



State of South Carolina Office of the Governor

NIKKI R. HALEY
GOVERNOR

1205 PENDLETON STREET
COLUMBIA 29201

June 8, 2016

The Honorable James H. Lucas
Speaker of the House of Representatives
Statehouse, Second Floor
Columbia, South Carolina 29201

Dear Mr. Speaker and Members of the General Assembly,

Today, I am vetoing and returning without my approval certain items contained within R275, H.5001, the Fiscal Year 2016-17 General Appropriations Act. While I have vetoed a number of items in this budget, I believe that we should first highlight what this budget is accomplishing for our citizens.

For the third year in a row, South Carolina has produced an education budget, one focused on investing in our students because they are our future workforce. It funds, in a sustainable way, health services and law enforcement agencies. It begins to address the new realities of our pension liabilities and acknowledges that mental health and substance abuse are best treated in the community and not in prison. It funds domestic violence prosecutors and shows survivors that we have their backs.

In spite of this progress, some items in the budget represent the worst kind of legislative deal-making – pork, pet projects, earmarks, and micromanagement of state agencies. These items do not serve our citizens of South Carolina but rather serve the entrenched few who believe tax dollars exist to bring home pork projects. In addition to the most obvious examples of pork projects, even more have been hidden in budget lines with vague names and little explanation of an ultimate use or destination of these funds. Beyond earmarks, the fight to micromanage agencies through proviso is a perennial exercise that slows our government down, casts doubt and confusion over the responsibility and authority of public officials, and ultimately compromises the quality of services we provide to South Carolinians.

While I believe that provisos should not be used to micromanage state agencies, the recent ruling of the South Carolina Supreme Court has generated much debate this year about the appropriate role of provisos in budgets. Like you, I am well aware that this decision struck a proviso the

Court interpreted to not *reasonably and inherently* relate to the raising and spending of revenue. During my Administration, each of my Executive Budgets has recommended that dozens of provisos become permanent law, and even the Rules of the Senate require that a proviso codification bill precede the budget. While these efforts have borne little fruit over the years, I look forward to working with the General Assembly to comprehensively rectify any potential issues that might be contained in provisos for the next budget cycle beginning later this year.

I ask that each member of the General Assembly carefully consider each of the vetoes presented below. I believe that this budget should be one that all of the people of South Carolina should be proud of and you should do your part by sustaining the veto of each pork project, local earmark, and short-sighted proviso that have no place in our budget or our government.

Housekeeping

VETO 1 Part 1B, Page 329, Section 19, South Carolina State University – Proviso 19.1, SCSU: Loan Funds

VETO 2 Part 1B, Page 330, Section 19, South Carolina State University – Proviso 19.3, SCSU: State Fiscal Accountability Authority Loan Funds

Yesterday, June 7, 2016, I signed S.1166, a bill that provides for loan repayment terms, debt relief, and furlough authority for South Carolina State University. Both of these provisos are now unnecessary.

VETO 3 Part 1B, Page 442, Section 109, Department of Revenue – Proviso 109.14, DOR: Redevelopment Fees

This week, I signed S.227, a bill that both caps and extends this provision for an additional five years, rendering this proviso unnecessary.

VETO 4 Part 1B, Page 492, Section 117, General Provisions – Proviso 117.149, GP: Unused Textile Credits

On Tuesday, I signed H.3147, a bill that exempts military retirement income from state taxation – the second income tax cut signed into law during this administration. This bill also contains a provision relating to textile mill revitalization that is duplicative of this proviso, rendering it unnecessary.

VETO 5 Part 1B, Page 495, Section 118, Statewide Revenue – Proviso 118.14, SR: Motor Vehicle Sales Tax Revenue

Today, I signed S.1258, a bill that codifies this motor vehicle sales tax transfer, making this proviso unnecessary.

