



State of South Carolina

Office of the Governor

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June 9, 2010

The Honorable Robert W. Harrell, Jr., Speaker
South Carolina House of Representatives
508 Blatt Building
Columbia, South Carolina 29211

Dear Mr. Speaker and Members of the House:

I am line item vetoing portions of and returning without my approval H. 4657, R. 293, the Fiscal Year 2010-11 General Appropriations Bill. We do not arrive at this decision easily, but feel compelled to call into question several areas in this budget that we believe represent financially reckless policy given the difficult budget challenges facing our state.

In an effort to have maximum impact in this year's budget we have significantly limited our vetoes - though there are a host of financial and policy concerns that we have vetoed over the years that come in line items and provisos. As in past veto lists, we're trying to get to certain numbers this administration believes are important in moving our state toward a more certain and sustainable financial position. This means even we ourselves do not relish or like all of the vetoes we must offer in moving our state back toward a stronger financial footing. But in these times we are forced to make cuts that could have been avoided if we had not as a state gotten ahead of ourselves in spending as we did a few years ago, and therefore, we believe these cuts are necessary.

Perhaps most concerning is the fact that this year's state budget perpetuates last year's federal stimulus' mistake in spending money we don't have. In this case, the so-called "Part IV" of the state budget spends more than \$200 million in Medicaid dollars from Washington that may or may not come to South Carolina. Balancing a budget based on merely the hope of Congressional action is unwise in the best of times and simply unacceptable in today's economic climate. For this reason, we veto this section in its entirety.

Uncertain Economic Times

Although the nearly \$2 billion in state budget cuts over the last two and a half years have garnered much attention, what is important to remember is that the total state government budget

in the current budget year tops \$20.8 billion – which is up four percent from last year’s number of \$19.9 billion. This \$20.8 billion includes federal funds and state fees and is the highest total budget in South Carolina history. It also includes over \$1.13 billion in financially reckless annualizations, which entail using one-time money to pay for recurring expenses. Next year’s total budget is projected to increase yet another seven percent to \$22.2 billion. What all this means is that despite the rhetoric about financial austerity, over the course of this administration the total state budget will have jumped from around \$14.8 billion in 2003 to a projected \$22.2 billion in 2011. This is an increase of almost 50.5 percent, or 5% annually, which outpaces the estimated growth in “population plus inflation” by an average of one percent annually over that time.

We have said year after year that this spending growth is unsustainable, and the choices necessitated by this year’s budget reinforce this. However, the tough budget choices that the state is tackling this year pale in comparison to the challenges that the state will confront in FY 2011-12.

South Carolina stands to lose roughly \$1 billion in stimulus funds after FY 2011 that are currently filling gaps in the state’s general fund budget. Our administration argued repeatedly during the stimulus debate last year that you can’t spend money you don’t have, and that solving a problem created by too much spending with more spending seemed misguided.

A significant problem lies in the agencies whose budgets are currently receiving a large share of the stimulus funds. For example, based on the current plan, next year K-12 Education will lose \$175 million in stimulus funds, the state’s Medicaid program will lose another \$354 million, the Department of Disabilities and Special Needs will lose another \$40 million, and the state’s law enforcement agencies will lose about \$70 million. In short, the most core functions of state government are going to be impacted the most with the loss of \$1 billion stimulus dollars next year.

Yet we are where we are. While this budget represents an intensely difficult reality for state agencies and those served by government, I believe it also represents an opportunity to reorder our budgetary priorities and face next year’s billion dollar cliff in better standing than we are now. Recognizing where we currently are, and the gaping hole the state will have to fill this time next year, we believe it is important to begin the process of making difficult cuts now. Every dollar that is cut now will reduce the pain of the cuts that we all recognize are coming next year. Taking fiscally prudent steps, although unpleasant now, will prevent even more unpleasant decisions in the future.

FMAP Money

The Appropriations Bill that the General Assembly has sent down to our office includes \$214 million in enhanced Federal Medical Assistance Percentages (FMAP) money from the federal government. The American Recovery and Reinvestment Act of 2009 included a provision that allowed the state to receive an enhanced FMAP for eight quarters – including the first two quarters of FY 2010-11. Our Executive Budget included these two quarters of enhanced FMAP that we know South Carolina will receive in FY 2010-11. Since late Fall of 2009, there have

been discussions in Washington on whether Congress would pass legislation that extended the enhanced FMAP for the states for the third and fourth quarters of FY 2010-11. Our Executive Budget did *not* include those two additional quarters because we believed then, as we believe now, that it is inappropriate to craft a budget based on funding that we can only hope will materialize.

Our administration's position is consistent with the approach that other states have taken with regard to this enhanced FMAP. For example, states like Delaware, Indiana, Louisiana, Nebraska, Virginia, West Virginia and Wyoming have not included the speculative enhanced FMAP in their FY 2011 appropriations bills.

As of the time of drafting this letter, the likelihood that Congress will pass legislation sending two extra quarters of enhanced FMAP money to the states seems as uncertain as ever. Two weeks ago, the U.S. House of Representatives passed H. 4213, the American Jobs and Closing Tax Loopholes Act. As this bill progressed from committee to the House floor, it included a provision that would extend the enhanced FMAP for the remaining two quarters in FY 2011. Before the bill came up for a vote, the FMAP extension was removed from the bill because it would add an additional \$23 billion to the \$1.6 trillion annual deficit. This bill was viewed by some in Washington as the best remaining opportunity for Congress to pass the FMAP extension because, as the U.S. Department of Health and Human Services Secretary Kathleen Sebelius pointed out to Governors last week, the closer we get to the November elections the less likely this provision is to pass. The bottom line is that we have no reason to believe we will receive additional FMAP funds, and it would be reckless for us to include this money in our budget.

We also question the logic of the manner in which this money was appropriated in Part IV of the Appropriations Bill. *It seems this budget's priorities are reversed. It funds core requirements of government with speculative money, while it funds supplementary or speculative programs with money that is certain.* For example, Part IV appropriates \$170 million of the speculative enhanced FMAP to South Carolina's Department of Health and Human Services (HHS) for Medicaid Maintenance of Effort. This money is used to fund health services for our state's poorest citizens. These services are mandated by federal law in receiving the federal funds that make them possible, yet we fund them with money that may or may not eventually come from Washington, D.C. If the federal government does not act within the next couple of weeks to extend the enhanced FMAP for third and fourth quarters of FY 2011, then HHS will enter the next fiscal year \$170 million short of what it needs to operate the S.C. Medicaid program – nearly 16 percent of the entire state-funded portion of its budget. This funding equates to roughly 70 days of services, meaning the needy in South Carolina will have to do without health care during the final 10 weeks of FY 2011.

Similarly, the Department of Mental Health (DMH) receives over \$18 million in Part IV of the budget – the majority of which is intended to fund agency operating expenses. Also, the Department of Health and Environmental Control (DHEC) – an agency charged with protecting public health – is scheduled to receive \$11 million in Part IV of the Appropriations Bill, mostly for operating expenses. Finally, the Department of Alcohol and Other Drug Abuse Services (DAODAS) receives funds for “operating expenses” in Part IV as well. If the funding included

in Part IV of the Appropriations Bill does not materialize, some agencies that perform core functions of state government will not receive adequate funding this year.

