



State of South Carolina

Office of the Governor

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May 25, 2004

The Honorable David H. Wilkins, Speaker
South Carolina House of Representatives
508 Blatt Building
Columbia, South Carolina 29211

Dear Mr. Speaker and Members of the House:

I am returning H.4925, R.333, the Fiscal Year 2004-2005 General Appropriations Act, with the vetoes detailed in Sections II, III and IV. My vetoes are based on two primary objections: (1) what I believe is a constitutional requirement to fully and immediately pay off the \$155 million deficit and (2) the danger of using all \$90 million of uncertified "Maybank Money" for core agency services.

Also, I am submitting to you for your consideration my observations on how this appropriations act measures up against the challenges I set forth to the General Assembly in my Executive Budget for Fiscal Year 2004-2005. These observations are meant as constructive criticism and constitute what I hope will be an annual effort by the governor of South Carolina to work with the General Assembly in assessing progress toward improving management and accountability in state government. The stated mission of my Executive Budget was to present to the General Assembly a balanced state budget that, without raising taxes, provides essential services to the citizens of South Carolina and increases our state's investments in the priority areas of education, health care, economic development, law enforcement and corrections. In order to measure performance and lay the foundation for assessing whether that mission had been fulfilled, my Executive Budget set forth 11 specific budgetary goals. As the analysis below indicates, the General Appropriations Act presented to me accomplishes some of the goals, but falls short of others. Regardless of the points on which we agree or disagree, I look forward to working with you and members of the General Assembly in efforts to create a more efficient and accountable state government.

Set forth below are the 11 specific budgetary goals presented in my Executive Budget.

I. Executive Budget Goals

1. Submit a balanced budget without raising taxes, tapping reserves, raiding trust funds, borrowing against the future or using fiscal gimmicks.

This goal has been partially met in that this appropriations act is a balanced budget that does not raise taxes and does not raid trust funds or tap reserves, and, in fact, provides for a \$53 million tax decrease. On the other hand, however, it also appropriates \$90 million for core agency services of funds that the Board of Economic Advisors has refused to certify – funds that we do not know will materialize. The uncertainty of when, or even if, these monies will materialize makes it nearly impossible for agencies appropriated those funds to properly budget. Tying these funds to basic, critical services enabled the Legislature to use certified funds for its “wish list” budgeting. I am so concerned about the precedent regarding the use of this uncertified money that I would have vetoed the entire proviso that appropriates these funds, but for the fact that this action would cause unintended harm to the clients of some very crucial agencies.

Fiscal Gimmickry

It appears that one form of fiscal gimmickry was narrowly avoided in this appropriations act. The conference report adopted the House amendment that added an additional \$1,050,000 for other operating expenses within DHEC’s budget. Early in the appropriation process, the Ways and Means Committee’s recommended appropriation bill and the House adopted appropriation bill funded through the sale of surplus land in Proviso 73.7, a total of \$1,050,000 to DHEC delineated as \$500,000 for “Operating Expenses” and \$550,000 for “Fire Safety Equipment.” I am told that the Fire Safety Equipment line was a pass-through for a fire truck for a local municipality. Such political pass-through’s have no business being in the state’s budget, and if the appropriation had remained as such, I would have vetoed the funding for it.

However, subsequent to the BEA’s revised revenue estimate, the House further amended the bill deleting Proviso 73.7 and moving the funding to Part IA of the bill. This amendment appropriated the entire \$1,050,000 to DHEC for “Operating Expenses.” Therefore, I can only conclude that an appropriation was not made for Fire Safety Equipment, and a veto is not necessary in this instance. However, let me make it very clear that it is my understanding from this action by the General Assembly of specifically removing any designation in the appropriation bill for DHEC “Fire and Safety Equipment,” that DHEC is not authorized to expend these funds in this manner.

2. Improve jobs and economic growth.

I want to commend the General Assembly for reversing course on a potentially damaging proposal in the budget process. In the House, there was a proposal to reduce the amount dedicated to the Job Development Tax Credits. These credits are refunds pledged to businesses that have brought significant investments and jobs to the state. Capping those credits would have significantly hampered our efforts through the Department of Commerce to attract jobs to South

Carolina. We applaud the Senate for removing this proposal and the Conference Committee for rejecting it from the final version of the bill.

On the other hand, as of the date of this letter, our state's high top marginal individual income tax rate has still not been reduced. Economic studies show that the income tax—not the sales tax or property tax—has the most negative impact on jobs and economic growth. That is a very ominous economic reality given that South Carolina's top individual income tax rate is 7%—more than 45% higher than the Southeastern average. The Tax Foundation, a non-profit organization, ranks South Carolina's individual income tax desirability, in terms of promoting economic growth, as only 42nd in the nation – and dead last in the Southeast.

We have called for a cut in the income tax, both as a means of stimulating job growth and encouraging small business growth in South Carolina. Today, if a corporation comes to South Carolina, the highest possible income tax rate paid is 5%, but small business owners, that comprise 97% of our state's business, pay a rate of 7%. The plan we proposed with the House leadership would ultimately redress that imbalance, and we applaud the House for moving this important piece of legislation. We redouble our call to the Senate to embrace it as well.

3. Require all state agencies to realize the administrative efficiencies already attained by the Governor's Office and the cabinet agencies during 2003.

The appropriations act does incorporate our proposed reductions on travel, registration, meals and telephone expenses. However, we believe more can be done to reduce those costs. Just last week, for instance, the Legislative Audit Council (LAC) issued an analysis of the State Department of Education's \$4.1 million travel budget providing examples of hotel reimbursement rates for employees of the State Department of Education well above the federal reimbursement rates. The LAC report added that our state has no limits on these reimbursements unlike most states and the federal government. Despite our efforts within the cabinet (that comprises only 16% of state agencies), many other agencies have not joined us limiting these costs.

At the request of the administration, the Senate amended Proviso 72.26 to limit such travel reimbursements to the federal guidelines followed by many organizations, and I applaud them for doing so. Unfortunately, this common-sense proposal was eliminated in the conference committee despite repeated recommendation by the LAC to impose some maximum rate restrictions. We would urge the full General Assembly to adopt such a cap on travel reimbursements in the upcoming year.

4. Decrease the size of state government by consolidating agencies, boards and commissions, and strengthen the cabinet form of government.

My Executive Budget laid out a comprehensive proposal to restructure state government, from reducing the number of Constitutional officers to consolidating agencies that have overlapping, duplicative, or similar missions. My Executive Budget projected very modest first year savings

of approximately \$26 million in administrative and other expenses. While the savings would have become even more pronounced over time, we believe that an even larger benefit would have been improved delivery of services to the public. Ultimately, our belief is that a government that is more accountable is more effective and efficient.

While we appreciate the efforts of some members of Senate Judiciary and their restructuring subcommittee for diligently tackling the issue, the result is that even the modest compromise proposal has been unable to pass the full body. We applaud the House for moving forward on a bill to create the Department of Administration to help run the Executive Branch more efficiently. With some time remaining in the legislative session, I also urge the Senate to take up and even build on the House proposal. However, the reality is that to offer better services to the clients of our state and reduce our cost of government to below its current cost of 130% of the national average level, we absolutely must retool our government's antiquated structure for the 21st century.

5. Appropriate funds based on a more rational assessment of government programs' relative importance.

In some instances this appropriations act accomplishes the goal of appropriating funds based on a more rational assessment of government programs, whereas in other cases it falls short. Below we list examples of each.

State Department of Education

Once again our aim is to direct our resources to front line services and core functions. We applaud the steps taken by the General Assembly toward that end in this budget. For example, this appropriations act accepted our proposal for a targeted 10% cut in the State Department of Education's central administrative budget and the redirection of those funds toward the base student cost. This move begins the effort of shifting more of the education dollars toward what we call the front lines of education – classroom spending and teacher pay.

Department of Social Services

On the other hand, the appropriated funding for the Department of Social Services fails in identifying an agency's needs and providing necessary funding for it. With the FY 2004-2005 appropriation of \$78 million, DSS has sustained a 35% reduction in its budget since FY 2001-2002. In FY 2003-2004, DSS took several steps to reduce the size of the agency and operate within its budget. Specifically, there were buy-outs, a reduction in force, and a full two-week mandatory furlough for every employee within the agency to avoid running a deficit. In total, DSS has reduced its workforce by 1,300 employees since FY 2001-2002, roughly 27%. Meanwhile, the caseloads have increased. In the food stamp program, for example, the caseload has risen from 305,000 clients in FY 2001-2002 to 485,000 clients today, an increase of 59%.

As I pointed out in my Executive Budget, the Department of Social Services' core mission is to ensure the safety and health of children who cannot protect themselves. This appropriation act

provides roughly \$3 million less than I proposed. But the funding disconnect is actually more pronounced since my Executive Budget included \$3.6 million in savings from agency consolidations. The sum total is a \$6.6 million difference between our beliefs in what this agency needs and what the House and Senate conferees have proposed. This I believe is wrong and dangerous. The General Assembly now expects DSS to assume those savings without having approved a restructuring bill that would merge DSS with the Commission for the Blind, the Commission for Vocational Rehabilitation, and the Office of Aging. This also completely contradicts our restructuring proposal that would find efficiencies in operations and case management. Those savings are nearly impossible to achieve without passage of some sort of restructuring legislation.

The challenge with DSS lies in the fact that nearly all of the services provided by the agency are either federally or state mandated. For example, with regard to adoption services, I proposed increasing the adoption incentive from \$250 to \$1,500 to help ease the legal expenses of adoptive parents, and we are grateful that the General Assembly included this funding in this appropriations act. However, adoption caseworkers have been reduced by 29% and could be further reduced as a result of DSS' underfunding in this appropriations act. We are very concerned that DSS will be unable to make any progress in reducing the average time for adoption to comply with the federal requirement of two years.

In addition, 20% of the DSS budget has been funded by the uncertified "Maybank Money." As stated previously, the Board of Economic Advisors refused to certify this revenue, in large part, because the funds cannot be counted on to be collected. The General Assembly took precautions to protect a few agencies in the event the funds did not come in as anticipated. However, it did not include DSS as one of those agencies despite the fact that DSS faces mandatory requirements, including the development of the Child Support Enforcement System. (DSS currently will pay a \$10 million federal fine for non-compliance in FY 04-05 in this regard.)

We will work closely with DSS to ensure that it can still accomplish its core mission without further straining its resources or its workforce. In the event that the full "Maybank Money" for its funding does not actually materialize, we fear that the agency will be forced to run a deficit for Fiscal Year 2004-2005.

Higher Education

This appropriations act also highlights a call to reform that has gone unanswered in two legislative sessions. One of my first acts as governor was to prohibit all cabinet agencies from hiring contract lobbyists at the expense of the taxpayers to reside in the State House and lobby for even more tax dollars. During my the State of the State address, I called on the General Assembly to enact a prohibition on taxpayer-funded contract lobbyists. Legislation was introduced last year and has languished in the House Judiciary Committee ever since. The result of this inaction for the taxpayer has been noticeable—especially in the area of higher education funding.

In my Executive Budget, I wrote that "a weak CHE also leads to unnecessary and damaging politicization of how higher education dollars are allocated. In South Carolina, colleges and

universities hire lobbyists at taxpayer expense to make their case to the General Assembly...instead of following the course most responsible to the taxpayers—that is, making their funding requests through the CHE.” Though this budget includes our proposed cuts to agencies and higher education institutions for the amount of their contracts with lobbyists, the additional funding allocated to those same institutions clearly spells out the need for higher education reform.