Micromanagement

VETO 6 Part 1B, Page 286, Section 1, Department of Education – Proviso 1.87, SDE: Moving Cost Study

This proviso requires the Department of Education to conduct a study on the costs of moving out of the Rutledge Building. Last year, I announced that the Facilities Management Study, commissioned pursuant to Executive Order 2013-09, found the Rutledge Building to be one of the most expensive and least efficient pieces of property in the state inventory, given its potential value on the open market. While I understand concerns that the Department of Education may have regarding the short-term expense of relocating, I am certain that the long-term benefits of such a move would return value to the taxpayers far in excess of those expenses.

I commit to assisting the Department of Education with such a move, and I assure the General Assembly that a robust cost-benefit analysis will be performed during the financial analysis of any surplus sale. Given that this proviso would require a duplicative cost analysis, I ask that you sustain this veto.

VETO 7 Part 1B, Page 422, Section 93, Department of Administration – Proviso 93.33, DOA: Confederate Relic Room Relocation Analysis

This proviso requires the Department of Administration to perform a feasibility study on the relocation of the Confederate Relic Room to the Charleston area. The Columbia Mills Building has been taken into account in the Facilities Management Study I ordered under Executive Order 2013-09, and the Department of Administration will consider value-based relocation of the Confederate Relic Room under that framework. Unfortunately, this veiled attempt to justify the co-location of the H.L. Hunley and Confederate Relic Room is nothing more than a legislative pet project and should not become law.

VETO 8 Part 1B, Page 372, Section 49, Department of Parks, Recreation and Tourism – Proviso 49.15, PRT: Welcome Center Complex Mowing

In 2014, I supported the transfer of Welcome Center operations from the Department of Transportation to the Department of Parks, Recreation and Tourism to refresh the look of our state's Welcome Centers which are, for some travelers, the gateway to our state.

This proviso dictates the exact manner in which PRT must maintain the landscaping in and around the Welcome Centers. While I agree with the aim of this proviso, the process set forth is unworkable, given the maze of safety, federal, and state requirements associated with maintaining facilities along highway right-of-way. If this veto is sustained, I will direct the

affected departments to implement a landscaping and mowing agreement that will operate within the constraints of federal regulations and worker safety but will also keep our Welcome Centers presentable.

**VETO 9 Part 1B, Page 372, Section 49, Department of Parks, Recreation and Tourism
– Proviso 49.16, PRT: Beach Access**

This proviso mandates that the Department of Parks, Recreation and Tourism establish access to Myrtle Beach State Park for golf carts at a single intersection across Highway 17 in Horry County. This proviso is troubling because decisions made by one of my Cabinet agencies to effectively balance patron access and safety are being overruled at the whim of a few legislators. Beyond potential traffic and safety disruptions along a very busy Highway 17, this proviso sets an unfortunate precedent of legislative micromanagement of both our roads and state parks system.

**VETO 10 Part 1B, Page 344, Section 33, Department of Health and Human Services –
Proviso 33.29, DHHS: Notice of Proposed Rate Reductions, Fee Increases,
Policy Decisions**

This proviso attempts to solve a problem that does not currently exist, and in so doing, creates two new ones. The Department of Health and Human Services has already adopted public notice practices that exceed federal requirements, where permissible. For instance, even though states are only obligated to submit a final public notice the day before the effective date of a rate change for non-institutional providers, the Department has offered the same 30-day comment period for these providers as it has for their institutional counterparts.

First, this proviso starts moving us back to the way things were prior to Act 77 of 2011. Before that law was passed, Proviso 89.87 (FY 2010-11) prevented the Department from reducing provider rates under any circumstance. This kind of micromanagement impairs the Department's ability to manage its finances and increases the risk that the Department will run a deficit if the economy softens mid-year and more individuals become eligible for Medicaid, driving up costs.