While we do not agree with appropriating the speculative enhanced FMAP funds in the budget, at the very least we believe these funds should not be used to fund operating expenses at state agencies that provide core government services. Other states, like Mississippi and Vermont, included these funds in their budgets only *in addition to* operating budgets that were already properly funded. We believe this would have been a more pragmatic approach.

I would like to offer one final thought with regard to this enhanced FMAP money. Last year, we opposed a portion of the stimulus funds coming down to South Carolina because the funds would cause more damage to our state's fiscal house in the future. We all now recognize that, when the budget is being prepared this time next year, we will have roughly \$1 billion less to work with due to the loss of stimulus funds. The \$214 million that is included in Part IV will only make next year's budget hole \$214 million deeper. We believe a more fiscally prudent step would be to set aside \$214 million, assuming we receive the enhanced FMAP, to help alleviate the pain caused by the loss of \$1 billion in stimulus funds next year. Setting aside this money, the shortfall next year would be reduced by \$214 million.

Again, our administration is not alone in this position. Louisiana, West Virginia and a whole host of other states have not included these funds in their budgets in an effort to soften the blow that their budgets will take next year when they lose the stimulus funds. Even though Mississippi, whom I mentioned earlier, has appropriated some of the enhanced FMAP in its FY 2011 Appropriations Bill, it placed roughly half of the money it is scheduled to receive in a reserve fund. At some point our state has to change its habit of spending every dollar we get, as soon as we get it. Now, as we are staring directly at an absolute budget cliff, seems like an appropriate time.

House and Senate Budget Increases

Another area of concern we've raised is the increases that the House and Senate added to their own budgets in recent weeks. In a letter last month we respectfully questioned the Senate's rationale for increasing its recurring base budget by over 52 percent in a year when nearly every agency's budget is being cut considerably. As well, the House increased its own budget in response by nearly \$6 million – a 53 percent increase compared to last year. Altogether, the House and Senate increased their budgets by almost \$10 million in a year when most state agencies are enduring drastic budget cuts.

It's important to remember that these legislative budget increases total around \$10 million – which could pay for 180 additional police officers, 160 additional teachers, or 460 additional social services case workers. We'd respectfully call into question the need for such a drastic budget increase, and feel compelled to veto appropriate amounts in both legislative chambers' budgets to essentially hold them to last year's budget levels.

To put the General Assembly's circumstances in context with other state agencies, the following table outlines the ways some agencies have responded to our state's revenue shortfall.

Agency	Amount	%	Reduction in Force	Vacant Positions	Other Impacts
Commerce	\$15.1 million	68%	10% RIF	-	Utilized grant funds for operating expenditures; Suspended all foreign trade missions; Reduced hours for several part-time employees; Reduced travel and other operating budgets in non-Business Development areas
SLED	\$12.4 million	51.50%	180 full-time	-	Hiring freeze, reduced travel; Suspended overtime; Suspended agent clothing allowance; Reduced and restricted vehicle use; Reduced non-critical purchasing; Eliminated non-essential travel; Reduced attendance at training conferences; Utilized volunteer labor
DJJ	\$27.7 million	28.80%	187 full-time; 98 part-time	50	Implemented mandatory employee furloughs; Closed facilities, Eliminated programs, Eliminated teachers and staff
PRT	\$15.5 million	46%	13	124 (25% of total)	Implemented 5 and 10 day furloughs.
DSS	\$48.4 million	28.84%	Eliminated 500 FTE and vacant positions		Five furlough days; Child Support staff unable to process requests for child support and enforce child support orders in timely manner; Cited for being late in issuing decisions in fair hearings for those denied SNAP benefits; Out of compliance with federal Child Welfare Standards as outlined in the recent Child and Family Services Review; Maintaining foster home board rates at 1998 level.
Corrections			No RIF in past 3 years	-	FY09 2 day mandatory furlough for employees except for security under rank of Lieutenant. FY10 and FY11 agency implemented 5 day mandatory furlough for all employees.
DPS	\$30 million	35.80%	None	366	In 2008, DPS had 967 permanent troopers; currently have 803. This is a reduction of 164 troopers.

HHS	\$968 million	27%	None	183	FY09 2 day furlough (pay band 6 and above) one day for other. FY08 three furlough days for all.
PRT	\$15 million	45.50%	50	102	FY09 3 day furlough (saved \$235,476). FY11 5 day furlough for pay band 4 and below; 10 day furlough for pay band 5 and above (savings of \$432,000)
DNR	\$11.5 million	44%	4	213	Limited access to public lands; reduced water monitoring; closing of additional office; terminated 19 hourly employees
PPP	\$9 million	27%	61	260	Furloughs FY08 two days; FY09 five days. PPP has 346 agents, decrease from 482 in Feb. 2007. No new agents hired since hiring freeze of Feb. 2008.

Targeted Cuts

Given the above concerns, we've made the following targeted cuts to the current legislative budget.

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

This activity funds the High Schools That Work and Making Middle Grades Work program, which provides non-mandatory school assessment tools that examine whether students are prepared for the next level of education. We are vetoing this funding because it is unnecessary since the Department of Education utilizes several other school-assessment programs and college preparatory courses and activities.

Veto 2 Part IA, Section 6; Page 25; Commission on Higher Education, Section I. Administration; Special Items; SCAMP; \$187,410.

SCAMP is a statewide consortium of all seven historically black colleges and five non-minority institutions and is designed to increase the number of African American undergraduate students who pursue Ph.D. opportunities in science, technology, engineering, and mathematics. However, given the various cuts to education in this year's budget, we think the state should focus its

money on the classroom instead of pass-throughs for particular programs. If CHE believes this program is sufficiently worthwhile, it may fund it from CHE's remaining revenue.

Veto 3 Part IA, Section 6; Page 25; Commission on Higher Education, Section I. Administration; Special Items; Greenville Higher Ed Center; \$67,967.

The Greenville Higher Ed Center is a consortium of public and private colleges and universities offering degree programs to the citizens of the Upstate and surrounding areas. We believe the seven institutions that comprise the Center, one of which is private - another of which is Clemson University that receives \$767 million in total funds each year, can coordinate to support this program from existing funds without additional state revenue.

Veto 4 Part IA, Section 6; Page 25; Commission on Higher Education, Section I. Administration; Special Items; Think Tec/Fastrac-Entrepreneurial Ed/Mento; \$105,216.

This pass-through funds a 10-week course that teaches potential entrepreneurs how to start and grow businesses. While this program has worthy intentions, we believe it duplicates the Department of Commerce's efforts to assist small businesses, such as the Small Business Ombudsman Office and the Business One Stop internet service, which offers free online information for prospective business owners.

Veto 5 Part IA, Section 6; Page 25; Commission on Higher Education, Section I. Administration; Special Items; Access and Equity; \$416,336.

The Access & Equity program supports efforts to recruit and retain minority students. We support the program's goal, but we are vetoing funding because we believe the Commission should focus on higher-priority funding areas.

Veto 6 Part IA, Section 6; Page 26; Commission on Higher Education; Section II. Service Programs; Special Items; EEDA; \$1,213,065.

The EEDA has proven to be a worthwhile program and accordingly is funded over \$30 million a year. It has proven to ensure students have a smooth transition between high school and college, and for this reason we are vetoing only the consultant fees tied to this effort.

Veto 7 Part IA, Section 14; Page 43; South Carolina State University; I. Education & General; A. Unrestricted; Special Items; Transportation Center; \$778,683.