In this appropriations act, seven of the eight higher education institutions that employ taxpayer-funded contract lobbyists received a total of \$6.4 million in new money – an average of more than \$900,000 per school. On the other hand, the 20 schools that had no registered lobbyists had their budgets reduced by an average of \$650,000 per school.

Clearly, we have a system that is in need of change. First, we should enact a ban on taxpayer-funded contract lobbyists and, second, we need to create a Commission on Higher Education that provides leadership and oversight of how funds go to higher education. Without these needed changes, we will continue to see colleges use our tax dollars to leverage for more dollars in Columbia through a process based more on politics rather than merit.

Executive Budget line-items adopted

In the past, agencies have often been funded or reduced based upon across-the-board formulas that do not recognize that some government activities are more important than others. In my budget, we laid out hundreds of funding increases and targeted cuts, and I applaud the Legislature for accepting the following recommendations which will provide over \$125 million in savings to the taxpayers in the upcoming budget year.

▪ Reductions in most agencies' travel and meal costs	\$ 6,733,660
▪ Reduction in most agencies' phone related costs	\$ 6,232,966
▪ Sale of state-owned surplus land	\$31,691,250
▪ Sale of one-third of the state fleet	\$33,785,083
▪ Increased contribution from Santee Cooper	\$13,000,000
▪ Use of select agencies' surplus cash	\$ 7,500,000
▪ Increase in funding to employee's health insurance	\$13,392,758
▪ Full funding of the Conservation Land Bank	\$10,000,000
▪ Reduction of five agencies' fees for contract lobbyists	\$ 192,000
▪ Funding for Pathways for Prosperity	\$ 1,000,000
▪ SDE - reduction in administration moved to classrooms	\$ 1,262,396
▪ SDE – other program savings moved to classrooms	\$11,228,996
▪ DHHS – savings from the reduction of PDL limitations	\$ 5,000,000
▪ DAODAS – rent savings	\$ 222,288
▪ DAODAS - elimination of the DARE program	\$ 225,000
▪ DMH - savings from outsourcing pharmacy services	\$ 1,112,800
▪ DMH – operating savings from closing State Hospital	\$ 5,300,000
▪ Commerce – sale of their fractional jet	\$ 750,000
▪ Commerce – savings from reduction in staff	\$ 1,000,000
▪ DJJ – health care savings	\$ 600,000

▪ DJJ – savings from IT consulting	\$ 1,500,000
▪ DJJ – new funds for the expansion of a wilderness camp	\$ 754,540
▪ DMV – savings in information technology	\$ 1,800,000
▪ DMV – savings from outsourcing license plates	\$ 1,500,000
▪ DMV – savings from reducing middle management	\$ 450,000
▪ DMV- savings from charging for the CDL test	\$ 170,000
▪ DMV- savings from reducing hours in underutilized offices	\$ 901,000
▪ LLR – savings from consolidating office space	\$ 263,205
▪ Forestry – savings from closing the Field Trial Area	\$ 30,000
▪ Gov’s office – reduction in funds to the mining council	\$ 3,427
▪ DNR – savings related to the Wildlife magazine	\$ 410,000
▪ DHEC – savings related to radiological monitoring	\$ 100,000
▪ DHEC - saving from pool inspections	\$ 213,000
▪ DHEC – reduction to Coastal Zone education	\$ 69,639
▪ DSS – reduction to the CR Neal Center	\$ 100,000
▪ DSS – funding for the restoration of adoption incentives	\$ 575,000

I commend the General Assembly for adopting so many of our specific proposals in this budget. However, with very few exceptions, all of the specific programmatic cuts and savings from efficiencies were suggestions from my Executive Budget. As we will undoubtedly be facing another challenging budget year, I hereby encourage the General Assembly to follow the administration’s lead by next year suggesting their own efficiencies that can be reached, redundancies that can be reduced, and specific programs that can be eliminated so that we may best allocate our resources to our core services.

6. Fund Medicaid with recurring dollars at a level that maintains core health care benefits for the poor, elderly and disabled.

The use of non-recurring dollars for Medicaid was virtually eliminated and the program is at one of its lowest level of annualizations in a decade—putting this critical government program on a much sounder financial footing. The General Assembly is to be commended for this accomplishment.

7. Protect and improve K-12 education by increasing the amount appropriated for the base student cost.

Significant progress was made in the appropriations act toward this goal. Reductions made in the agency’s administration and lottery funds were used to help increase the Base Student Cost by \$119 million, or 6.2% above this year’s level of funding. In fact, as stated in Proviso 1.4, this budget provides for an average expenditure of \$8,623 per student for the coming year.

8. **Honor obligations made in prior years (e.g., begin repayment to the Barnwell Cleanup Fund, address the FY 01-02 deficit, fund the employer portion of the State Health Plan and commence funding of the Conservation Land Bank).**

Unconstitutional Deficit

This appropriations act makes a **significant** down payment towards eliminating the unconstitutional \$155 million deficit from Fiscal Year 2001-2002. Since this deficit had, at best, been dealt with by “not dealing with it” as one legislative leader said, I am pleased that this budget does allocate almost \$90 million of this year’s anticipated surplus towards reducing our deficit. However, I strongly believe that we are constitutionally bound to apply more of the surplus to eliminate the deficit.

Moreover, this appropriations act clearly shows the need for passage of the pending Fiscal Discipline Act (which has passed both the House and the Senate and the competing versions are now being reconciled by those bodies), adding General Fund Reserve funds so that an immediate payment of \$139 million will be made toward the \$155 million unconstitutional deficit. My feelings concerning the immediate need for the remaining \$16 million will be discussed later.

Trust Funds

The General Assembly should certainly be applauded for fully funding the Conservation Land Bank. As this is the first year of the bank’s existence, allowing full funding will set an important historical precedent that I’m hopeful will be followed for generations.

In addition, there is the matter of restoring the constitutionally-mandated General Reserve funds, the hundreds of millions raided from trust funds over the past few years, underfunding our State Health Plan by over \$100 million, and diverting monies from the Insurance Reserve Fund – to the point where now approximately \$450 million is needed – over and above the \$155 million deficit – in order to fully restore proper fiscal order to South Carolina government (see breakdown below).

Additional Past Due Obligations

Monies Taken from Trust Funds	\$187 million
Monies Diverted from the Insurance Reserve Fund	\$ 28 million
Reduction of State Health Plan Reserve Fund	\$135 million
Reduction to the General Reserve Fund	<u>\$100 million</u>
Total	\$450 million

In my Executive Budget, we made a relatively small \$5 million allocation to begin restoring the funding to the Barnwell Trust Fund. The General Assembly certainly recognizes this debt, and, in fact, makes a strong commitment to such in Proviso 72.62, which declares the following intent of the Legislature:

to “begin to restore funding to the Extended Care Maintenance Fund [a/k/a The Barnwell Trust Fund] as defined in Section 13-7-10 by appropriating \$5,000,000 each year until such time as amount in the Fund is restored to the FY 2000-01 level, plus interest.”

It is worth noting, however, this is the very same provision that appeared in last year’s appropriations act, with the only change being to the year. It is unfortunate that in spite of this stated “intent,” once hundreds of million in new monies became available, neither body acted on their intent to restore even \$5 million in funds. I am not sure how we can turn intent into action, but I am concerned that we missed a great opportunity this year to do so. Our budget next year will again make a similar proposal, and I would hope the Legislature will both intend to take on our challenge and act accordingly.

9. Begin the process of privatizing non-core governmental functions.

This process has now been started in a significant way. This budget embraces our proposal of selling off unused real estate assets, reducing the size of the state-owned fleet in exchange for leasing some vehicles, allowing a private vendor to operate the state’s school bus system, and potentially privatizing health care services at the Department of Corrections. While many of these proposals are linked to study groups, I am hopeful that we will begin to turn these ideas into action in the coming months of the new fiscal year.

10. Apply all FY 04-05 revenues that exceed the current two percent revenue growth projection by the Board of Economic Advisors (BEA) to reduce the FY 01-02 deficit and further address the problem of annualizations.

This goal was not met. This appropriations act increases state spending by \$225 million dollars—a 4.4% increase. This increase occurred in spite of a BEA estimate of 2% revenue growth for the next fiscal year and the agreement by the members of the Budget and Control Board to hold the increase in spending to 3% until such time as the FY 2001-2002 deficit has been paid in full and the General Reserve Fund has been replenished (neither condition has yet been met).

11. Reduce reliance on one-time funding for recurring costs (annualizations).

This goal was not met. Approximately \$315 million of the General Appropriations Act is based upon one-time revenue; specifically, \$132.8 million in nonrecurring Part IA appropriations, \$90 million in nonrecurring Department of Revenue enforced collections, \$11.8 million from tobacco de-allocation, and \$86 million in surplus lottery funds. In my Executive Budget, annualizations were reduced further still, from \$235 million to \$144 million. The annualizations in my Executive Budget would have been further reduced to \$21 million with the benefit of the additional \$123 million in recurring money for Fiscal Year 2004-2005 recently recognized by the BEA.

II. Vetoes of Part IA Appropriations (Use of Certified Funds)

The South Carolina Constitution requires the General Assembly “to insure that annual expenditures of state government [do] not exceed annual state revenue.” Article X, section 7 (a). The \$155 million deficit from FY 01-02 is clearly unconstitutional. Our Constitution establishes two reserve accounts to prevent and cure deficits. Funds can be withdrawn from the General Reserve Fund “only for the purpose of covering operating deficits of state government.” Article III, section 36 (A). There is a constitutional requirement that the General Reserve Fund be restored not only from future revenues over three years, but also “out of funds accumulating in excess of annual operating expenditures.” Article III, section 36 (A). Thus, the Constitution mandates that any surplus revenue from FY 03-04 must be placed in the General Reserve Fund for application toward the FY 01-02 budgetary general fund deficit. Instead of complying with the Constitution, the Appropriations Act presented to me applies only \$89,416,201 of the \$125 million surplus toward the deficit. The General Assembly spends the remaining \$35,583,799 of surplus. In our view, the Constitution requires that \$105,592,935 of the surplus be applied toward the deficit, which would have completely eliminated it prior to the closing of this year’s books. As a result of the General Assembly’s failure to apply the constitutionally mandated amount of the surplus, a \$16 million deficit still exists.

We are concerned that the General Appropriations Act presented to me is subject to legal challenge as a result of the unconstitutional use of the anticipated surplus. Accordingly, in order to comply with the South Carolina Constitution, I must veto the appropriation of certified funds in an amount equal to the remaining deficit. Doing so will cause me to veto many programs that have merit and that I even support – the reality is just that I am constitutionally mandated to sign a balanced budget into law and cannot ignore the pre-existing problems associated with an unconstitutional deficit looming over us. The calculation on the remaining deficit is calculated as such:

FY 2001-2002 Deficit	\$154,892,534
Less General Reserve Fund	\$-49,299,599
Less Surplus for Deficit	\$-89,416,201

Remaining Deficit	\$16,176,734
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For that reason, I have set forth below the specific vetoes that, in the aggregate, void the appropriation of \$16,277,651 in certified funds:

Part IA

Veto 1	Part IA, Section 1, Department of Education, Division of Professional Development and School Quality, page 2, Other Operating Expenses, \$298,030.
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I am vetoing this item from the Division of Professional Development and School Quality which supports the accreditation function of the State Department of Education (SDE) because this function was found to be duplicative by a recent report by the Legislative Audit Council (LAC). The LAC found that the Southern Association of Colleges and Schools also accredits schools in South Carolina, and, therefore, the resources dedicated to this function by the SDE should be decreased. I believe any education dollars which can be reduced from administrative areas should ultimately be redirected to our classrooms.