Second, this proviso is also dangerous because there are cases when changes in federal law and/or policy issuances from the federal Centers for Medicare and Medicaid Services (CMS) mandate that states change provider rates on specific dates that are beyond the Department's control. Although this proviso offers exceptions for "the annual updating of cost base rates and those rates which are indexed to methodologies provided for in the Medicaid State Plan," this is not sufficient, since late-breaking federal changes may change the methodologies themselves, meaning that the methodologies described in State Plan for Medical Assistance may also have to be changed on short notice. This is not a hypothetical situation; CMS imposed such a change in states' hospice rates and methodologies just a few months ago.

I ask that you sustain my veto of this distorted restatement of existing policy, so that we don't create new federal compliance problems while increasing the risk of an agency deficit.

VETO 11 Part 1B, Page 370, Section 47, Department of Natural Resources – Proviso 47.10, DNR: Predator Control Program

This proviso establishes a capture, tag, and release program for coyotes. If a Department of Natural Resources officer is expending the energy to take a coyote, then that coyote should not be returned back to the wild. While I believe that there is still much work to do, tagging coyotes and releasing them to be tracked by bounty hunters under the promise of lifetime hunting privileges is not the answer to our deer population problems. I ask that you sustain this veto in the interest of common sense and public safety.

Local Earmarks

VETO 12 Part 1B, Page 277, Section 1, Department of Education – Proviso 1.56, SDE: Lee County Bus Shop

This proviso mandates the Department of Education maintain staffing levels at a single bus maintenance facility in Lee County without regard to the needs of that facility or the district it serves. This sort of agency micromanagement serves only to increase the costs of providing educational services in one of our most rural and underserved districts. In a year where we are focused on providing flexibility to districts and promoting innovation in education, this proviso stands in stark contrast to these fundamental principles.

VETO 13 Part 1B, Page 496, Section 118, Statewide Revenue – Proviso 118.16(B), Item 7, State Library, Colleton County Bookmobile: \$200,000

VETO 14 Part 1B, Page 500, Section 118, Statewide Revenue – Proviso 118.16, Item 39(h), Department of Parks, Recreation and Tourism, Sumter Environmental Center: \$300,000

Both of these items represent a local project sponsored by local governments supported by existing state aid to subdivisions. While each community in South Carolina is unique, the goals of our support systems are not – each library, workforce program, and public school should be resourced objectively and held accountable for its performance. Earmarking is not a responsible way to address local educational services.

VETO 15 Part 1B, Page 497, Section 118, Statewide Revenue – Proviso 118.16(B), Item 10(d), Commission on Higher Education, Greenwood Promise Scholarship Program: \$50,000

The Greenwood Promise Scholarship is a brand-new program supported by a regional economic development organization to promote enrollment in our technical college system. While I am an advocate for our state’s technical colleges – with over \$100 million in capital investment in our system in this budget alone – I believe that we should provide consistent and equitable support for students in the system. Piedmont Technical College has become a leader in distance learning and progressive matriculation without these funds and will not need them to continue to succeed.

Hidden Earmarks

VETO 16 Part 1B, Page 499, Section 118, Statewide Revenue – Proviso 118.16(B), Item 25(h), Department of Health and Environmental Control, Air Quality Improvements: \$300,000

VETO 17 Part 1B, Page 501, Section 118, Statewide Revenue – Proviso 118.16(B), Item 41, Department of Labor, Licensing and Regulation, Fire Suppression: \$25,000

VETO 18 Part 1B, Page 502, Section 118, Statewide Revenue – Proviso 118.16(B), Item 50(d), Division of Aeronautics, Airline Recruitment and Retention: \$150,000

VETO 19 Part 1B, Page 496, Section 118, Statewide Revenue – Proviso 118.16(B), Item 6(b), Department of Archives and History, Architectural Heritage Preservation: \$2,300,000

VETO 20 Part 1B, Page 499, Section 118, Statewide Revenue – Proviso 118.16(B), Item 27(c), Department of Social Services, After School and Summer Reading Programs: \$500,000