This activity funds the James E. Clyburn Transportation Center's research and educational programs that help develop a highly-skilled workforce for the transportation sector. We are vetoing the funding for this activity because it currently receives significant federal funding, and we are confident that Rep. Clyburn will continue to ensure that this program receives its share of federal dollars.

Veto 8 Part IA, Section 14; Page 43; South Carolina State University; I. Education & General; A. Unrestricted; Special Items; Teacher Training & Development; \$478,786.

This activity provides additional funding to S.C. State for teacher training and development. We are vetoing this special item in S.C. State's budget because we believe that its existing Education Department can adequately prepare its students to be successful teachers, counselors, and education administrators. We see no reason to have separate funding for this program when S.C. State's general fund budget and student tuition provides adequate funding for the Education Department.

Veto 9 Part IA, Section 15A; Page 45; University of South Carolina; I. University of South Carolina; A. USC – Non-Medicine; Special Items; African American Professors Program; \$178,805.

This program provides funding to help expand the pool of African American professors in critical academic research areas at colleges and universities. Although we appreciate the program's intent, its results have been limited – as over its 13-year-existence there have only been 26 graduates. Given that the majority of its funding is provided by the W.K. Kellogg Foundation and USC, we are left with no choice in this budget year but to eliminate state funding.

Veto 10 **Part IA, Section 15A; Page 45; University of South Carolina; I. University of South Carolina; A. USC – Non-Medicine; Special Items; Congaree Initiative; \$216,054.**

This initiative provides funding for environmental research at the Congaree River. We believe USC can coordinate with DNR and DHEC to perform this research without additional funding.

Veto 11 **Part IA, Section 15A; Page 45; University of South Carolina; I. University of South Carolina; A. USC – Non-Medicine; Special Items; Nano Technology Research; \$558,573.**

This program provides funding for USC’s nanotech research. Although we have supported research funding in the past, we believe that public money put toward such research efforts should be matched with significant private investment. Unfortunately, to date we have not seen this program draw down a lot of private investment. Given that this is a tight budget year, we are vetoing the funding for this program.

Veto 12 **Part IA, Section 15A; Page 45; University of South Carolina; I. University of South Carolina; A. USC – Non-Medicine; Special Items; Hydrogen Research; \$558,573.**

This activity funds USC’s hydrogen fuel cell research. We are vetoing this funding because USC has thus far relied too heavily on state dollars to fund this research rather than recruit private investment. USC has received ample funding to sufficiently jump start its hydrogen fuel cell research over the past few years, and we believe it is now time to translate those dollars into privately-funded research that will truly create permanent, private-sector jobs rather than more government jobs paid for by the taxpayers of South Carolina.

Veto 13 **Part IA, Section 15A; Page 45; University of South Carolina; I. University of South Carolina; A. USC – Non-Medicine; Special Items; Technology Incubator; \$111,714.**

This program provides funding for USC’s technology incubator. Although we have supported research funding in the past, we believe that public money for such research efforts should be matched with significant private investment because private investment signals that people outside the political sphere value the public program. Unfortunately, to date this program has

not attracted meaningful levels of private investment, and therefore we are vetoing the funding for this program.

Veto 14 **Part IA, Section 15A; Page 45; University of South Carolina; I. University of South Carolina; A. USC – Non-Medicine; Special Items; Small Business Development Center; \$523,121.**

This service provides free management and technical assistance to small businesses through a consortium of USC, Clemson, SC State, and Winthrop. Although we recognize that small business development is an important aspect of the economy, we consider economic development outside USC's core mission. Additionally, this program is duplicative of services that are already provided by the Department of Commerce. Given that this is a tight budget year, we are vetoing the funding for this redundant service.

Veto 15 **Part IA, Section 17A; Page 64, Medical University of South Carolina; I. Educational and General; A. Unrestricted; Special Items; Hypertension Initiative; \$512,741.**

This activity funds MUSC's Hypertension Initiative, which allows primary care physicians to use MUSC's database and feedback reporting system to track the effectiveness of hypertension treatment. While we recognize the importance of preventing hypertension, we are vetoing the funding for this activity because it is a special item outside of MUSC's primary mission of instructing students to become health professionals. We believe that this service should be provided by the private sector or incorporated into DHEC's Heart Disease and Stroke Prevention Division, which is tasked with preventing chronic conditions like hypertension.

Veto 16 **Part IA, Section 17A; Page 64, Medical University of South Carolina; I. Educational and General; A. Unrestricted; Special Items; Diabetes Center; \$289,088.**

This activity funds MUSC's Diabetes Center, which develops and implements a statewide plan of community outreach and education programs related to diabetes. While we recognize the importance of preventing and treating diabetes, we are vetoing the funding for this activity because it is a special item outside of MUSC's primary mission of instructing students to become health professionals. Additionally, DHEC currently manages the South Carolina Diabetes Prevention and Control Program, which receives significant federal funding through the Centers of Disease Control. To the extent that MUSC wants to continue its role in providing diabetes

education and outreach, we encourage them to partner with DHEC through its existing and better funded diabetes prevention program.

Veto 17 **Part IA, Section 17B; Page 66; Area Health Education Consortium; I. Consortium; A. General; Special Items; Rural Physicians Program; \$422,244.**

We are vetoing the Area Health Education Consortium's funding for the Rural Physicians program, which attempts to increase the number of doctors serving rural South Carolina. Although attracting doctors to rural areas is a worthwhile goal, we expect that the roughly \$9,000 per county this program provides will have little if any impact on whether a doctor moves to a rural area.

Veto 18 **Part IA, Section 17B; Page 66; Area Health Education Consortium; I. Consortium; A. General; Special Items; Infrastructure Development; \$393,974.**

This activity provides salary support and fringe benefits for four regional coordinators, student housing, and travel expenses for student activities. While this program's purpose—to encourage clinical experiences in rural and underserved community settings—is laudable, we are vetoing this item because its returns are less than quantifiable in these tough budget times. We recommend that the agency combine its efforts within the four regions and seek private funds, as for example in the past, the Duke Endowment has funded this activity.

Veto 19 **Part IA, Section 18; Page 68; Technical and Comprehensive Education Board; I. Administration, Total Administration; All General Funds; \$3,012,760.**

Veto 20 **Part IA, Section 18; Page 69; Technical and Comprehensive Education BD; II. Instructional Programs; B. System Wide Programs and Initiatives; Total Personal Service; All General Funds; \$624,717.**

Veto 21 **Part IA, Section 18; Page 69; Technical and Comprehensive Education BD; II. Instructional Programs; B. System Wide Programs and Initiatives; Other Operating Expenses; \$367,724.**

The purpose of this veto is to delete all general funds appropriated in the section of “I. Administration” totaling \$3,012,760, and “II. Instructional Programs; B. System Wide Programs and Initiatives; Total Personal Service” totaling \$624,717. With these vetoes, it is our intent to reduce the funding for administration of the technical schools multiple campuses. As we have included in our past two Executive Budgets, and studies done by the Technical Board confirm, there are significant savings to be realized by consolidating administrative functions of the technical colleges at three regional centers. This reduction in funding is intended to encourage activity on this front.