Veto 2 Part IA, Section 4, John De La Howe School, Administration, page 21, Other Personal Service, \$1,952.

Since there were no reductions in the school's budget related to the travel and phone reductions taken by other agencies, I am vetoing this item. This decrease will also make a small reduction in the extraordinarily high per pupil cost at the school. As indicated in my Executive Budget, the school has a total budget of over \$4 million, 98 employees and began the year with only 65 full-time students. I also look forward to the recommendations from the John de la Howe Study Committee regarding improved ways to use the 1,200 acre campus in serving the children of our state.

Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 3 Part IA, Section 4, John De La Howe School, Administration, page 21, Other Operating Expenses, \$10,181.

Since there were no reductions in the school's budget related to the travel and phone reductions taken by other agencies, I am vetoing this item. This decrease will also make a small reduction in the extraordinarily high per pupil cost at the school. As indicated in my Executive Budget, the school has a total budget of over \$4 million, 98 employees and began the year with only 65 full-time students. I also look forward to the recommendations from the John de la Howe Study Committee regarding improved ways to use the 1,200 acre campus in serving the children of our state.

Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 4 Part IA, Section 4, John De La Howe School, Education, page 21, Other Operating Expenses, \$15,076.

Since there were no reductions in the school's budget related to the travel and phone reductions taken by other agencies, I am vetoing this item. This decrease will also make a small reduction in the extraordinarily high per pupil cost at the school. As indicated in my Executive Budget, the school has a total budget of over \$4 million, 98 employees and began the year with only 65 full-

time students. I also look forward to the recommendations from the John de la Howe Study Committee regarding improved ways to use the 1,200 acre campus in serving the children of our state.

Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 5 Part IA, Section 5F, Coastal Carolina University, Education and General, Unrestricted, page 36, Other Operating Expenses, \$500,000.

As I stated in my veto message for the Life Sciences Act, S.560, R. 212, South Carolina is confronted with a lack of any central coordination of higher education spending. What we have asked for is to simply follow the process set forth by the General Assembly in enacting new programs at any of the higher education institutions around the state. Current law provides that “[n]o new program may be undertaken by any public institution of higher education without the approval of the [Commission on Higher Education].” (S.C. Code Ann. Section 59-103-35) Clearly the General Assembly intended to lessen the political nature of higher education spending by establishing a process by which expansion of higher education could be done in a measured and efficient manner.

Furthermore, as indicated in Veto 9, I believe institutions of higher education should utilize the established orderly process for the approval of funding for new projects. It is for these reasons that I am vetoing this item.

Veto 6 Part IA, Section 5G, Francis Marion University, Education and General, Unrestricted, page 38, Omega Project, \$56,147.

I am vetoing this item as the funds appropriated are used for voter registration efforts in the region and this is unrelated to the core mission of the university. This veto is consistent with my Executive Budget which proposed no funding for this program in FY 2004-2005. Additionally, I believe that this type of expansion of mission, particularly outside the education area, stretches our resources and ultimately weakens the overall higher education mission. It is for these reasons that I am vetoing this item.

Veto 7 Part IA, Section 5MB, Area Health Education Consortium, Consortium, General, page 65, Other Personal Services, \$42,330.

I am vetoing this item which funds a small portion of AHEC’s administrative services because, as explained in my Executive Budget, the agency should be able to reduce the operating overhead of the central office since a large part of its function is to pass through funds to the regional centers and teaching hospitals.

Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 8 Part IA, Section 5N, Technical and Comprehensive Education Bd,
Instructional Programs, page 67, Florence Darlington – Operating,
\$500,000.

I am vetoing this funding for equipment for the Entrepreneurial Center at the technical school. Senate Bill 1044 was recently enacted for the purpose of allowing the school to enter into a public-private partnership; however, the legislation did not estimate a fiscal impact to the state budget nor was one intended when I signed this legislation into law. Midlands Technical College is also pursuing a similar public-private partnership pursuant to recently enacted legislation but will use private dollars to finance the development project. I believe that Florence-Darlington can and should do the same.

Furthermore, as indicated in Veto 9, I believe institutions of higher education should utilize the established orderly process for the approval of funding for new projects. It is for these reasons that I am vetoing this item.

Veto 9 Part IA, Section 5N, Technical and Comprehensive Education Bd,
Instructional Programs, page 67, Trident Tech – Culinary Arts, \$775,000.

As I stated in my veto message for the Life Sciences Act, S.560, R.212, South Carolina is confronted with a lack of any central coordination of higher education spending. What we have asked for is to simply follow the process set forth by the General Assembly for enacting new programs at any of the higher education institutions around the state. Current law provides that no “new program may be undertaken by any public institution of higher education without the approval of the [Commission on Higher Education].” S.C. Code Ann. Section 59-103-35. Clearly the General Assembly intended to lessen the political nature of higher education spending by establishing a process by which expansion of higher education could be done in a measured and efficient manner. Though there is merit to the idea of establishing a culinary arts program at Trident Tech, we should at least allow the one agency in the state that the General Assembly empowered with the authority to review these proposals to make such a recommendation.

By contrast, however, I am allowing the \$395,000 appropriation for the Culinary Arts program at the University of Charleston to go forward. The University has worked diligently to seek the concurrence of their faculty, administration and Board of Trustees regarding this program. Those approvals have been secured. Furthermore, the request was submitted to the Commission on Higher Education where it has been received positively and is awaiting final approval. This orderly process is how the approval system *should* work.

Veto 10 Part IA, Section 6, Educational Television Commission, Program and Services, Agency Services, General Support and Services, page 73, Other Operating Expenses, \$184,144.

I am vetoing this item because this agency's total funding from the state (including lottery) was increased by approximately 7% in this appropriation bill. As stated earlier, since I am left with little choice but to free up a sufficient amount of funds to repay our state's unconstitutional deficit, I am, therefore, vetoing this item.

Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 11 Part IA, Section 6, Educational Television Commission, Program and Services, Cultural and Performing Arts, page 73, Other Operating Expenses, \$117,028.

I am vetoing this item because my Executive Budget indicates a similar monetary amount is spent for the department's vehicle maintenance shop. It is my understanding that no other television station in the state owns and operates a vehicle maintenance shop and I do not find it to be a core function of this agency. As part of our overall proposal to privatize the state fleet, we think that these savings could be realized.

Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 12 Part IA, Section 8, Dept of Health and Human Services, Program and Services, Health Services, Medical Contracts, page 77, Eligibility Contracts, \$700,000.

I am vetoing this item at the request of department officials who believe that their plans to streamline the eligibility determination process will produce budgetary savings. I commend these efforts and believe that these enhanced efficiencies will offset this reduction.

Veto 13 Part IA, Section 9, Department of Health And Environmental Control, Administration, Page 81, Other Operating Expenses, \$787,017.

Including all sources of funds, this appropriations act will increase DHEC's total state funding by \$7 million – approximately a 7% increase from the current year. The appropriations act also provides an 8% increase in total funds amounting to approximately \$535 million – a \$41 million increase over the current year's budget. In fact, since FY 2002, DHEC's total budget will have increased by over \$80 million – nearly 18%. Over the same time, most state agencies have suffered substantial double-digit decreases in their overall budgets.

Due to the need to free up sufficient funds to repay our state's unconstitutional deficit, I must make some difficult choices and am, therefore, compelled to veto this expenditure. I think that

the agency is better suited than most to sustain this reduction given their substantial funding increases over the past few years and in this budget.

Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 14 Part IA, Section 9, Department of Health And Environmental Control, Coastal Resource Improvement, Page 82, Other Operating Expenses, \$247,794.

Including all sources of funds, this appropriations act will increase DHEC's total state funding by \$7 million – approximately a 7% increase from the current year. The appropriations act also provides an 8% increase in total funds amounting to approximately \$535 million – a \$41 million increase over the current year's budget. In fact, since FY 2002, DHEC's total budget will have increased by over \$80 million – nearly 18%. Over the same time, most state agencies have suffered substantial double-digit decreases in their overall budgets.

Due to the need to free up sufficient funds to repay our state's unconstitutional deficit, I must make some difficult choices and am, therefore, compelled to veto this expenditure. I think that the agency is better suited than most to sustain this reduction given their substantial funding increases over the past few years and in this budget.

Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 15 Part IA, Section 9, Dept of Health and Environmental Control, Programs and Services, Coastal Resource Improvement, page 82, Hunting Is. Beach Renourishment, \$5,000,000.

I am vetoing this item because the renourishment of the beach at Hunting Island is not the kind of investment that our state should be making, particularly during this current budget crisis. The threshold for this type of investment in infrastructure or natural resources should be a sustained, positive impact. In the case of this renourishment project, the opposite is almost a certainty.

First, the coast of South Carolina is in a prime hurricane path. Another storm anywhere near the size of Hurricane Hugo could literally wipe out in a day any attempt to supplement the beach on Hunting Island. We have been relatively lucky in recent years, such as in avoiding the brunt of Hurricane Isabel last year. But there is no doubt that we are due another major storm, and its impact would completely wipe out a renourishment project such as this.

My second concern is with the increased environmental pressures that renourishment places on beaches. As coastal geologist Orrin Pilkey of Duke University observed, "In a battle of man versus ocean, the ocean is going to win every time. I guarantee it." For example, the "borrow pits" offshore where sand is dredged from can actually draw sediment back down from the renourished beach in to the ocean, and the pits also allow larger waves nearer to the shore. These

and other factors can combine to actually increase by two to twelve times the rate of preexisting erosion.

Finally, I would raise the following legislative enactment, from Section 48-39-250 of the South Carolina Code of Laws:

“(6) Erosion is a natural process which becomes a significant problem for man only when structures are erected in close proximity to the beach/dune system. *It is in both the public and private interests to afford the beach/dune system space to accrete and erode in its natural cycle.* This space can be provided only by discouraging new construction in close proximity to the beach/dune system and encouraging those who have erected structures too close to the system to retreat from it.” [Emphasis added.]

Hunting Island, because of its preserved nature and lack of developed structures in close proximity to the beach, fits perfectly in to this description of an area that should be allowed to “accrete and erode in its natural cycle.” In some instances due to substantial public and private investments, we are left with no choice but to fall back on remedies like renourishment. This is not the case here and, because of these factors, combined with our unconstitutional deficit, I feel compelled to veto this funding.

Veto 16 Part IA, Section 9, Department of Health And Environmental Control, Air Quality Improvement, Page 82, Other Operating Expenses, \$181,459.

Including all sources of funds, this appropriations act will increase DHEC’s total state funding by \$7 million – approximately a 7% increase from the current year. The appropriations act also provides an 8% increase in total funds amounting to approximately \$535 million – a \$41 million increase over the current year’s budget. In fact, since FY 2002, DHEC’s total budget will have increased by over \$80 million – nearly 18%. Over the same time, most state agencies have suffered substantial double-digit decreases in their overall budgets.

Due to the need to free up sufficient funds to repay our state’s unconstitutional deficit, I must make some difficult choices and am, therefore, compelled to veto this expenditure. I think that the agency is better suited than most to sustain this reduction given their substantial funding increases over the past few years and in this budget.

Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 17 Part IA, Section 9, Department of Health And Environmental Control, Land & Waste Management, Page 83, Other Operating Expenses, \$761,791.

Including all sources of funds, this appropriations act will increase DHEC’s total state funding by \$7 million – approximately a 7% increase from the current year. The appropriations act also

provides an 8% increase in total funds amounting to approximately \$535 million – a \$41 million increase over the current year’s budget. In fact, since FY 2002, DHEC’s total budget will have increased by over \$80 million – nearly 18%. Over the same time, most state agencies have suffered substantial double-digit decreases in their overall budgets.

Due to the need to free up sufficient funds to repay our state’s unconstitutional deficit, I must make some difficult choices and am, therefore, compelled to veto this expenditure. I think that the agency is better suited than most to sustain this reduction given their substantial funding increases over the past few years and in this budget.

Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 18 Part IA, Section 9, Dept of Health and Environmental Control, Programs and Services, Family Health, Access to Care, page 85, Unclassified Positions, \$138,073.

I am vetoing this item because, as I mentioned in my Executive Budget, DHEC has indicated that it could save over \$1.7 million by streamlining access to care management, using technology to reduce travel and training costs, and by reducing rent, while still providing services that are accessible to all South Carolinians. I once again urge the Legislature to adopt these savings first suggested by DHEC as set forth in my Executive Budget.

Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 19 Part IA, Section 9, Dept of Health and Environmental Control, Programs and Services, Family Health, Access to Care, page 85, Other Personal Service, \$56,895.

I am vetoing this item because, as I mentioned in my Executive Budget, DHEC has indicated that it could save over \$1.7 million by streamlining access to care management, using technology to reduce travel and training costs, and by reducing rent, while still providing services that are accessible to all South Carolinians. I once again urge the Legislature to adopt these savings first suggested by DHEC as set forth in my Executive Budget.

Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 20 Part IA, Section 9, Dept of Health and Environmental Control, Programs and Services, Family Health, Access to Care, page 85, Lancaster Kershaw Health Center, \$175,738.

This funding represents a portion of the center's operating budget and is passed through the Medical School at the University of South Carolina. I am vetoing this item because, as set forth in my Executive Budget, the practice of funding individual organizations through budget line-items limits the ability of agency officials to make funding decisions for their agencies. Funding projects via budget line-items is generally the result of political influences, which should not be the criteria that we base decisions regarding funding one health center over another.

Veto 21 Part IA, Section 9, Dept of Health and Environmental Control, Programs and Services, Family Health, Access to Care, page 85, Biotechnology Center, \$547,620.

I am vetoing this item because, as I mentioned in my Executive Budget, DHEC has indicated that it could save over \$1.7 million by streamlining access to care management, using technology to reduce travel and training costs, and by reducing rent, while still providing services that are accessible to all South Carolinians. I once again urge the Legislature to adopt these savings first suggested by DHEC as set forth in my Executive Budget.

Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 22 Part IA, Section 9, Department of Health And Environmental Control, Health Care Standards Facility Service Development, Other Operating Expenses, Page 87, \$197,015.

Including all sources of funds, this appropriations act will increase DHEC's total state funding by \$7 million – approximately a 7% increase from the current year. The appropriations act also provides an 8% increase in total funds amounting to approximately \$535 million – a \$41 million increase over the current year's budget. In fact, since FY 2002, DHEC's total budget will have increased by over \$80 million – nearly 18%. Over the same time, most state agencies have suffered substantial double-digit decreases in their overall budgets.

Due to the need to free up sufficient funds to repay our state's unconstitutional deficit, I must make some difficult choices and am, therefore, compelled to veto this expenditure. I think that the agency is better suited than most to sustain this reduction given their substantial funding increases over the past few years and in this budget.

Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 23 Part IA, Section 9, Department of Health And Environmental Control, Health Care Standards Licensing, Other Operating Expenses, Page 87, \$94,753.

Including all sources of funds, this appropriations act will increase DHEC's total state funding by \$7 million – approximately a 7% increase from the current year. The appropriations act also provides an 8% increase in total funds amounting to approximately \$535 million – a \$41 million increase over the current year's budget. In fact, since FY 2002, DHEC's total budget will have increased by over \$80 million – nearly 18%. Over the same time, most state agencies have suffered substantial double-digit decreases in their overall budgets.

Due to the need to free up sufficient funds to repay our state's unconstitutional deficit, I must make some difficult choices and am, therefore, compelled to veto this expenditure. I think that the agency is better suited than most to sustain this reduction given their substantial funding increases over the past few years and in this budget.

Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 24 Part IA, Section 9, Department of Health And Environmental Control, Health Surveillance, Vital Records, Other Operating Expenses, Page 88, \$12,681.

Including all sources of funds, this appropriations act will increase DHEC's total state funding by \$7 million – approximately a 7 % increase from the current year. The appropriations act also provides an 8 % increase in total funds amounting to approximately \$535 million – a \$41 million increase over the current year's budget. In fact, since FY 2002, DHEC's total budget will have increased by over \$80 million – nearly 18 %. Over the same time, most state agencies have suffered substantial double-digit decreases in their overall budgets.

Due to the need to free up sufficient funds to repay our state's unconstitutional deficit, I must make some difficult choices and am, therefore, compelled to veto this expenditure. I think that the agency is better suited than most to sustain this reduction given their substantial funding increases over the past few years and in this budget.

Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 25 Part IA, Section 10, Dept of Mental Health, Programs and Services, Support Services, Administrative Services, page 94, Unclassified Positions, \$275,197.

This appropriations act increases the department's personal service appropriation for support services by over \$900,000 – approximately 7.5 % over the amount funded last year. Due to the need to free up sufficient funds to repay our state's unconstitutional deficit, I must make some difficult choices and am, therefore, compelled to veto this expenditure. Because the appropriations act as presented to me contains mostly large rolled-up lines, there is no other way for me to reduce this 7.5 % increase.

Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 26 Part IA, Section 10, Dept of Mental Health, Programs and Services, Support Services, Administrative Services, page 94, Other Personal Services, \$520,629.

This appropriations act increases the department's personal service appropriation for support services by over \$900,000 – approximately 7.5% over the amount funded last year. Due to the need to free up sufficient funds to repay our state's unconstitutional deficit, I must make some difficult choices and am, therefore, compelled to veto this expenditure. Because the appropriations act as presented to me contains mostly large rolled-up lines, there is no other way for me to reduce this 7.5% increase.

Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 27 Part IA, Section 11, Dept of Disabilities and Special Needs, Programs and Services, Regional Centers, page 100, Other Operating Expenses, \$56,662.

I am vetoing this item because my Executive Budget indicates a similar monetary amount is spent for the department's vehicle maintenance shop. I believe the operation of a vehicle maintenance shop is not a core function of this agency. Furthermore, as part of our overall proposal to privatize the state fleet, we believe we could realize these savings.

Veto 28 Part IA, Section 13, Department of Social Services, Programs and Services, Employment and Training Servi, Case Management, page 111, Greenville Urban League, \$18,389.

I am vetoing this item because, as stated in my Executive Budget, we have other excellent Urban League offices located throughout the state, and the Legislature should not single out one particular office for line-item funding.

Veto 29 Part IA, Section 21, Forestry Commission, Forest Landowner Assistance, page 131, Forest Renewal Program, \$200,000.

I believe that any non-core government activity that can be handled by the private sector generally should be handled by the private sector. This philosophical belief supports my rationale for selling a third of our state's vehicle fleet in favor of leasing them. Getting out of that activity should allow for substantial savings over time and will allow the agency to focus more intently on their core mission.

Along the same lines, while selling seedlings was likely a necessary service of the Forestry Commission at one time, I think that the emergence of new forest supply companies, the expansion of existing nurseries, and the growth of E-commerce have changed the need for government to provide this function. We have identified seedling availability by phone and internet for most of the products offered by the Forestry Commission, and we are confident that the private sector can easily pick up the demand for seedlings. Moreover, the elimination of state-subsidized seedling sales will decrease unfair competition in the forest industry. This agency should discontinue selling seedlings to citizens and instead provide guidance to those who need seedling products. For these reasons, I am vetoing this item which reflects the approximate dollar amount that the agency lost by offering this service last year. Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 30 Part IA, Section 22, Department of Agriculture, Administrative Services, page 134, Other Personal Services, \$35,000, General Fund only.

Proviso 22.14 will increase the department's funding by \$100,000 next year. Given the unconstitutional deficit that I think we are legally obligated to eliminate this year, I feel compelled to veto part of the agency's increase in order to help pay off the deficit. Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 31 Part IA, Section 22, Department of Agriculture, Consumer Services, page 134, Other Personal Services, \$15,000.

Proviso 22.14 will increase the department's funding by \$100,000 next year. Given the unconstitutional deficit that I think we are legally obligated to eliminate this year, I feel compelled to veto part of the agency's increase in order to help pay off the deficit. Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 32 Part IA, Section 24, Department of Natural Resources, Marine Research, Special Items, Waddell Mariculture, Page 147, \$400,000.

I am vetoing this item because Proviso 24.21 allows the agency to keep the proceeds of the sale of approximately \$450,000 worth of surplus property which can be used for the maintenance needs at the Waddell facility.

Veto 33 Part IA, Section 26, Dept of Part, Recreation and Tourism, Programs and Services, Tourism Sales and Marketing, page 151, Contributions, \$377,586.

I believe that any public-private endeavor should employ an open and objective competitive process so that the most worthy projects receive public investments. However, the political process is used too often resulting in the best connections rather than the best ideas being rewarded with funding. As indicated in my Executive Budget, this is a flow-through line for contributions for specific entities, projects, and special events which have been funded for many years. I am vetoing this item because I believe the \$2.4 million competitive grants process used in the Tourism Marketing Partnership Program (TMPP) is a more fair way to fund these activities. Additionally, when PRT notified programs historically funded by this item of my exclusion of the funding from the Executive Budget, at least one recipient indicated that it has never expected to receive this funding from the state.

Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 34 Part IA, Section 26, Dept of Part, Recreation and Tourism, Programs and Services, Tourism Sales and Marketing, page 152, Palmetto Bowl, \$380,000.

I am fully supportive of efforts to bring the Palmetto Bowl to Charleston as I understand the significant economic impact that it can have on our state. However, I am concerned about paying for a long-term capital improvement project such as a stadium in an appropriations act that is intended to deal with annual operating expenses.

In the same way that we would not promise long-term tax credits through the annual budget process to a prospective business client of the Department of Commerce, I do not believe that we should subject funds for improvements to a Citadel stadium to the budget process for the next fifteen years. I therefore suggest that we look at funding any stadium enhancements from any available monies in the Capital Reserve Fund, and I am committed to working with legislative leadership to do so in the upcoming fiscal year. If it appears likely that ESPN is still interested in bringing the bowl to Charleston, full funding for the project could be secured in time for the stadium to be modified for the proposed December 2005 bowl game. For these reasons, I am vetoing this item.

Veto 35 Part IA, Section 26, Dept of Part, Recreation and Tourism, Programs and Services, Rec, Planning, Eng., page 152, Other Operating Expenses, \$91,394.

This appropriations act increases PRT's appropriation 6%. While this increase will allow more important resources to be used in marketing our state, the need to eliminate our unconstitutional deficit compels me to veto a small part of the agency's increase. Because the appropriations act as presented to me contains mostly large rolled-up lines, there is no other way for me to reduce the 6% increase. Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 36 Part IA, Section 26, Dept of Parks Recreation and Tourism, Programs and Services, Communications, Page 153, Other Operating \$25,000.