VETO 21 Part 1B, Page 500, Section 118, Statewide Revenue – Proviso 118.16(B), Item 38(i), Department of Natural Resources, Outreach Education: \$1,600,000

VETO 22 Part 1B, Page 499, Section 118, Statewide Revenue – Proviso 118.16(B), Item 29(i), Department of Commerce, Economic Development: \$100,000

Unlike the local earmarks in the previous section of this message, Vetoes 16 through 22 represent an unsettling practice of legislative earmarking – one where earmarks are bundled, given ambiguous names, and passed through to private entities in the budget. Days after the budget passes, agency heads and staff receive phone calls expressing the “legislative intent” of these earmarks – pork for legislative districts. **This is the least transparent process for allocating funds to private entities – one that should not be tolerated in government generally and one that I will not tolerate in my Cabinet specifically.**

Those fighting for these earmarks will make compelling, but ultimately misleading, claims on the floor of the General Assembly for the funding contained in each – everything from benefits for wounded warriors to preservation of priceless historical sites. Sustaining these vetoes reflects a commitment to transparent budgeting and public finance, while any vote to override is affirmative support for the backroom deals that erode public trust in our government.

Health and Social Services Earmarks

VETO 23 Part 1B, Page 499, Section 118, Statewide Revenue – Proviso 118.16(B), Item 29(h), Department of Commerce, Community Development Corporations: \$100,000

Last year, I signed legislation reauthorizing Community Development Corporations for an additional five years, so that they could exhaust the full extent of \$5 million in tax benefits available to fund local CDCs. At that time, I made it clear to the bill's sponsor and representatives of the CDC community that I would not support additional taxpayer funding through the annual appropriations process. Accordingly, I ask that you sustain this veto and allow these CDCs to come to their logical conclusion once their tax-expenditure funding is exhausted.

VETO 24 Part 1B, Page 501, Section 118, Statewide Revenue – Proviso 118.16(B), Item 49, Human Affairs Commission, Community Relations Councils: \$75,000

This earmark provides funding for the Human Affairs Commission to establish additional Community Relations Councils in local governments around the state. These duties are programmed into the Agency's underlying mission and can be supported by its existing appropriations and the communities served by these Councils.

VETO 25 Part 1B, Page 499, Section 118, Statewide Revenue – Proviso 118.16(B), Item 24(d), Department of Health and Human Services, Osprey Village: \$200,000

Currently, the operations of Osprey Village are limited to local fundraising and outreach efforts through a website and thrift store. While it is the hope of the organization's founders that it will become a sprawling community for adults with disabilities, the organization has not yet established the facilities necessary to serve citizens.

Last year, the justification for funding Osprey Village was seed money for an executive director to assist the organization in start-up and to become a Medicaid provider. This task has not been completed, and yet they are again receiving an earmark in this budget. Instead of providing earmarks to establish entirely new service organizations, we would be better served allocating resources to strengthen and expand the capacity of existing partners.

Good Government

VETO 26 Part 1B, Page 497, Section 118, Statewide Revenue – Proviso 118.16(B), Item 14.1, Coastal Carolina University (Football Stadium Expansion)

VETO 27 Part 1B, Page 497, Section 118, Statewide Revenue – Proviso 118.16(B), Item 14(c), Coastal Carolina University, Brooks Stadium Engineering: \$100,000

Charting a new course in higher education governance has been a topic of debate during my entire administration. After years of proposals – accountability-based funding, consolidation of governance into a board of regents, and even privatizing many of the components of our state’s college and university complex – nothing has changed.

We need a globally competitive educational system now more than ever, so we have to get serious about coordination and oversight. I appointed a new Chair to the Commission on Higher Education last year and recommended additional resources for the commission to vet capital projects and budgets.

Coastal Carolina University is proposing a stadium expansion to meet the demands of a new athletic conference. The project, primarily funded by tuition-backed debt, nearly doubled in cost since its original proposal just last fall. Even after revising the cost down to a 50% increase, the numbers simply do not work.