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- Veto 22** **Part IA, Section 19; Page 72; Educational Television Commission; I. Internal Administration; Total Internal Administration; All General Funds; \$1,180,134.**
- Veto 23** **Part IA, Section 19; Page 72; Educational Television Commission; II. A. Program and Services; Total Public Education; All General Funds; \$3,353,032.**
- Veto 24** **Part IA, Section 19; Page 73; Educational Television Commission; II. Program and Services; E. Public Affairs; Total Public Affairs; All General Funds; \$710,000.**

We appreciate the valuable entertainment and educational services that ETV provides, particularly as part of our state’s K-12 distance and virtual learning programs. However, many of ETV's programming activities are lower priorities than other areas of state government, and unfortunately this year’s budget reduces funding for a number of worthwhile programs. We are reducing ETV’s funding this year in favor of increasing funding for core government services, but federal and private funds are available and sufficient to enable ETV's K-12 educational programming to continue.

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- Veto 25** **Part IA, Section 20; Page 75; Vocational Rehabilitation; II. Vocational Rehab Programs; B. Special Projects; Other Operating Expenses; \$58,479.**

We support the Vocational Rehabilitation Department's (VR) efforts to provide employment training to those with disabilities, but we believe VR should partner with the newly-created Department of Employment and Workforce to provide these services. We believe the state could realize administrative cost savings by adopting this proposal. If the Vocational Rehabilitation Department feels this program is important, we suggest that they use their financial flexibility to reallocate funds for this program.

Veto 26 Part IA; Section 21; Page 78; Department of Health and Human Services; II. Program Services; A. Health Services; Personal Service; 1. Medical Administration; Other Personal Services; \$384,184.

We are vetoing \$384,184 from HHS's Other Personal Services line because it is roughly equivalent to the amount the agency receives for Community Health Plan Grants. We are vetoing funding for Community Health Plan Grants because the program is a pass-through that imposes numerous restrictions on the HHS. Additionally, we have been told that vetoing this proviso will reduce the amount of additional funding necessary to sustain the Medicaid program in this fiscal year. Therefore, we are vetoing this item to ensure that HHS can better manage the Medicaid program, both this year and next. Accordingly, we recommend that HHS use its budget flexibility by redirecting its Community Health Plan Grants funds to the Other Personal Services line to replace the funds eliminated by our veto.

Veto 27 Part IA, Section 22; Page 82; Dept of Health and Environmental Control, I. Administration; Total Administration; \$4,534,052.

The Department of Health and Environmental Control has many divisions that currently qualify for stimulus funds. In this year alone, we have spent almost \$5 million in stimulus funds in addition to any stimulus funds appropriated in the previous budget. This agency's funds are also supplemented by carry forward funds and other dollars given that this veto represents less than 1 percent of the DHEC's total budget.

Veto 28 Part 1A, Section 22; Page 84; Dept of Health and Environmental Control; II. Family Health; 1. Infectious Disease; Other Operating Expenses; \$3,213,439.

The Department of Health and Environmental Control has many divisions that current qualify for stimulus funds. Just in this year have spent almost \$5 million in stimulus funds in addition to any stimulus funds appropriated in the budget. This agency is also padded by carry forward funds and other dollars to the extent that this veto represents just over one percent of the DHEC's total budget. With the tough cuts that other agencies are taking, we recommend that the agency utilize these other funds.

Veto 29 Part IA, Section 28; Page 118; Department of Archives and History, Section I. Administration & Planning; Other Operating Expenses; \$635,445.

The history of our state is unique, and the Archives Department does a superlative job in helping to bring life and light to the people and events that make it so. Unfortunately, in this budget year some of our budget choices come down to funding the history of those who have gone before us and those with us now. This veto represents one of those choices, while recognizing that the Department has the flexibility to redirect funds as needed to the agency's operating expenses from funds appropriated for other programs.

Veto 30 Part IA, Section 28; Page 119; Department of Archives and History, Section IV. Historical Services; Special Items: Old Exchange Building; \$145,500.

While the Old Exchange Building received an annual appropriation from the state at one time, the General Assembly stopped this practice in 1996. Since then, the General Assembly has provided nearly \$1.8 million in 2004 and 2005 to complete building renovations. Given this budget's failure to fund core services of state government such as education and law enforcement, we believe it is vital in this budget year to avoid adding new financial commitments. Historic attractions such as this one that invite events and tourism foot traffic will have to further explore generating additional revenue by indeed increasing events, rentals, and memberships.

Veto 31 Part 1A, Section 29; Page 121; State Library; IV. Discovery and Delivery; Personal Service; Distribution To Subdivisions; Aid County-Libraries; \$4,653,933.

This year's budgeting process has been filled with difficult decisions about which programs and service we can afford to support with our limited revenue. One of the difficult choices we've had to make this year is whether to continue all the state's aid to local libraries as they are also supported with lottery funds as well. Ultimately we've decided that fully funding local libraries does not rise to the level of many of our other core services such as law enforcement and health care. We realize that these funds represent a portion of the support for local libraries, but as we tried to balance the need for sufficient law enforcement personnel, school teachers, and the state's court system we simply could not fund all the programs at the amounts we would have liked. We recommend that counties either increase public support for the libraries or seek federal or private funds to meet their operating expenses.

Veto 32 Part IA, Section 30; Page 122; Arts Commission, Section II. Statewide Arts Services; All General Funds; \$1,212,733.

The purpose of this veto is to delete all General Funds appropriated in the section of "II. Statewide Arts Services" totaling \$1,212,733. Like many states, our state's difficult financial position this year has forced us to make some equally difficult funding decisions. In this year's budget, we recommend cutting a little over half of the budget for the Commission. We recognize that artistic and cultural programs add great value to our state, but we simply cannot justify spending money on arts programs when law enforcement and other core programs are facing steep budget cuts.

Veto 33 Part 1A, Section 31; Page 124; State Museum Commission; I. Administration; A. Administration; Other Operating Expenses; \$1,643,893.

Cultural activities like the State Museum are obviously important, but the vast majority of this year's budget should be directed to core governmental functions like public safety, education, and health care. We applaud the Museum's efforts, but we must reduce their funding as we have proposed with a range of different agencies this year. In this instance, given the Museum's popularity, we believe the Museum can locate alternative funding through federal or private grants, private donations, or increased admittance fees.

Veto 34 Part IA, Section 33; Page 131; Forestry Commission, Section II. Forest Landowner Assistance; Other Operating Expenses; \$1,086,210.

The Forest Management Assistance program provides direct assistance to individual private landowners and state agencies that own forest land. While we believe that this assistance is worthy, given that it is a tight budget year, we are vetoing funding for this program. While we are vetoing the Other Operating Expenses, it is not our intent to eliminate the Operating Expense fund. Therefore, we suggest that the Forestry Commission use its financial flexibility to reallocate money to the Operating Expense fund.

Veto 35 Part IA, Section 34; Page 133-134; Department of Agriculture; Section III. Consumer Services; All General Funds; \$376,500.

The purpose of this veto is to delete all General Funds appropriated in the section of "III. Consumer Services" totaling \$376,500. The Department of Agriculture is charged with inspecting and testing gas pumps for accuracy and suitability for service. One fourth of one penny per gallon goes to the Department of Agriculture with the intention that these funds go to

petroleum inspection. Currently, the Department runs this program with general fund dollars. We believe the gas tax revenue is sufficient to fund this program. In response, we are vetoing the Total Consumer Services – not because we want to eliminate consumer services, but because we cannot eliminate funding for the Department’s Petroleum Inspection and Testing Program directly. Accordingly, we recommend that the Department use its budget flexibility by redirecting its Petroleum Inspection and Testing Program funds to the Total Consumer Services line to replace the funds cut by this veto.