A \$250,000 appropriation was added to PRT's budget for the special item "Freedom Weekend Aloft." While I do not object to the event itself as stated in Veto 33 related to other pass-through funds for this agency, I believe that these types of events should be funded based on their merits as determined through the TMPP process as opposed to political earmarks. Unfortunately, this \$250,000 appropriation was added to PRT's existing line for advertising which makes a line item veto of exactly \$250,000 very difficult. Since I do not object to the entire advertising line item, I am vetoing other lines within the agency's budget in this veto and in Vetoes 37 and 38 which total \$249,235 to account for this \$250,000 appropriation. Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 37 Part IA, Section 26, Dept of Parks Recreation and Tourism, Programs and Services, Research and Policy, Page 153, Classified Positions \$211,020.

For the same reasons provided in Veto 36, I am vetoing this item since I object to the \$250,000 appropriation of the "Freedom Weekend Aloft" item. Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 38 Part IA, Section 26, Dept of Parks Recreation and Tourism, Administrative Services 151, Other Personal Services, \$13,215.

For the same reasons provided in Veto 36, I am vetoing this item since I object to the \$250,000 appropriation of the "Freedom Weekend Aloft" item. Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 39 Part IA, Section 27, Department of Commerce, Programs and Services, Community and Rural Development, Page 156, Classified Positions \$39,663.

A \$197,688 appropriation was added to the department's budget for the special item "World Trade Park and Education Research Center." While this may be a worthy program, given our unconstitutional deficit, I do not believe it is appropriate to begin such a program this year. Because this appropriation was added to an existing "other operating" line that totals over \$1.8 million making a line item veto of exactly \$197,688 very difficult, I am forced to veto other lines within the department's budget. Therefore, this veto and Vetoes 40 and 41 which total \$197,422 account for the "World Trade Park and Education Research Center" appropriations. It is my intent for the department to use the flexibility proviso to replace these line items vetoed with the appropriation added in the other operating line for this special item.

Veto 40 Part IA, Section 27, Department of Commerce, Programs and Services,
Community and Rural Development, Page 156, Unclassified Positions \$75,000.

For the same reasons provided in Veto 39, I am vetoing this item because I object to the \$197,688 appropriations for the “World Trade Park and Education Research Center.” It is my intent for the agency to use the flexibility proviso to replace these line items vetoed with the appropriation added in the other operating line for this special item.

Veto 41 Part IA, Section 27, Department of Commerce, Programs and Services,
Aeronautics, Page 158, Unclassified Positions \$ 82,759.

For the same reasons provided in Veto 39, I am vetoing this item because I object to the \$197,688 appropriations for the “World Trade Park and Education Research Center.” It is my intent for the agency to use the flexibility proviso to replace these line items vetoed with the appropriation added in the other operating line for this special item.

Veto 42 Part IA, Section 53, Department of Transportation, Mass Transit, page 221,
Aid to Other Entities, \$100,990.

The Department of Transportation’s budget has increased approximately 32% to over \$1.1 billion for the next fiscal year. The Mass Transit Division of the South Carolina Department of Transportation has a total budget of \$20.9 million in total funds. The appropriated funds for FY 2003-2004 was \$1,000. This cut represents one half of one percent of a total cut to the Mass Transit Division, while the overall transit budget has increased 11.4 %. As such, the proposed cut poses no threat to the overall transit budget and would instead, provide funds to eliminate the unconstitutional deficit from FY 2001-2002.

Veto 43 Part IA, Section 61, Adjutant General’s Office, Other Operating Expenses, Page
252, Funeral Caisson, \$99,000

As I stated in my Executive Budget, the hard work of the purely volunteer group that oversees the Caisson should be recognized and commended. This unique asset to our state is something I support. However, due to the need to free up sufficient funds to repay our state’s unconstitutional deficit, I must make some difficult choices and am, therefore, compelled to veto this expenditure. Our initial recommendation not to fund the program has led to some positive options. Department of Corrections Director Jon Ozmint has offered to house the eight member team at the Wateree Correctional Institute Prison Farm outside of Camden. The facility can absorb a great deal, if not all, of the expenses associated with the care of the horses. I am hopeful that through this type of creative thinking, state funding for the caisson can be eliminated without diminishing the benefits of this unique program.

Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 44 Part IA, Section 63, Budget and Control Board, Board Administration, Other Operating Expenses, Page 258, \$225,270.

Consistent with my earlier expressed beliefs regarding activities such as vehicle management and seedling sales, I believe government should stay out of the business of providing services that are offered by the private sector. From that core philosophy stems my belief that the Budget and Control Board does not need to run a division to sell office supplies to state agencies as the private sector is very capable of providing that function. In fact, I would argue that the private sector is likely able to better provide that function as our Central Supply division has lost significant amounts of money over the past couple of years.

Because my veto authority does not allow me to rewrite the appropriations act, I am forced to veto lines like this one in order to encourage the agency to absorb this cut by closing down operations I find objectionable. This is the only tool I have to effect the change I desire. I am vetoing this line in the hopes that these funds will be replaced by the savings from ceasing any operations offered by the private sector.

Veto 45 Part IA, Section 63, Budget and Control Board, Office of Executive Director, Board Administration, page 258, Veterans' Memorial, \$250,000.

This memorial was authorized to be erected in 1984 pursuant to Section 10-1-170 of the South Carolina Code of Laws by the South Carolina Arts Commission and the South Carolina Veterans Monument Association. This statute also authorized up to \$300,000 from the Sinking Fund in support of this project. While we understand the Legislature's intent to follow through on the construction of this monument, we believe the funds should come from the Sinking Fund as authorized by the Act. Currently there is in excess of \$1.1 million in the Sinking Fund, more than enough money to honor a commitment made by the state 20 years ago. For these reasons, I am vetoing this item.

Veto 46 Part IA, Section 63, Budget and Control Board, Economic Research, Other Operating Expenses, Page 261, \$110,400.

As referenced in our Executive Budget, cutting back on custodial or other general services in state agencies is a way that we can save an estimated \$1 million annually without materially hampering our ability to serve the citizens of the state. While the makeup of the budget will not allow me to veto \$1 million from the General Services Division, I am vetoing this line and asking the Budget and Control Board to replace the funds in this division through such a reduction in custodial services.

Veto 47 Part IA, Section 63, Budget and Control Board, Digital Cartography, Other Operating Expenses, Page 261, \$33,200.

As referenced in our Executive Budget, cutting back on custodial or other general services in state agencies is a way that we can save an estimated \$1 million annually without materially hampering our ability to serve the citizens of the state. While the makeup of the budget will not allow me to veto \$1 million from the General Services Division, I am vetoing this line and asking the Budget and Control Board to replace the funds in this division through such a reduction in custodial services.

Veto 48 Part IA, Section 63, Budget and Control Board, Budget and Analyses Division, Board of Economic Advisors, page 262, Other Operating Expenses, \$122,992.

This appropriations act increases the BEA's funding by \$100,000, which is over a 40% increase from their current budget. Given the unconstitutional deficit that must be eliminated and our difficulty in funding critical core services with certified recurring dollars, I am compelled to veto this line which closely matches the increase in funds for the BEA. Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 49 Part IA, Section 63, Budget and Control Board, Office of Human Resources, Other Operating Expenses, Page 262, \$774,678.

As referenced in our Executive Budget, cutting back on custodial or other general services in state agencies is a way that we can save an estimated \$1 million annually without materially hampering our ability to serve the citizens of the state. While the makeup of the budget will not allow me to veto \$1 million from the General Services Division, I am vetoing this line and asking the Budget and Control Board to replace the funds in this division through such a reduction in custodial services.

Veto 50 Part IA, Section 63, Budget and Control Board, Insurance and Grants Division, Office of Local Government, page 269, SC Rural Infrastructure Bank Trust Fund, \$30,000.

It is our belief that any rural development activities should be coordinated through the Department of Commerce. Currently the Rural Infrastructure Fund under the department provides grants to counties in order to promote economic development. This proviso would create duplication of an existing program and should be consolidated under department.

Veto 51 Part IA, Section 63, Budget and Control Board, State CIO Division, CIO Chief Technology Officer, page 271, Total CIO Chief Technology Officer, \$313,883.

We propose eliminating the general fund appropriation for the total state CIO. I am appreciative of the significant progress that the CIO's office has made in reducing rates over the past year and encourage it to continue along that path. As mentioned in our Executive Budget, an independent assessment by The Gartner Group pointed out the following three areas where it believes we can achieve further savings:

1. The Help Desk, where we spend "4.5% higher than our workload peer group."
2. CIO's occupancy costs, which the Gartner group reports is \$2,224,000, "four to five times higher than our peer groups."
3. Personnel, where the report points out that CIO's 167.4 FTE's, are "significantly higher than the Workload peer group FTE staff of 87.9 that would be required to support the state's workload."

Further savings in these three areas of identified costs should allow the division to easily save the \$313,883 they receive in general fund dollars – which is approximately one-half of one percent of their total budget.

III. Vetoes of Part IB Temporary Provisions (Use of Certified Funds)

Part IB

Veto 52 Part IB, Section 1.23, Department of Education, page 294, SDE: Mathematics and Science Unit of the Office of Curriculum and Standards.

I am vetoing this section that appropriates \$75,000 to the South Carolina Aquarium because, as indicated in my Executive Budget, I believe we must direct as many of our limited state education dollars as possible to the classroom. I highlighted this appropriation, in particular, in my Executive Budget because the South Carolina Aquarium itself describes the aquarium as a self-supporting educational institution. Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so this particular item can be paid.

Veto 53 Part IB, Section 5A.27, Commission on Higher Education, page 322, CHE: Excellence Enhancement Program Additions.

I am vetoing this section that expands and increases funding by \$1.2 million for the Excellence Enhancement Program (EEP) by adding Converse College and Columbia College to the list of qualified schools. This program was established in FY 2003-2004 to work with colleges where 60% or more of the students are poor and educationally disadvantaged. This is a goal we applaud, and we ultimately believe our lottery dollars should be focused on needs-based students

first and foremost. However, adding these two schools may steer the intent of the program away from serving the needs-based population. In addition, continuing to add schools also places demands on increasing the budget considerably from year to year. With the growth of LIFE, HOPE, and Palmetto Scholarships, growing other programs out of the Lottery Budget could set the stage for reductions in future years. The aim to help these two colleges is laudable, but in this type of budget environment we should be cautious of potential mission creep and dilution of core focus such as helping needs-based students.

Veto 54 Part IB, Section 8.32, Department of Health and Human Services, page 328,
DHHS: Prescription Reimbursement Payment Methodology.

I am vetoing this section because if it were enacted, it would limit DHHS's options in the event the department is forced to reduce pharmacy reimbursements. While the department does not expect a need to reduce pharmacy reimbursements in any way, the pharmacists would prefer that DHHS reduce the dispensing fee rather than cut the reimbursement rate. The department believes it should have all of the tools necessary to make the any necessary changes to pharmacies.

Veto 55 Part IB, Section 8.43, Department of Health and Human Services, page 330,
DHHS: Medicaid Quarterly Fiscal Impact Statements .