Coastal Carolina University deployed an aggressive lobbying effort to bypass CHE’s statutory responsibility to review and consider higher education capital projects, resulting in this proviso. To make matters worse, a nominal amount of funding was attached to the offending language to guarantee it would survive a legal challenge based on the Supreme Court’s ruling in *SC Public Interest Foundation v. Lucas*.

Such actions by a public institution are disappointing, and the fact that legislators have chosen to go along is even more so. In a year where our communities, schools, and businesses are crying out for a better educated and prepared workforce, this veto represents a clear choice between the best interests of students and runaway higher education spending.

VETO 28 Part 1B, Page 405, Section 83, Department of Employment and Workforce – Proviso 83.5, DEW: SUTA Contingency Assessment Funds

South Carolina law establishes the conditions for eligibility to receive unemployment benefits, including the requirement that an unemployed insured worker be “actively seeking work” with certain limited exceptions. Since 2013, a proviso has required that at least one of the four required weekly job search contacts be conducted through the SC Works Online System (SCWOS), so that it can be electronically verified by the Department of Employment and Workforce. This anti-fraud provision helped provide an objective verification method of an unemployment beneficiary’s job searches.

Unfortunately this year, the proviso was amended to remove the requirement that at least one job search be conducted online, now allowing individuals to perform job searches in any manner they choose. Because verification of these searches is extremely difficult, the effect of this amendment will be to make the job search process less accountable and more open to fraud.

This is a step backward and one that will result in greater administrative costs to DEW and greater fraud in the unemployment system. If you sustain this veto, DEW will administratively reinstate the provisions of Proviso 83.5 as it read in the FY 2015-16 General Appropriations Act, complying with the contingency assessment distribution provisions and requiring no more than one job search be conducted in SCWOS for that fiscal year.

VETO 29 Part 1B, Page 502, Section 118, Statewide Revenue – Proviso 118.16(B), Item 50(b), Division of Aeronautics, State Aviation Fund: \$7,000,000

This week, I signed into law H.4577, a bill that establishes a recurring funding source of more than \$2 million to the State Aviation Fund. Further, the Division of Aeronautics only requested a \$5 million supplement for the Fund, highlighting the excess contained in this earmark.

While I support efforts to improve and maintain airport infrastructure across the state, I do not support adding an additional \$7 million earmark to a fund that has just received a recurring funding source through other legislation. Taking into account the passage of H.4577 and the agency's own budget request, I request that you sustain this veto.

VETO 30 Part 1B, Page 500, Section 118, Statewide Revenue – Proviso 118.16(B), Item 38(g), Department of Natural Resources, Upper Coastal Waterfowl Project Maintenance and Repair: \$1,600,000

The Department of Natural Resources is responsible for 1.1 million acres in public lands owned or managed by the state, including Wildlife Management Areas that preserve the state's rural aesthetic and where South Carolinians hunt, hike, and fish. That is why in this budget, I have allowed \$6 million to move forward, including \$3 million diverted from the Conservation Bank that would assist DNR in maintaining and preserving these lands.

Unfortunately, the Upper Coastal Waterfowl Project represents an earmark that is simply too much money in this budget for lower-priority work. Should the needs arise in this region, then there are sufficient funds available to address that work. I ask that you sustain this veto to control government spending and prioritize DNR's resources on statewide land management.

Old Fashioned Pork

VETO 31 Part 1B, Page 355-56, Section 34, Department of Health and Environmental Control – Proviso 35.56, DHEC: Indoor Aquatic and Community Center Match Requirement

The FY 2015-16 General Appropriations Act contained a \$100,000 earmark for a pork-funded swimming pool managed by the Richland County Recreation Commission, which was sold as “good government” because the earmark required a 2:1 local to state match. This proviso would reduce that match rate to 1:1, further demonstrating the true nature of this earmark. Although these funds are still available to Richland County over my objection, they should be held to the commitment made last year to match state dollars with local funds.