Veto 36 Part 1A, Section 34; Page 134; Department of Agriculture; Section IV. Marketing Services; A. Marketing and Promotions; Total Marketing and Promotions; All General Funds; \$562,905.

The purpose of this veto is to delete all General Funds appropriated in the section of “IV. Marketing Services; A. Marketing and Promotions” totaling \$562,905. We applaud the efforts of Hugh Weathers and the team at the Department of Agriculture to heighten awareness on agricultural products grown, process, or manufactured in this state, but in this budget year we believe any future funding for this program should come from the approximate \$62 million received by the Clemson Public Service Activities, PSA.

Veto 37 Part IA, Section 35; Page 136; Clemson University (Public Service Activities), Section I. Regulatory & Public Service; All General Funds; \$478,736.

Veto 38 Part IA, Section 35; Page 136; Clemson University (Public Service Activities), Section II. Livestock-Poultry Health; A. General; Total Personal Service; All General Funds; \$1,598,679.

We are vetoing these items to eliminate funding Clemson PSA’s Dairy Day Exhibition, the Rural Economic Development program, and the Integrated Pest Management program. Although we are eliminating the funding for regulatory and public service and for live-stock poultry health personal service, we do not intend to eliminate these programs. Rather, we recommend that Clemson PSA eliminate Dairy Day, Rural Economic Development Program, and the Integrated Pest Management because these are not high-priority items within the agency. Furthermore, the Rural Community Economic Development program overlaps and duplicates efforts already performed by the Department of Employment and Workforce. Just this year, the General Assembly enacted legislation to restructure the Employment Security Commission and to merge workforce and job placement services. We believe this veto will further streamline and consolidate workforce preparedness and business development as envisioned by the restructuring

of the Department of Employment and Workforce. Further, given the current budget climate, we believe these duplicative funds could be dedicated to underfunded core government services.

Veto 39 Part IA, Section 36; Page 139; SC State University (Public Service Activities); II. Research & Extension; Total Personal Service; All General Funds; \$369,085.

The purpose of this veto is to delete all General Funds appropriated in the section of "II. Research & Extension; Personal Service" totaling \$369,085. We are vetoing \$369,085 from S.C. State PSA's research and extension personal service budget because it is roughly equivalent to the amount the agency receives for its Community Leadership and Economic Development program. We believe that this program, which provides limited-resource communities with leadership and economic development education, is not consistent with S.C. State PSA's core function of enhancing our state's agricultural and natural resources. We continue to believe that all economic development programs should be consolidated under the Department of Commerce. Accordingly, we recommend that S.C. State PSA use its budget flexibility by redirecting its Community Leadership and Economic Development funds from the over \$1.3 million that has been appropriated to S.C. State PSA for operating expenses to pay for the research and extension personal service funds eliminated by this veto.

Veto 40 Part IA, Section 37; Page 146; Department of Natural Resources; Section II. Programs & Services; H. Marine Resources; 1. Marine Conservation and Management; Unclassified Positions; \$25,000.

Veto 41 Part IA, Section 37; Page 148; Department of Natural Resources; Section II. Programs & Services; I. Land, Water & Conservation; 2. Conservation; Other Operating Expenses; \$20,662.

We are vetoing these lines because this amount is roughly equivalent to the \$50,000 that DNR is directed to provide to the Southeastern Wildlife Expo in Proviso 37.18. We recognize the importance of the Expo in the Lowcountry, as it –like Spoleto later in the year – has proven to be a real economic stimulus to the region. In the case of Spoleto, we have successfully advocated that the event stand on its own with regard to state funding, and given the budget situation, we believe the Wildlife Expo should do the same. Further, we are also concerned that the Department of Natural Resources has already sustained a 22 percent cut in their total budget this year. Those cuts will lessen the ability of DNR to do everything from promoting safety on our waterways to managing critically sensitive areas. Given the level of that cut we believe those funds should be retained by DNR to offset core services provided by the agency.

Veto 42 **Part IA, Section 39; Page 154; Department of Parks, Recreation and Tourism; II. Programs and Services; I. State Film Office; Total Film Office; \$309,680.**

The purpose of this veto is to cut the budget for print advertisements in certain markets. PRT will continue to advertise in areas where the advertisements generate a reasonable return on the investment. The Advertising Media Placement and Production program develops and implements an annual, multi-faceted marketing plan that promotes the state's cultural, natural, and man-made tourism resources for the purpose of attracting visitors to the state. While we recognize that revenues from tourism are important to our economy, given that this is a tight budget year and we need to prioritize our spending, we are vetoing funding for the Advertising Media Placement and Production. Therefore, although we are eliminating the State Film Office's Total General Funds, we believe that the Department should use its financial flexibility to reallocate some funds to the Film Office.

Veto 43 **Part IA, Section 51; Page 182; Department of Corrections; II. Programs and Services; C. Work and Vocational Activities; Total Personal Service; All General Funds; \$944,836.**

The purpose of this veto is to delete all General Funds appropriated in the section of "II. Programs and Services; C. Work and Vocational Activities; Personal Service" totaling \$944,836. We are vetoing \$944,836 from the Department of Corrections programs and services budget because we believe that the agency can save this amount of money by merging with the Department of Probation, Pardon and Parole. We believe that these two cabinet agencies can and should be directed to work together to combine administrative functions. In this instance, our intent with this veto is to further advance the merging of administrative work between PPP and Corrections.

Veto 44 **Part IA, Section 54; Page 194; Human Affairs Commission; I. Administration; Total Administration; All General Funds; \$447,001.**

Veto 45 **Part IA, Section 54; Page 194; Human Affairs Commission; II. Consultive Services; Total Consultive Services; All General Funds; \$138,402.**

The purpose of Veto 44 is to delete all General Funds appropriated in the section of "I. Administration" totaling \$447,001.

The purpose of Veto 45 is to delete all General Funds appropriated in the section of "II. Consultive Services" totaling \$138,402.

The state Human Affairs Commission works to prevent discrimination in employment and housing. We propose decreasing this funding because it is duplicative since people who believe they've been unlawfully discriminated against can seek legal action or file complaints with the Federal Housing and Urban Development Agency, the U.S. Department of Labor, or the U.S. Equal Employment Opportunity Commission. We are vetoing this funding because it duplicates available services and the funding is likely insufficient to adequately achieve the agency's mission.

Veto 46 **Part IA, Section 64; Page 210; Department of Consumer Affairs; Section I. Administration; Total Administration; All General Funds; \$410,880.**

Veto 47 **Part IA, Section 64; Page 210; Department of Consumer Affairs; Section III. Consumer Services; Total Consumer Services; All General Funds; \$265,924.**

The purpose of Veto 46 is to delete all General Funds appropriated in the section of "I. Administration" totaling \$410,880.

The purpose of Veto 47 is to delete all General Funds appropriated in the section of "III. Consumer Services" totaling \$265,924.

Consumer Affairs does very important work in preventing fraudulent or unfair business practices, but many of these functions are concurrently performed by LLR, the Attorney General, and several federal consumer protection entities. Given this year's budget, these concurrent efforts, and recourse available through the court system, we are to compelled to veto a portion of Consumer Affairs' budget.