I am vetoing this section because it imposes an undue and unique burden on DHHS not imposed on any other agency. According to standard operating procedure and the policy of my administration, all cabinet agencies must provide information relating to any proposed changes in policy upon request. Currently the department provides Medicaid bulletins that announce benefit or rate changes to the House of Representatives and the Senate. In addition, Executive Order 2002-23 requires that DHHS prepare an annual report with the same information as required in this section. Finally, the requirement that any changes, no matter how insignificant, to the Medicaid program must be reported is vague, burdensome and unnecessary.

Veto 56 Part IB, Section 8.48, Department of Health and Human Services, page 330,
DHHS: Ambulance Services Reimbursement.

I am vetoing this section because it is unnecessarily restrictive to DHHS. The department has no pending plan to modify the existing reimbursement rates to such providers. In addition, as a matter of policy, we should not allow individual provider groups to be singled out for protection of rate changes.

In addition, with gas prices approaching \$2 per gallon, the costs of providing services could increase if these prices are sustained over some period of time. This proviso would also prohibit DHHS from increasing these fees in the event it becomes necessary, leaving ambulance service providers to absorb these increased costs.

Veto 57 Part IB, Section 13.20, Department of Social Services, page 344, DSS: C. R. Neal Learning Center

I am vetoing this section that appropriates \$100,000 to the C.R. Neal Learning Center because, as stated in my Executive Budget, no Temporary Assistance to Needy Families (TANF) clients current attend the C.R. Neal Learning Center. In addition, we noted, as a matter of policy, that TANF dollars should not be earmarked, but rather directed by the Department of Social Services to its clients. Finally, adult education activities at this location have decreased to such a level that the facility has since been closed.

Veto 58 Part IB, Section 13.28, Department of Social Services, page 345, DSS: Child Care Services Providers Reimbursement Rates.

I am vetoing this section in order to allow the department to manage its budget reductions. Prior to the 2003-2004 Appropriations Act, the department had indicated that if it received an additional \$10 million cut, one of the areas that would be reduced in order to manage the cut was the rate the department pays therapeutic providers of residential care for foster children. Subsequently, the department did receive an additional \$10 million reduction with no reduction in the level of mandated services. This section takes away the department's ability to make reductions in expenditures in order to maintain a balanced budget and, therefore, I am vetoing it.

Veto 59 Part IB, Section 23.9, Clemson University – PSA, page 350, CU-PSA: Sandhills Revenue.

This section states that the planned expenditure of the Sandhills revenue has already been approved by the Clemson University Board of Trustees as well as the Budget and control Board. Since Clemson PSA's budget sustained a much smaller cut than was proposed in the Executive Budget, this section is unnecessary, and therefore I am vetoing it.

Veto 60 Part IB, Section 73.9, Statewide Revenue, page 440, SR: Personnel for Increased Enforcement Collections, (2) P28-Department of Parks, Recreation and Tourism. \$1,998,501

I am vetoing this section to enhance our core agencies' opportunity to receive their allocation from this proviso in the event the full amount of Maybank Money is not collected.

Veto 61 Part IB, Section 24.22, Department of Natural Resources, page 353, DNR: Retirement Incentive.

I am vetoing this section because it is inconsistent with my position on at-will employees. Last summer I made this position very clear, that going forward I would oppose buyouts for at-will

employees. There is a certain risk when an employee takes an at-will position, and for this reason, I am vetoing this section.

Veto 62 Part IB, Section 26.1, Department of Parks, Recreation and Tourism, page 353,
PRT: Canadian Day

I support the Canadian Promotion program, as does PRT Director Chad Prosser who is from the Myrtle Beach area. Because of our support for this program, I have left the Part IA funding for the program that this section references intact. However, we believe that PRT should work closely with the Myrtle Beach Chamber of Commerce to determine the best approach to using the Canadian Promotion, and, therefore, we would like for PRT to have flexibility to determine what that approach should be. Therefore, I am vetoing this section.

Veto 63 Part IB, Section 26.6, Department of Parks, Recreation and Tourism, page 353,
PRT: Palmetto Bowl Funding.

Because I am vetoing the line-item funding for the Palmetto Bowl, this section is unnecessary. Again, I am fully supportive of the efforts to bring the Palmetto Bowl to Charleston; however, I believe we should fund the stadium improvements through the Capital Reserve Fund and not out of annual operating expenses.

Veto 64 Part IB, Section 26.8, Department of Parks, Recreation and Tourism, page 354,
PRT: Litter Control Program Transfer.

Since its creation by Executive Order, PalmettoPride has been supported in the Governor's Office – Office of Executive Policy and Programs. The move from the Governor's Office to PRT will only serve to dilute the accountability of this program, and for that reason I am vetoing this section.

Veto 65 Part IB, Section 26.11, Department of Parks, Recreation and Tourism, page 354,
PRT: Litter Control

PalmettoPride evolved from the Governor's Task Force on Litter which was established by Executive Order 99-20. It has since operated within the Governor's Office of Executive Policy and Programs. Within Part IB of this budget, the General Assembly has transferred the program to another agency, written a charter, and established criteria for a board of directors.

I take issue with these actions on two grounds. First, I believe this is a clear encroachment by the General Assembly into an executive branch program. PalmettoPride was established by executive order and has existed in the Governor's Office for five years. There is no compelling reason to remove this program, and, given its origins, it should remain under the governor's control.

Second, this section establishes a nonprofit agency, dictates the composition of a board of directors, and sets multi-year terms. This would not appear to be a one-year, temporary proviso as Part IB items are intended to be. The General Assembly has taken admirable steps over the past several years to curb the use of budget provisos to enact permanent laws. I am vetoing this section because I believe that the budget should not be a vehicle for these types of permanent law changes.

Veto 66 Part IB, Section 27.6, Department of Commerce, page 355, CMRC: Aeronautics - Office Space Rental.

We oppose the transfer of the Division of Aeronautics to the Department of Transportation and will also veto Proviso 72.89 (GP: Division of Aeronautics Transfer). It is our intent that the Division of Aeronautics will stay within the Department of Commerce, thus making rent payments unnecessary.

Veto 67 Part IB, Section 27.19, Department of Commerce, page 357, CMRC: Local Government Fund Repayment.

I am vetoing this section because Proviso 27.25 provides \$2.4 million for the outstanding loan balance. The Department of Commerce intends to pay the balance through other means. Proviso 27.19 is also inconsistent with the intent of Proviso 27.12 which states, "The Department of Commerce may carry forward proceeds from the sale of aircraft to be used for replacement aircraft and for required Federal Aviation Administration upgrades to existing aircraft."

Additionally, we believe Aeronautics assets should not be used for purposes other than Aeronautics. As such, I am vetoing this section so that the department can find alternative means to repay the loan balance, thus allowing the department to retain the funds from the sale of the fractional jet for Aeronautics purposes.

Veto 68 Part IB, Section 27.23, Department of Commerce, page 357, CMRC: Funding For I-73.

I am vetoing this section because it is an unnecessary set aside, and it also sets a precedent by earmarking funds from the Coordinating Council. This money is for closing deals, not for projects no matter how meritorious. I have a long track record in support of I-73, which I believe is one of the greatest transportation needs in the State of South Carolina. As a member of the U.S. House of Representatives, I drafted the authorizing language directing I-73 to Myrtle Beach rather than Charleston. That being said, this is an extremely unusual earmark from the Coordinating Council for project funding. The fund should be used exclusively to close economic development deals. Because this is a great transportation need for the state, we believe the South Carolina Department of Transportation should work to develop funding for I-73 within their own budget, as is typically the case in federal-aid highways.

Veto 69 Part IB, Section 29A.1, S.C. Conservation Bank, pages 357-358, CB: Maintaining Database.

I am vetoing this section because it imposes an undue burden on the Conservation Bank. We would recommend that the Conservation Bank maintain records for all of the conservation easements purchased by the Bank, but requiring an updated database of all easements should not be the responsibility of this agency.

Veto 70 Part IB, Section 36.1, Department of Public Safety, page 365, DPS: Special Events Traffic Control.

I am vetoing this section because I continue to believe that the Department of Public Safety, at its discretion, should be able to assess reasonable fees for support provided to special events.

Veto 71 Part IB, Section 47.4, Department of Insurance, page 378, INS: State Accident Fund.

The State Accident Fund provides workers' compensation insurance coverage for state agencies and political subdivisions. The Department of Insurance regulates insurers, including those that provide workers' compensation insurance. This proviso would put the regulator of insurance in the business of running what is effectively an insurance company – thereby causing a clear conflict. No state has housed its workers' compensation fund for government workers within an insurance regulatory agency. There are currently 26 similar funds in the country. Twenty-two of these are independent entities reporting directly to the governor or to a board of managers appointed by the governor.

I am vetoing this section because the Department of Insurance's regulatory mission is not consistent with it managing an insurance program. In addition, no state general funds are appropriated to the SAF – nor do any similar employees currently exist at the Department of Insurance, leaving little to be gained in efficiency. In my Executive Budget, I recommended moving the State Accident Fund and the Insurance Reserve Fund into a new Trust Fund Authority. Both of these funds provide liability insurance coverage for government entities. I once again urge the Legislature to adopt our State Accident Fund proposal.

Veto 72 Part IB, Section 50.19, Department of Labor Licensing Regulations, page 380, LLR: Funeral Home Inspectors.

I am vetoing this section because this department has recently announced that it plans to create a full-time position to inspect funeral homes and crematories for the State Board of Funeral Service. Since the department intends to take such action, this section is both redundant and

unnecessary. Furthermore, as a matter of policy, I believe we should avoid directing staff at various agencies through provisos.

Veto 73 Part IB, Section 56DD.42, Governor's Office, page 392, SLED-Video Poker.

I am vetoing this Proviso, not out of an objection to increased fines to illegal video poker operators, but my concern that this Proviso does not meet Constitutional muster. The intent, which I fully support, is to fine those who would set up illegal video poker machines. However, the Proviso fails on the grounds that it offers no due process and simply empowers an agency to impose a fine and determine machines illegal. Though I am vetoing this Proviso in the current budget, I will work with SLED and members of the General Assembly to perfect this language and reintroduce it in the next year. I believe those who would illegally operate illegal machines should face punitive fines.

Veto 74 Part IB, Section 72.89, General Provisions, page 433, GP: Division of Aeronautics Transfer.

I am vetoing this section which transfers the Division of Aeronautics from the Department of Commerce to the Department of Transportation because I am opposed to the "unrestructuring" and lessening of accountability that will result by moving a division from a cabinet agency to a non-cabinet agency. In addition, if enacted, this section will impede an agreement regarding this division that has been reached among the Department of Commerce, legislators and potential economic developers.

Veto 75 Part IB, Section 72.104, General Provisions, page 436, GP: Secure Juvenile Confinement.

I am vetoing this section because it unduly interferes with the Department of Public Safety and the Department of Correction's oversight of federal funding for certain juvenile facilities. These agencies should not lose their flexibility to change their current policies. The Attorney General can review the agencies' interpretation without this proviso.

Veto 76 Part IB, Section 72.111, General Provisions, page 438, GP: Prison Medical Services Study.