VETO 32 Part 1B, Page 501, Section 118, Statewide Revenue – Proviso 118.16(B), Item 46(c), Department of Administration, State Human Resources, Leadership South Carolina: \$150,000

Leadership South Carolina is a private organization focused on networking and professional development for a selected number of public and private employees, a number of whom are legislators and lobbyists. With some generous donors – including prominent program alumni, local companies, and civic organizations – Leadership South Carolina should function without direct government support.

VETO 33 Part 1B, Page 496, Section 118, Statewide Revenue – Proviso 118.16(B), Item 8, Arts Commission, SC Artisans Center: \$500,000

Through the years, the South Carolina Artisans Center has received support from a number of state and federal programs, including rural development grants from the U.S. Department of Agriculture, funding from the South Carolina Arts Commission, and promotional contracts with the Department of Parks, Recreation and Tourism. Although the Center has gained notoriety within the state, it is a private organization that, like other established museums and cultural sites in this budget, should be able to maintain their operations with private funds and admissions fees.

VETO 34 Part 1B, Page 500, Section 118, Statewide Revenue – Proviso 118.16(B), Item 39(f), Department of Parks, Recreation and Tourism, Sports Development Marketing Program: \$3,000,000

Advocates for this earmark will tout South Carolina’s successes in recruiting sports events in golf, tennis, racing, and others as the need for this funding. Such claims are false – this is nothing more than a bundled group of earmarks designed to pass through the Department of Parks, Recreation and Tourism’s budget to hand-selected private entities. This year, we

announced the SEC Women's Basketball Tournament is coming to Greenville in 2017, which was the direct result of hard work and negotiations, all unrelated to this earmark.

VETO 35 Part 1B, Page 500, Section 118, Statewide Revenue – Proviso 118.16(B), Item 39(k), Department of Parks, Recreation and Tourism, Parks and Recreation Development Fund: \$5,000,000

Every year, the Department of Parks, Recreation and Tourism, much like other culturally-focused state agencies, is targeted as a clearing house for legislative earmarks, outdoor festivals, neighborhood parks, and other pork. In fact, the 2007 pre-recession budget that famously proposed state funds for a green bean museum in Lake City also contained funding for a dozen and a half such local parks and projects in PRT's budget alone. We are returning to those irresponsible ways of budgeting in an unfortunate and non-transparent manner. I urge you to sustain this veto and help me drive the pork out of this budget.

Education Earmarks

VETO 36 Part 1B, Page 496, Section 118, Statewide Revenue – Proviso 118.16(B), Item 6(c), Department of Archives and History, Driving Tours Historic African American Sites: \$100,000

While arguably a worthwhile project, instead of an additional earmark, the development of these tours could be accomplished using existing resources by developing partnerships with our Higher Education institutions and the Department of Parks, Recreation and Tourism.

VETO 37 Part 1B, Page 499, Section 118, Statewide Revenue – Proviso 118.16(B), Item 29(c), Department of Commerce, IT-oLogy Coursepower: \$400,000

For the third year in a row, the leadership of IT-oLogy has opted to pursue an unaccountable earmark for a project started and should have ostensibly been completed three years ago.

The Coursepower initiative was originally developed in FY 2013-14 to provide a six-hour minor in Applied Computing at four colleges and universities without state support. I have urged the organization to enter into sustainable funding contracts with the now expanded list of universities, school districts, and the Department of Education. These service agreements would ultimately benefit South Carolina students. Unfortunately, the political expediency of an earmark seems to be IT-oLogy's preferred course of action.

I ask that you sustain this veto in the interest of ending "pilot" programs and forcing this organization's client institutions to demonstrate Coursepower's worth to them with their checkbooks. Earmarks should not be easier to obtain than service contracts.