Veto 48 **Part IA, Section 70A; Page 229; Leg. Dept-The Senate, Section II. Employee Benefits; C. State Employer Contributions; Total Employee Benefits; \$3,000,000.**

Veto 49 **Part IA, Section 70B; Page 230; Leg. Dept-House of Representatives, Section I. Administration; Personal Service; Representatives @ \$10,400; \$1,289,600.**

We are vetoing from the Senate's budget \$3 million and from the House's budget \$1,289,600. It is not our intent to cut the salaries of Representatives, but this is the only line that corresponds to the increase in the House's budget. The House can use the flexibility to transfer funds between Activities in its budget. We recognize that these are tough times for agencies, and we certainly recognize the essential role that the legislative branch plays in State government. However, in a year when nearly every other state agency is taking a budget cut it makes no sense to increase the budget for the legislature. Given the fact that teachers, law enforcement officers, and others are

being laid-off or furloughed, we are compelled to veto the budget increases for the Senate and the House.

Veto 50 Part IA, Section 73; Page 244; Lieutenant Governor's Office, Section I. Administration; Personal Service; Unclassified Positions; \$159,238.

We are vetoing \$159,238 from the Lieutenant Governor's administrative personal services budget to eliminate funding for his security detail, which is required under Proviso 89.80. We are vetoing this proviso and its funding because these funds would be better spent on core government functions. As we said in previous years, former Lieutenant Governor Bob Peeler set the correct example when he refused his security detail, a practice that served his office and state taxpayers well for a decade. Based on the tight financial times we are facing, it would be prudent to return to that model.

Veto 51 Part IA, Section 79; Page 256; Election Commission, Section IV. Distribution to Subdivision; Aid to County-Election Commission; \$449,017.

There are hundreds of boards and commissions across our state that do not provide a stipend. The \$1,500 per member currently offered is not only at odds with the remuneration offered to others who serve across the state, but very difficult to justify given this year's budgetary climate.

Veto 52 Part IA, Section 80A; Pages 258 through 272; Budget and Control Board; (All General Fund line amounts); \$25,234,009.

Our purpose with Veto 52 is to veto all items and sections that appropriate general funds to the Budget and Control. All items and sections that we are vetoing are identified on pages 258 through 272 and total \$25,234,009 as identified on page 272 on the line "Total Funds Available" in general funds.

We are vetoing \$25,234,009, the total amount of state general fund appropriations that the Budget and Control Board receives in this budget, because this agency has sufficient carry-forward and other funds to maintain its operations in this fiscal year. The Board has over \$1 billion in carry-forward funds, including approximately \$60 million in unrestricted accounts. Additionally, the Board receives a total of \$223,648,033 in other funds that it receives from state agencies in the form of rent, fees, and other charges. The Board and the General Assembly could also implement millions in savings recommended by the GEAR Commission. We believe that

using available funds and implementing cost-cutting measures will sustain this agency easily over the next fiscal year.

Veto 53 Part IB; Section 1.91; Page 313; Department of Education: Salary Increase Suspension

This proviso allows school districts to suspend the annual salary step increases for teachers in FY 2010-11, but protects salary increase for administrators. We are vetoing this proviso because we recently signed H. 4838, which froze the annual teacher *and* administrative salary increases for FY 2010-11. Given the House and Senate concurrence in what is our shared belief that it would be bad policy to protect salary increases for administrators while allowing cuts for teachers, we are vetoing this proviso. Not to do so would effectively negate the action just taken by the House and Senate.

Veto 54 Part IB; Section 21.44; Page 353; Department of Health and Human Services; Rural Hospital Grants

Veto 55 Part IB; Section 21.47; Page 353; Department of Health and Human Services; Community Health Plan Grants

Veto 56 Part IB; Section 89.87; Page 466; General Provisions; Flexibility, Lines 39-45

Veto 57 Part 1B, Section 89.87; Page 467; General Provisions; Flexibility, Lines 1-2

Veto 58 Part 1B, Section 89.87; Page 467; General Provisions; Flexibility, Lines 14-15

As we stated earlier, Part IV intends to fund additional maintenance of effort dollars for the state's Medicaid program. Given the uncertainty of Congress appropriating additional FMAP funds, as envisioned by Part IV, we have vetoed that section. However, this does not remove the need for additional dollars to ultimately fund the Medicaid program. The vetoes listed above will remove pass-throughs and restrictions imposed on the Department of Health and Human Services that, we are told, reduce the amount of additional funding necessary to sustain the Medicaid program for the fiscal year. In an effort to reduce further the need for additional spending at some later date, we are vetoing these provisions to ensure that the Department of Health and Human Services can better manage the Medicaid program both this year and next.

Veto 59 Part IB; Section 35.4; Page 374; CU-PSA: Spring Dairy Exhibition

This proviso appropriates \$75,000 to Clemson's Public Service Authority (PSA) for their Spring Dairy Exhibition program. We have vetoed a corresponding amount of funds in Part 1A, and we have included this veto for two reasons. First, as important as the dairy industry is to our state, when weighed against the cuts required of education and health care this year, we feel it's necessary. Secondly it is modest. Clemson PSA's cumulative cuts this year are five and six times smaller in percentage terms than the cuts to the South Carolina Law Enforcement Division and the Department of Commerce, two core functions of our state government.

Veto 60 Part IB; Section 37.16; Page 377; Department of Natural Resources; County Funds

Veto 61 Part IB; Section 37.17; Page 377; Department of Natural Resources; County Game Funds/Equipment Purchase

These provisos allow the Department of Natural Resources' (DNR) county funds and equipment to be spent or sold only upon approval of the respective county delegation. We are vetoing these two provisos because in *Knotts v. SCDNR* the Supreme Court found similar legislative involvement by county delegations in executive matters to be unconstitutional. The Founding Fathers' governmental philosophy was in large measure based on the separation of powers. In *Knotts*, the Supreme Court found that the legislature "may not undertake both to pass laws and to execute them by bestowing upon its own members functions belonging to other branches of government." These two provisos ignore that principle by having a legislative body execute the laws.

Veto 62 Part IB; Section 37.18; Page 377; Department of Natural Resource; Wildlife Expo

This proviso directs the Department of Natural Resources to give the Southeastern Wildlife Expo \$50,000. We recognize the importance of the Expo in the Lowcountry, as it –like Spoleto later in the year –has proven to be a real economic stimulus to the region. In the case of Spoleto, we have successfully advocated that the event stand on its own with regard to state funding, and given the budget situation, we believe the Wildlife Expo should do the same. Further, we are also concerned that the Department of Natural Resources has already sustained a twenty two percent cut in their total budget this year. Those cuts will lessen the ability of DNR to do everything from promoting safety on our waterways to managing critically sensitive areas. Given the level of that cut we believe those funds should be retained by DNR to offset core services provided by the agency.

Veto 63 Part IB; Section 39.14; Page 380; Parks, Recreation, and Tourism; Flexibility

This proviso gives PRT flexibility with regard to certain programs, but prohibits PRT from closing or reducing full-time employees at the State House Gift Shop and the Santee Welcome Center. This is despite the fact that last year's budget required PRT to close the Governor's Mansion Gift Shop, even though it lost less revenue than the State House Gift Shop. The State House Gift Shop has three full-time employees and spends approximately \$40,000 on temporary employees. So far this year, it lost approximately \$85,000.

