects like I-73, which could create as many as 29,000 jobs in the Grand Strand and Pee Dee regions.

We must also redouble our efforts to finish the Port of Charleston deepening project. The Port of Charleston is among the fastest-growing container ports in the U.S. In FY19, it handled record cargo volume – nearly 2.4 million twenty-foot equivalent container units (TEUs), an 8.8% increase over the previous year.

Inland Port in Greer reported its busiest fiscal year in FY19, with a nearly 22% increase in rail moves. Inland Port Dillon, in its second year of operation, handled around 30,000 rail moves. And, the planned Jasper Ocean Terminal on the Savannah River will only enhance our competitive edge. This budget allocates \$5 million for its continued construction.

Over the next decade, S.C. will execute over \$2 billion in port-related capital investments. By continuing to invest in our infrastructure and logistics assets, we will ensure that South Carolina maintains its unmatched global connectivity.

Broadband. Broadband connectivity is a powerful catalyst for economic and social advancement. It is no longer a luxury – it is a necessity, critical to ensuring a level playing field for those in rural areas. Emergency response, health care access, education – all rely increasingly on Internet access. Children in rural schools must have the same advantages as those in more developed areas.

In South Carolina, nearly half a million people (434,725) are below the Federal Communications Commission standard for broadband connectivity – 94% of them are in rural areas. 160,655 people in rural South Carolina are completely unserved. The South Carolina Electric Cooperatives are announcing an initiative to run fiber-optic cable along their existing electric

distribution infrastructure. And, this budget includes more than half a million dollars for South Carolina Education Television's rural broadband initiative.

South Carolina's agriculture industry – one of our largest, with an economic impact of \$41 billion – will see substantial benefit from enhanced broadband connectivity. Rural broadband is essential to modern agriculture, allowing farmers to utilize precision agriculture techniques to achieve optimal yield and reduced environmental impact.

Santee Cooper. South Carolina's bright economic future and continued job growth require an abundant supply of clean and affordable energy. Without it, we are at a competitive disadvantage.

Governor McMaster has pushed for Santee Cooper's sale for a long time and commends the General Assembly for approving a process to field and evaluate offers from companies to purchase or take over management of the utility, which supplies power to 2 million South Carolinians.

This is a bold and historic step to protect ratepayers and taxpayers. Resolving the future of Santee Cooper is no longer a question of "if" – it's now a question of "when and how."

Paying off Santee Cooper's debt will cost direct-serve customers in customers in Horry, Georgetown and Berkeley counties about \$6,200 per household. It will cost customers of the 20 electric cooperatives who distribute Santee Cooper's power about \$4,200 per household.

The Governor has met with several large and significant utilities who have expressed interest in purchasing Santee Cooper. Offers have been made. The Department of Administration is now in the process of reviewing these offers and bring. After January 15, they will bring the best ones back to the General Assembly.

Governor McMaster instructed each of these interested purchasers that the State will not consider any proposal which saddles the ratepayers or taxpayers with any of Santee Cooper's \$4.3 billion nuclear construction debt.

We must provide the state with the best solution possible, one which protects ratepayers while recognizing the valuable contributions of current and former employees of Santee Cooper, both now and in the future.

VALUES

South Carolina is in the midst of a stunning economic resurgence – built on brainpower and bolstered by our values. That success and prosperity is the realization of an enduring philosophy based on strength and self-determination, celebrated and championed by the people of the Palmetto State. One that goes to the heart of who we are.

We believe in opportunity and hard work – in government that gets out of the way, out of your life and away from your pocketbook. Governor McMaster’s resolve is stronger than ever – to fight for South Carolina and the values we all share.

Children. There are more than 4,600 children in foster care in South Carolina. As of today, over 500 of those are awaiting adoption. It is critical that we redouble our efforts to find loving homes for these young people. This duty falls largely on the shoulders of one agency – DSS. But we are also lucky to have are to have strong partners like the South Carolina Foster Care Association and Miracle Hill in the upstate.

In 2018, Governor McMaster issued an Executive Order to ensure Miracle Hill’s religious freedom is protected. He also directed state agencies to review their policies and procedures to ensure our State is recognizing the constitutionally protected freedoms of faith-based organizations. We need more organizations like Miracle Hill to step up and help with our adoption needs – not less.

This budget also dedicates additional funding to the Department of Children’s Advocacy for the guardian ad litem program – to encourage more adults to represent young people in need of a champion.

Finally, for the third year in a row, this budget includes a proviso preventing the funneling of taxpayer dollars to abortion providers like Planned Parenthood. There are a variety of agencies, clinics, and medical entities in South Carolina that receive taxpayer funding to offer important women's health and family planning services without performing abortions. South Carolinians do not want their money spent that way; this budget safeguards against spending tax dollars in a manner that is contrary to the values we hold dear.