Museums and Cultural Earmarks

- VETO 38** **Part 1B, Page 497, Section 118, Statewide Revenue – Proviso 118.16, Item 13(b), University of Charleston, Gibbs Museum of Art: \$350,000**
- VETO 39** **Part 1B, Page 501, Section 118, Statewide Revenue – Proviso 118.16(B), Item 47(g), Office of Adjutant General, SC Military Museum: \$380,000**
- VETO 40** **Part 1B, Page 500, Section 118, Statewide Revenue – Proviso 118.16(B), Item 39(g), Department of Parks, Recreation and Tourism, Medal of Honor Museum: \$3,000,000**
- VETO 41** **Part 1B, Page 500, Section 118, Statewide Revenue – Proviso 118.16(B), Item 39(j), Department of Parks, Recreation and Tourism, Children’s Museum of the Upstate: \$1,000,000**
- VETO 42** **Part 1B, Page 497, Section 118, Statewide Revenue – Proviso 118.16(B), Item 9(b), State Museum Commission, Collections and Content: \$5,000**
- VETO 43** **Part 1A, Page 497, Section 118, Statewide Revenue – Proviso 118.16, Item 9(b), State Museum Commission, Collections and Content: \$5,000**

In each of our communities we have historic sites, museums, and cultural centers that could benefit from renovations, refreshed exhibits, or new artifacts. The right way to finance these undertakings is by selling memberships, collecting admissions fees, and soliciting philanthropic support. The wrong way to do it is by earmarking state funds to choose one site over another to support.

Economic Development Earmarks

- VETO 44** **Part 1A, Page 143, Section 50, Department of Commerce, Item II.B, Programs and Services, Small Business/Existing Industry – Council on Competitiveness: \$250,000 Total Funds; \$250,000 General Funds**
- VETO 45** **Part 1A, Page 143, Section 50, Department of Commerce, Item II.B, Programs and Services, Small Business/Existing Industry – SC Small Business Development Centers: \$100,000 Total Funds; \$100,000 General Funds**

Both of these lines represent new earmark footholds in the Department of Commerce’s budget for entities that already receive funding from the state. If an entity desires to increase their scope of operation or funding, then they should expand or improve the services they provide to the state instead of seeking to diversify their earmark portfolio.

VETO 46 Part 1B, Page 500, Section 118, Statewide Revenue – Proviso 118.16(B), Item 36(b), Department of Agriculture, Agribusiness Development: \$2,500,000

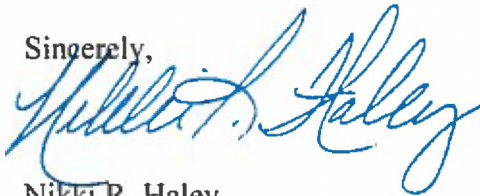
This earmark is another example of the Department of Agriculture's evolution from its principal mission to maintain agriculture standards in weights, measures, and other agricultural inputs and towards marketing and economic development activities duplicated many times over in other state agencies. The Department has supported agribusiness development by directly funding a project manager in the Department of Commerce since the beginning of my administration. We should not establish new economic development programs or regimes outside of the agency charged with this mission – the Department of Commerce.

VETO 47 Part 1B, Page 499, Section 118, Statewide Revenue – Proviso 118.16(B), Item 29(e), Department of Commerce, Office of Innovation: \$2,000,000

The Department of Commerce specifically, and the government generally, should not use taxpayer dollars to fund business incubator programs, especially if the programs have a limited record of success. Private capital is the appropriate funding source to make risky bets on start-up companies. Small businesses make up a large part of our flourishing economy, and I support finding ways to help them reduce their costs and expand their reach. I do not support using \$2 million in taxpayer dollars for business investments that should be made by the private sector on the open market.

For these reasons, I have vetoed and returned without my approval the above provisions in R275, H.5001.

Sincerely,

A handwritten signature in blue ink, appearing to read "Nikki R. Haley", written in a cursive style.

Nikki R. Haley