The Santee Welcome Center is the least productive of the three welcome centers on I-95. For example, the Santee Welcome Center had 186,630 visitors and made 756 accommodations during FY 2009-10. By comparison, the Dillon Welcome Center had 275,084 visitors and made 3,911 accommodations and the Hardeeville Welcome Center had 396,960 visitors and made 6,233 accommodations during the same period. To adequately fund agencies like PRT in these difficult budget times, it is important we grant them the flexibility to trim from programs or facilities as they see necessary.

Veto 64 Part IB; Section 39.15; Page 380; Parks, Recreation, and Tourism; Additional Motion Picture Bonus-Rebate

This proviso allows PRT to increase the incentives for movie companies to film in South Carolina. We are vetoing this proviso for two reasons. First, the Senate determined that Proviso 39.8 violated its rule against changing permanent state law through proviso. The House tweaked and reinserted it as 39.15. We do not believe it is appropriate to change permanent law through proviso. Second, we should not be *increasing* the incentives we give to Hollywood film companies in a year when we're making such drastic cuts to core government functions.

Veto 65 Part IB; Section 65.12; Page 406; Labor, Licensing, and Regulation; SC ERT/Urban Search and Rescue

This proviso requires LLR to use \$650,000 to operate the South Carolina Emergency Response Task Force/State Urban Search and Rescue Program. Although we support this program, we are vetoing this proviso because the funding for this program should not be taken from professional and occupational licensing (POL) funds. These licensing fees were instituted to specifically fund the occupational boards that oversee the licensees who in turn pays these fees. For example, realtors, accountants and doctors pay professional fees to fund their respective boards that uphold professional standards in each of these fields of work. Currently, LLR oversees almost 50 boards

and commissions of these sorts. To divert these funds as this proviso instructs, simply creates a financial hole that would be filled at some later date either by increasing fees on licensees or diverting monies elsewhere into the budget. We believe both of these venues would be counterproductive to bettering the business climate of the state. Currently there is only one exception to the rule our state has held to on professional fees and that is in financing immigration enforcement, but this was done because policy makers believed that every field of work was protected with more rigorous immigration enforcement.

If policymakers were for some reason committed in this tough budget year to still moving ahead in funding the US&R, we believe it would be more appropriate to pull down the funds from the insurance premium tax and the Fire Academy bond tax which totaled more than \$7 million in FY09 – enough to sustain this program.

Veto 66 Part IB; Section 76.11; Page 424; State Treasurer’s Office; Printing Wage Statements

This proviso has been sustained for the last two budgets. It eliminates the State Treasurer's duty to provide wage statements to state employees for every pay period, which would effectively eliminate all state employee rights to receive full disclosure of their earnings under the Wage Payment Act. The South Carolina Wage Payment Act, S.C. Code 41-10-30, requires every employer to provide each employee with an itemized statement showing gross pay and deductions for each pay period. This provision in the Wage Payment Act is intended to give employees timely and full disclosure of the details of their pay, so they may ensure that they actually receive all of their earnings. State employees, just like private employees, have the right to monitor their pay, and this right should not be taken away just because it may be cheaper for the State Treasurer to provide the notification less than every pay period.

Veto 67 Part IB, Section 80A.57; Page 438; Budget and Control Board, EIP Benefits

This proviso mandates that the Budget and Control Board continue providing relatively generous insurance benefits to current and retired members of the Board of Economic Advisors (BEA). Although we value the work done by the BEA, we are vetoing this proviso because other state board and commission members do not receive this type of benefit. Given that many state agencies are either eliminating positions or holding positions vacant, it makes no sense for BEA members' benefits to be protected by proviso. Consistent with the flexibility granted to agencies to determine how best to allocate their funding this year, we recommend eliminating this proviso and allowing the Budget and Control Board to determine whether continuing to give these benefits to current and retired BEA members makes financial sense.

Veto 68 Part IB; Section 89.80; Page 464; General Provision; Lt. Governor Security Detail

We are vetoing this proviso because it requires SLED to provide a security detail to the Lieutenant Governor, which the Lieutenant Governor's Office must fund from its operating budget. This money, totaling \$112,173 last year, we believe these funds could be better spent on core functions within the Office on Aging or elsewhere in state government.

As we have noted in previous years, former Lieutenant Governor Bob Peeler declined his security detail, and this practice served his office and state taxpayers well for almost a decade. Based on the tight financial times we are facing, we believe it would be prudent to return to that model. This is especially the case given none of the other constitutional officers are provided with security details, save the governor who, among other things, makes the final yes or no decision prior to the execution of a death row inmate. We are vetoing a corresponding amount in the Lieutenant Governor's budget in Part 1A

Veto 69 Part IB; Section 89.96; Page 469; GP: Solar Power Income Tax Credit

This proviso increases the state income tax credit for the purchase of a qualifying solar energy system from 25 percent to 30 percent. While energy conservation is a goal that this administration shares and applauds, tax credits like these must be examined in the same way that we examine every expense within the budget. In this case, the evidence that we have found doesn't show an incremental five percent benefit to correspond with the additional five percent tax credit.

Veto 70 Part IB; Section 89.143; Page 477; General Provisos: I-95 Corridor

This proviso redirects \$3 million from the Healthcare Tobacco Settlement Fund to the South Carolina Research Authority for the purpose of funding health-related grant program along the I-95 Corridor. As real as the economic, health or educational challenges might be on the I-95 Corridor, there are areas of equal challenge in other parts of South Carolina. As a consequence, we do not believe it is good policy to offer two-to-one matching programs for that part of South Carolina, but not for other part of the state where equal need exists. More significantly, we do not believe this is the year to begin a new program in health care when the current budget and next year's budget do not contemplate enough in the way of financial resources to fund current programs and existing needs. For these reasons, we are vetoing this proviso.

- Veto 71** Part IB; Section 90.16; Page 482; Statewide Revenue; Nonrecurring Revenue – Increased Enforcement Collections; Item 2; Budget and Control Board; SCEIS; \$2,179,716.
- Veto 72** Part IB; Section 90.16; Page 482; Statewide Revenue; Nonrecurring Revenue – Increased Enforcement Collections; Item 3; Commission on Higher Education; SREB Dues; \$413,929.
- Veto 73** Part IB; Section 90.16; Page 482; Statewide Revenue; Nonrecurring Revenue – Increased Enforcement Collections; Item 6; The Senate; Reapportionment; \$1,000,000.
- Veto 74** Part IB; Section 90.16; Page 482; Statewide Revenue; Nonrecurring Revenue – Increased Enforcement Collections; Item 7; House of Representatives; Reapportionment; \$1,000,000.
- Veto 75** Part IB; Section 90.16; Page 482; Statewide Revenue; Nonrecurring Revenue – Increased Enforcement Collections; Item 8; Budget and Control Board; Reapportionment; \$20,000.
- Veto 76** Part IB; Section 90.16; Page 482; Statewide Revenue; Nonrecurring Revenue – Increased Enforcement Collections; Item 9; Budget and Control Board; Operating Expenses; \$297,855.
- Veto 77** Part IB; Section 90.16; Page 482; Statewide Revenue; Nonrecurring Revenue – Increased Enforcement Collections; Item 11; Department of Education; Career and Technology Education (CATE) Textbooks Resources Materials; \$662,000.
- Veto 78** Part IB; Section 90.16; Page 482; Statewide Revenue; Nonrecurring Revenue – Increased Enforcement Collections; Item 12; Department of Education; Transportation; \$900,000.
- Veto 79** Part IB; Section 90.16; Page 482; Statewide Revenue; Nonrecurring Revenue – Increased Enforcement Collections; Item 14; Department of Education; Governor’s School for the Arts and Humanities; \$500,000.
- Veto 80** Part IB; Section 90.16; Page 482; Statewide Revenue; Nonrecurring Revenue – Increased Enforcement Collections; Item 15; Department of Education; Governor’s School for Math and Science; \$500,000.
- Veto 81** Part IB; Section 90.16; Page 482; Statewide Revenue; Nonrecurring Revenue – Increased Enforcement Collections; Item 16; Prosecution Coordination Commission; Operating Expenses; \$1,000,000