I am vetoing this section because it interferes with a procurement process that is well underway. If this proviso is enacted, it could open the state to liability from vendors that have participated in the process. Privatizing prison medical services has been studied numerous times by corrections agencies, policy groups, and federal courts nationwide. As a result of these studies, more than half of all states have fully privatized correctional medical services. Currently, many county jails have already privatized inmate health care, including the Lee-Sumter correctional facility. Both the South Carolina Policy Council and a joint legislative committee, established by the General

Assembly, have already studied and recommended this course of action. The legislatively-created committee recommended in its April 2003 report that the South Carolina Department of Corrections and the Department of Probation, Pardons, and Parole “develop requests for proposals to consider privatization of functional areas of health care services....” The Department of Corrections, following that recommendation, is already months into the procurement process. Allowing this proviso to stand would prevent the agency from recognizing savings in a substantial cost area and allow the agency to contain costs over time.

Veto 77 Part IB, Section 73.10, General Provisions, page 442, SR: Sale of Vehicles/Maintenance Facilities Closure Study.

I am vetoing this section because it is redundant and conflicts with Proviso 73.18. (SR: Repayment of Deficit) which also requires a study by the Budget and Control Board. I believe that study can be done quickly because privatizing the state fleet has already been studied by various entities, including the MAP Commission. As the intent of Proviso 73.18 is to better utilize assets to generate one-time revenue for retiring the unconstitutional deficit, we will encourage the staff at the Budget and Control Board to move promptly on the asset sales in order to realize the proceeds as soon as possible.

Veto 78 Part IB, Section 73.17, Statewide Revenue, page 443, SR: Repayment of Debt and Unobligated Funds, H73 Vocational Rehabilitation.

This item subjects Vocational Rehabilitation to a budget cut in the event the FY 2003-2004 anticipated surplus does not total at least \$35,583,799. Although the Board of Economic Advisors has projected that at least this amount of surplus will be realized, it is necessary to take into account the existing deficits being run by the Department of Corrections, the State Election Commission and the Department of Juvenile Justice, which will place demands on the projected surplus. Thus, we are concerned that the full amount of the surplus may not be realized, which would result in a significant cut for this agency. For instance, this agency could be cut up to \$270,167, if the surplus does not materialize. Accordingly, I am vetoing this distinctly labeled item to protect this agency.

Veto 79 Part IB, Section 73.17, Statewide Revenue, page 443, SR: Repayment of Debt and Unobligated Funds, J16 Department of Disabilities and Special Needs.

This item subjects the Department of Disabilities and Special Needs to a budget cut in the event the FY 2003-2004 anticipated surplus does not total at least \$35,583,799. Although the Board of Economic Advisors has projected that at least this amount of surplus will be realized, it is necessary to take into account the existing deficits being run by the Department of Corrections, the State Election Commission and the Department of Juvenile Justice, which will place demands on the projected surplus. Thus, we are concerned that the full amount of the surplus may not be realized, which would result in a significant cut for this agency. For instance, this

agency could be cut up to \$3,121,998, if the surplus does not materialize. Accordingly, I am vetoing this distinctly labeled item to protect this agency.

Veto 80 Part IB, Section 73.17, Statewide Revenue, page 443, SR: Repayment of Debt and Unobligated Funds, J20 Department of Alcohol and Other Drug Abuse Services.

This item subjects the Department of Alcohol and Other Drug Abuse Services to a budget cut in the event the FY 2003-2004 anticipated surplus does not total at least \$35,583,799. Although the Board of Economic Advisors has projected that at least this amount of surplus will be realized, it is necessary to take into account the existing deficits being run by the Department of Corrections, the State Election Commission and the Department of Juvenile Justice, which will place demands on the projected surplus. Thus, we are concerned that the full amount of the surplus may not be realized, which would result in a significant cut for this agency. For instance, this agency could be cut up to \$145,133, if the surplus does not materialize. Accordingly, I am vetoing this distinctly labeled item to protect this agency.

Veto 81 Part IB, Section 73.17, Statewide Revenue, page 443, SR: Repayment of Debt and Unobligated Funds, L04 Department of Social Services.

This item subjects the Department of Social Services to a budget cut in the event the FY 2003-2004 anticipated surplus does not total at least \$35,583,799. Although the Board of Economic Advisors has projected that at least this amount of surplus will be realized, it is necessary to take into account the existing deficits being run by the Department of Corrections, the State Election Commission and the Department of Juvenile Justice, which will place demands on the projected surplus. Thus, we are concerned that the full amount of the surplus may not be realized, which would result in a significant cut for this agency. For instance, this agency could be cut up to \$1,891,028, if the surplus does not materialize. Accordingly, I am vetoing this distinctly labeled item to protect this agency.

Veto 82 Part IB, Section 73.17, Statewide Revenue, page 443, SR: Repayment of Debt and Unobligated Funds, L24 Commission for the Blind.

This item subjects the Commission for the Blind to a budget cut in the event the FY 2003-2004 anticipated surplus does not total at least \$35,583,799. Although the Board of Economic Advisors has projected that at least this amount of surplus will be realized, it is necessary to take into account the existing deficits being run by the Department of Corrections, the State Election Commission and the Department of Juvenile Justice, which will place demands on the projected surplus. Thus, we are concerned that the full amount of the surplus may not be realized, which would result in a significant cut for this agency. For instance, this agency could be cut up to \$58,460, if the surplus does not materialize. Accordingly, I am vetoing this distinctly labeled item to protect this agency.

Veto 83 Part IB, Section 73.17, Statewide Revenue, page 443, SR: Repayment of Debt and Unobligated Funds, B04 Judicial Department.

This item subjects the Judicial Department to a budget cut in the event the FY 2003-2004 anticipated surplus does not total at least \$35,583,799. Although the Board of Economic Advisors has projected that at least this amount of surplus will be realized, it is necessary to take into account the existing deficits being run by the Department of Corrections, the State Election Commission and the Department of Juvenile Justice, which will place demands on the projected surplus. Thus, we are concerned that the full amount of the surplus may not be realized, which would result in a significant cut for this agency. For instance, this agency could be cut up to \$770,471, if the surplus does not materialize. Accordingly, I am vetoing this distinctly labeled item to protect this agency.

Veto 84 Part IB, Section 73.17, Statewide Revenue, page 443, SR: Repayment of Debt and Unobligated Funds, N04 Department of Corrections.

This item subjects the Department of Corrections to a budget cut in the event the FY 2003-2004 anticipated surplus does not total at least \$35,583,799. Although the Board of Economic Advisors has projected that at least this amount of surplus will be realized, it is necessary to take into account the existing deficits being run by the Department of Corrections, the State Election Commission and the Department of Juvenile Justice, which will place demands on the projected surplus. Thus, we are concerned that the full amount of the surplus may not be realized, which would result in a significant cut for this agency. For instance, this agency could be cut up to \$6,612,717, if the surplus does not materialize. Accordingly, I am vetoing this distinctly labeled item to protect this agency.

Veto 85 Part IB, Section 73.17, Statewide Revenue, page 444, SR: Repayment of Debt and Unobligated Funds, N08 Department of Probation, Parole and Pardon Services.

This item subjects the Department of Probation, Parole and Pardon Services to a budget cut in the event the FY 2003-2004 anticipated surplus does not total at least \$35,583,799. Although the Board of Economic Advisors has projected that at least this amount of surplus will be realized, it is necessary to take into account the existing deficits being run by the Department of Corrections, the State Election Commission and the Department of Juvenile Justice, which will place demands on the projected surplus. Thus, we are concerned that the full amount of the surplus may not be realized, which would result in a significant cut for this agency. For instance, this agency could be cut up to \$398,162, if the surplus does not materialize. Accordingly, I am vetoing this distinctly labeled item to protect this agency.

Veto 86 Part IB, Section 73.17, Statewide Revenue, page 444, SR: Repayment of Debt and Unobligated Funds, N12 Department of Juvenile Justice.

This item subjects the Department of Juvenile Justice to a budget cut in the event the FY 2003-2004 anticipated surplus does not total at least \$35,583,799. Although the Board of Economic Advisors has projected that at least this amount of surplus will be realized, it is necessary to take into account the existing deficits being run by the Department of Corrections, the State Election Commission and the Department of Juvenile Justice, which will place demands on the projected surplus. Thus, we are concerned that the full amount of the surplus may not be realized, which would result in a significant cut for this agency. For instance, this agency could be cut up to \$1,629,706, if the surplus does not materialize. Accordingly, I am vetoing this distinctly labeled item to protect this agency.

Veto 78 through 86 are consistent with Article IV, Section 21 of the South Carolina Constitution which authorizes the governor to veto "items or sections" in appropriations bills. The agencies identified in Part IB, Section 73.17(B), pages 443-444, are listed separately by agency number and name as distinct items divided by semicolons.

IV. Vetoes of Part IB Temporary Provisions (Use of Uncertified Funds)

As stated earlier, the General Appropriations Act appropriates \$90 million in new tax revenues that the Department of Revenue hopes to collect in Fiscal Year 2004-2005 through enhanced collection activities. This \$90 million represents 100%, every single penny, of the so-called "Maybank Money."

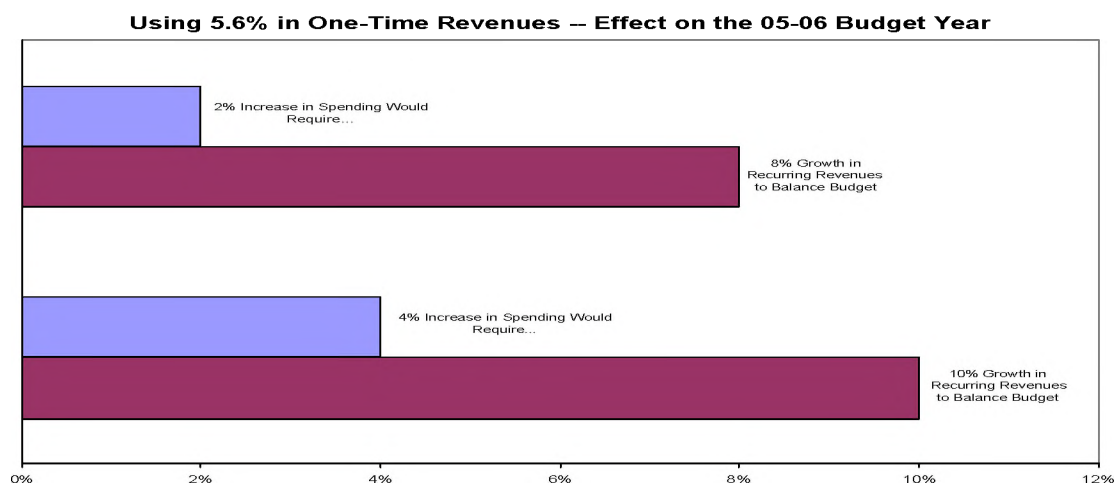
Consider what others involved in the budgeting process have stated about the Maybank Money and the prospect of appropriating it for state programs. The Associated Press, reporting on the House's decision to appropriate the entire \$90 million of Maybank Money in the budget, noted that: the Senate Finance Chairman believed "that money is too iffy to include in the state budget" and would be "hard pressed" to believe that all the money would be collected; "the Board of Economic Advisors 'vigorously do not certify' that [DOR Director Maybank] will collect that much money"; and the BEA's chairman has called the plan to appropriate the entire \$90 million "foolishness." Early in the Senate budgeting deliberations, the notion of only appropriating \$50 million of the hoped-for \$90 million was recommended by the Senate Finance Executive Committee.

As I have noted throughout this budget process, we share these reservations regarding the appropriation of the entire \$90 million of Maybank Money. There are several reasons why appropriating 100% of the Maybank Money is fiscally irresponsible.