- Veto 82** Part IB; Section 90.16; Page 483; Statewide Revenue; Nonrecurring Revenue – Increased Enforcement Collections; Item 17; Commission on Indigent Defense; Operating Expenses; \$1,000,000.
- Veto 83** Part IB; Section 90.16; Page 483; Statewide Revenue; Nonrecurring Revenue Increased Enforcement Collections; Item 18; B&C Board, Employee Benefits; Health Plan – Employer Increase; \$147,076.
- Veto 84** Part IB; Section 90.16; Page 483; Statewide Revenue; Nonrecurring Revenue – Increased Enforcement Collections; Item 20; John de la Howe School; Operating Expenses; \$308,765.
- Veto 85** Part IB; Section 90.16; Page 483; Statewide Revenue; Nonrecurring Revenue – Increased Enforcement Collections; Item 21; Wil Lou Gray Opportunity School; Operating Expenses; \$308,764.
- Veto 86** Part IB; Section 90.16; Page 483; Statewide Revenue; Nonrecurring Revenue – Increased Enforcement Collections; Item 27; Department of Agriculture; Operating Expenses; \$1,000,000.

This proviso funds several agency expenditures with money collected by the Department of Revenue from increased enforcement collections. We are vetoing these items because they represent the lowest-priority expenditures to be paid for by a very uncertain revenue source. In the letter we sent to the Conference Committee, we stated our objections to funding recurring obligations like operating expenses for the Department of Corrections and other core agencies with the speculative, non-recurring source of increased enforcement collection revenues. Last year, the budget included \$48 million from this source, but this year's budget doubles that figure to over \$96 million despite the fact that we have seen no evidence that the Department of Revenue can collect that much. Overall, our vetoes of these items will reduce expenditures of increased enforcement collections by over \$14 million and will help ensure that state agencies do not rely on these funds that may never be available.

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- Veto 87** Part IB; Section 90.17; Page 484; Statewide Revenue; Non-Recurring Revenue Transfers; Transfer of \$1,000,000 from Department of Motor Vehicles to Budget & Control Board (SCEIS).
- Veto 88** Part IB; Section 90.17; Page 484; Statewide Revenue; Non-Recurring Revenue Transfers; Transfer of \$1,158,284 from the Educational Broadband Spectrum Lease to the SCEIS program within the Budget and Control Board.

This proviso transfers funds from the Department of Motor Vehicles, the Department of Transportation, and the Education Broadband Spectrum Lease to other agencies for various

expenditures. From this proviso, we are vetoing the transfer of \$1 million from DMV to the Budget and Control Board for SCEIS and the transfer of \$1,158,284 from the Education Broadband Spectrum Lease to the SCEIS program. We are vetoing these items because the Budget and Control Board has sufficient carry-forward funds to pay for the SCEIS program. These funds should be committed to higher-priority agencies that have had their budgets cut in this Appropriations Act.

Veto 89 **Part IB; Section 90.18; Page 484; Statewide Revenue; Health Care Maintenance of Effort Funding; Item 3; Department of Health and Environmental Control; \$7,407,035.**

Veto 90 **Part IB; Section 90.18; Page 484; Statewide Revenue; Health Care Maintenance of Effort Funding; Item 6; Department of Alcohol and Other Drug; Abuse Services; \$500,000.**

Veto 91 **Part IB; Section 90.18; Page 484; Statewide Revenue; Health Care Maintenance of Effort Funding; Item 7; Commission for the Blind; \$100,000.**

This proviso spends funds from the Health Care Annualization and Maintenance of Effort Fund on various health care items and agency operating expenses. We are vetoing the expenditure of Maintenance of Effort funds on operating expenses for DHEC, the Department of Alcohol and Other Drug Abuse Services, and the Commission for the Blind. These Maintenance of Effort funds should be allocated directly to health care services and should not fund recurring operating expenses. These vetoes will ensure that \$8 million will go directly to health care services in this fiscal year or in future budgets.

Veto 92 **Part III; Section 2; Page 487; (A)(22); State Library; \$1,172,758.**

Veto 93 **Part III; Section 2; Page 487; (A)(23); Forestry Commission; \$500,000.**

Veto 94 **Part III; Section 2; Page 487; (A)(24); Department of Agriculture; \$200,000.**

Veto 95 **Part III; Section 2; Page 487; (A)(25); Clemson University – PSA; \$2,600,000.**

Veto 96 **Part III; Section 2; Page 487; (A)(26); South Carolina State University – PSA; \$500,000.**

Veto 97 **Part III; Section 2; Page 487; (A)(28); Administrative Law Court; \$100,000.**

Veto 98 **Part III; Section 2; Page 487; (A)(31); Prosecution Coordination Commission; \$500,000.**

- Veto 99** **Part III; Section 2; Page 487; (A)(32); Commission on Indigent Defense; \$700,000.**
- Veto 100** **Part III; Section 2; Page 488; (A)(34); Law Enforcement Training Council; \$120,000.**
- Veto 101** **Part III; Section 2; Page 488; (A)(36); Secretary of State; \$40,000.**
- Veto 102** **Part III; Section 2; Page 488; (A)(37); Leg Dept. – Codification of Law and Legislative Council; \$100,000.**
- Veto 103** **Part III; Section 2; Page 488; (A)(38); Budget and Control Board, State Auditor’s Office; \$111,948.**
- Veto 104** **Part III; Section 2; Page 488; (A)(39); Department of Archives and History; \$200,000.**
- Veto 105** **Part III; Section 2; Page 488; (A)(40); Arts Commission; \$250,000.**
- Veto 106** **Part III; Section 2; Page 488; (A)(44); State Museum; \$50,000.**

Part III appropriates funds that state receives pursuant to the State Fiscal Stabilization Fund Program established in the American Recovery and Reinvestment Act of 2009 (ARRA). The funding recovered from these vetoes should be redirected to fund the state Medicaid program.

Veto 107 Part IV; Page 489-490; Enhanced Federal Medical Assistance Percentage.

For the reasons previously outlined at the onset of this veto message we are vetoing Part IV in its entirety. To not do so in this instance would leave our state’s budget out of balance, and thereby unconstitutional under Article X, § 7 of the South Carolina Constitution, which provides that the General Assembly shall ensure “that annual expenditures may not exceed annual state revenue.”

For these reasons, I am vetoing and returning without my approval those items and sections of H. 4657, R. 293 described above.

Sincerely,



Mark Sanford