First, it further exacerbates annualizations—the practice of using one-time money to pay for recurring items. We have tried to move away from this poor budgeting practice in recent years. For example, in Fiscal Year 2000-2001, our state's annualizations were \$564 million; last fiscal year, this amount was reduced to \$235 million. In my Executive Budget, annualizations were reduced further still, from \$235 million to \$144 million (and the annualizations in my Executive Budget would have been further reduced to \$21 million with the benefit of the additional \$123 million in recurring money for Fiscal Year 2004-2005 recently recognized by the BEA.) But the use of 100% of the Maybank Money, which everyone acknowledges will be a significantly

diminishing pot of money over time, moves us in the other direction, toward increased annualizations. This appropriation act uses 5.6 % of total spending, more than \$300 million in one-time money including the Maybank money.

It is important to look at what the use of non-recurring or one-time revenues does to the ongoing or future budgetary needs of this state. A budget that uses 5.6% of its ongoing spending from one-time sources needs to grow its revenues by 5.6% in the next year just to keep its spending levels flat. In order to accommodate a 2% rise in spending in the next budget year, revenues would have to grow 8% and, to accommodate a 4% increase in spending, 10% revenue growth would be needed. (See chart below.) This practice would be harmful and unsustainable in a family budget or for any small business and, in our state, this practice must end.



Second, we need to put our state’s fiscal house in order. There is now only approximately \$50 million in the state’s General Reserve Fund, and the Constitutional requirement is approximately \$150 million. Having our state’s “rainy day” fund so depleted in these uncertain economic times is risky. State agencies face the prospect of increased operational costs in the next fiscal year as a result of an increase in the bonded indebtedness limit, rising interest rates, escalating gasoline prices, among other things—and any overruns will have to be borne by the General Reserve Fund. Funding those same state agencies with “iffy” Maybank Money simply further increases the pressure on the General Reserve Fund.

The third and most important reason why it is important that we not appropriate 100% of the \$90 million in Maybank Money relates to our *extreme* concern over how the Department of Social Services is treated in the General Appropriations Act. The \$78 million appropriated to it in FY 2004-2005 means that it has now sustained a 35% reduction in its budget since FY 2001-2002. While its workforce has been reduced by approximately 27% to absorb these cuts, its caseload has increased dramatically. And our concern about the inadequate funding of DSS in the General Appropriations Act is compounded by the fact that 20% of its DSS budget has been funded by the “iffy” Maybank Money, and further still by the fact that the General Assembly took precautions to protect a few agencies in the event the Maybank Money did not come in, but did not include DSS as one of those agencies.

I am not able to direct the General Assembly to fund DSS with certified funds. And I am also not able to direct the General Assembly to include DSS as one of the state agencies that is protected in case the full amount of the Maybank Money is not realized. But what I can do to improve DSS' chances of fully realizing its share of the Maybank Money is to veto approximately \$21 million in appropriations of the uncertified Maybank Money to other state agencies that, I believe, perform services that are relatively less critical than those provided by DSS.

For the above reasons, I will let stand the appropriation of approximately \$79 million of the Maybank Money and veto programs funded by Maybank Money that, in the aggregate, involve approximately \$21 million, or one-fourth, of these hoped-for funds. These vetoes are set forth below.

Veto 87 Part IB, Section 73.9, Statewide Revenue, page 440, SR: Personnel for Increased Enforcement Collections, (2) H67-Educational Television: \$1,026,992

I am vetoing this section to enhance our core agencies' opportunity to receive their allocation from this proviso in the event the full amount of Maybank Money is not collected.

Veto 88 Part IB, Section 73.9, Statewide Revenue, page 440, SR: Personnel for Increased Enforcement Collections, (4) J04-Department of Health and Environmental Control. \$7,675,331

I am vetoing this section to enhance our core agencies' opportunity to receive their allocation from this proviso in the event the full amount of Maybank Money is not collected.

Veto 89 Part IB, Section 73.9, Statewide Revenue, page 440, SR: Personnel for Increased Enforcement Collections, (9) H79-Department of Archives and History: \$250,534

I am vetoing this section to enhance our core agencies' opportunity to receive their allocation from this proviso in the event the full amount of Maybank Money is not collected.

Veto 90 Part IB, Section 73.9, Statewide Revenue, page 440, SR: Personnel for Increased Enforcement Collections, (10) H87-State Library: \$481,745

I am vetoing this section to enhance our core agencies' opportunity to receive their allocation from this proviso in the event the full amount of Maybank Money is not collected.

Veto 91 Part IB, Section 73.9, Statewide Revenue, page 440, SR: Personnel for Increased Enforcement Collections, (11) H91-Arts Commission: \$243,896

I am vetoing this section to enhance our core agencies' opportunity to receive their allocation from this proviso in the event the full amount of Maybank Money is not collected

Veto 92 Part IB, Section 73.9, Statewide Revenue, page 440, SR: Personnel for Increased Enforcement Collections, (12) H95-Museum Commission: \$331,629

I am vetoing this section to enhance our core agencies' opportunity to receive their allocation from this proviso in the event the full amount of Maybank Money is not collected.

Veto 93 Part IB, Section 73.9, Statewide Revenue, page 440, SR: Personnel for Increased Enforcement Collections, (13) P12-Forestry Commission: \$1,006,311

I am vetoing this section to enhance our core agencies' opportunity to receive their allocation from this proviso in the event the full amount of Maybank Money is not collected.

Veto 94 Part IB, Section 73.9, Statewide Revenue, page 440, SR: Personnel for Increased Enforcement Collections, (14) P20-Clemson University Public Service Activities: \$2,753,047

I am vetoing this section to enhance our core agencies' opportunity to receive their allocation from this proviso in the event the full amount of Maybank Money is not collected.

Veto 95 Part IB, Section 73.9, Statewide Revenue, page 440, SR: Personnel for Increased Enforcement Collections, (16) P28-Department of Parks, Recreation, & Tourism: \$1,998,501

I am vetoing this section to enhance our core agencies' opportunity to receive their allocation from this proviso in the event the full amount of Maybank Money is not collected.

Veto 96 Part IB, Section 73.9, Statewide Revenue, page 440, SR: Personnel for Increased Enforcement Collections, (20) R40-Department of Motor Vehicles: \$1,937,247

I am vetoing this section to enhance our core agencies' opportunity to receive their allocation from this proviso in the event the full amount of Maybank Money is not collected.

Veto 97 Part IB, Section 73.9, Statewide Revenue, page 440, SR: Personnel for Increased Enforcement Collections, (26) R28-Department of Consumer Affairs: \$118,098

I am vetoing this section to enhance our core agencies' opportunity to receive their allocation from this proviso in the event the full amount of Maybank Money is not collected.

Veto 98 Part IB, Section 73.9, Statewide Revenue, page 441, SR: Personnel for Increased Enforcement Collections, (38) E04-Lieutenant Governor: \$19,773

I am vetoing this section to enhance our core agencies' opportunity to receive their allocation from this proviso in the event the full amount of Maybank Money is not collected.

Veto 99 Part IB, Section 73.9, Statewide Revenue, page 441, SR: Personnel for Increased Enforcement Collections, (39) E08-Secretary of State: \$68,086

I am vetoing this section to enhance our core agencies' opportunity to receive their allocation from this proviso in the event the full amount of Maybank Money is not collected.

Veto 100 Part IB, Section 73.9, Statewide Revenue, page 441, SR: Personnel for Increased Enforcement Collections, (41) F03-Budget and Control Board: \$2,661,363

I am vetoing this section to enhance our core agencies' opportunity to receive their allocation from this proviso in the event the full amount of Maybank Money is not collected

Veto 101 Part IB, Section 73.9, Statewide Revenue, page 441, SR: Personnel for Increased Enforcement Collections, (42) F27-Budget and Control Board - Auditor: \$225,018

I am vetoing this section to enhance our core agencies' opportunity to receive their allocation from this proviso in the event the full amount of Maybank Money is not collected.

Veto 102 Part IB, Section 73.9, Statewide Revenue, page 441, SR: Personnel for Increased Enforcement Collections, (47) J02 - Dept. of Health and Human Services: Columbia Urban League \$9,000

I am vetoing this section to enhance our core agencies' opportunity to receive their allocation from this proviso in the event the full amount of Maybank Money is not collected.

Veto 103 Part IB, Section 73.9, Statewide Revenue, page 441, SR: Personnel for Increased Enforcement Collections, (48) J02 - Dept. of Health and Human Services: Greenville Urban League \$9,000

I am vetoing this section to enhance our core agencies' opportunity to receive their allocation from this proviso in the event the full amount of Maybank Money is not collected.

Veto 104 Part IB, Section 73.9, Statewide Revenue, page 441, SR: Personnel for Increased Enforcement Collections, (54) P21 - SC State PSA \$152,013

I am vetoing this section to enhance our core agencies' opportunity to receive their allocation from this proviso in the event the full amount of Maybank Money is not collected.

Veto 105 I am vetoing the following distinctly labeled items from Part IB, Section 1AA.1, Lottery Expenditure Account, page 315, LEA: Lottery Funds: \$674,000 Department of Education - Governor's School for Science and Mathematics; and the remainder shall go to the Department of Education for the purchase and repair of school buses.

I am vetoing this section because it appropriates dollars that have not been certified by the Board of Economic Advisors, and therefore constitute "wish list" spending. Though both of these items have merit, we should avoid the practice of promising funds that are otherwise uncollected. Such a practice raises expectations that often fail to deliver and prevents us from making priority decisions in funding.

Veto 106 I am vetoing the following distinctly labeled items from Part IB, Section 1AA.1, Lottery Expenditure Account, pages 315-316, LEA: Lottery Funds: After the first \$86,000,000 of lottery funds carried forward from the prior fiscal year are realized, the next \$500,000 realized shall be appropriated to the State Board for Technical and Comprehensive Education for Spartanburg Technical College for the Cherokee County Campus. The next \$1,000,000 realized shall be appropriated to the Governor's Office of Executive Policy and Programs for academic enrichment after-school programs administered by the South Carolina Alliance of Boys & Girls Clubs, Inc., and the next \$250,000 realized shall be appropriated to Francis Marion University for the expansion of the Nursing Program, and the next \$100,000 shall be appropriated to Chesterfield County School District. Any further amount realized shall be appropriated to the counties of this state in equal amounts not to exceed \$50,000 per county for local library aid.

I am vetoing this section because it appropriates dollars that have not been certified by the Board of Economic Advisors, and therefore constitute "wish list" spending. Though both of these items have merit, we should avoid the practice of promising funds that are otherwise uncollected. Such a practice raises expectations that often fail to deliver and prevents us from making priority decisions in funding.

Veto 105 and 106 are consistent with Article IV, Section 21 of the South Carolina Constitution which authorizes the governor to veto "items or sections" in appropriations bills. *Black's Law Dictionary* defines an "item" in an appropriation as "an indivisible sum of money dedicated to a stated purpose." The language vetoed in Veto 105 and 106 meet this definition.

V. Conclusion

For the reasons stated above, and pursuant to the authority granted to the governor by Article IV, Section 21 of the South Carolina Constitution, I am vetoing the specific sections and items of H.4925, R. 333, the fiscal year 2004-2005 General Appropriations Act, as indicated. I look forward to working together in a spirit of cooperation and mutual respect toward the goal of disciplined budgetary practices and cooperative service to the citizens of South Carolina.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mark Sanford", with a long horizontal flourish extending to the right.

Mark Sanford