

State of South Carolina

Office of the Governor

NIKKI R. HALEY
GOVERNOR

1205 PENDLETON STREET
COLUMBIA 29201

June 25, 2013

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

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

I am vetoing and returning without my approval certain line items in R120, H.3710, the Fiscal Year 2013-2014 General Appropriations Act.

This budget contains funding for a number of important initiatives, including more than \$20 million to improve the state's information security practices and infrastructure, as well as to continue identity theft protection services for another year. This bill also sets us on a path to invest more than \$1 billion in our transportation infrastructure over the course of the next decade.

I'm just as pleased by what this budget does not include – Obamacare's Medicaid expansion, which we clearly can't afford. Today, I have vetoed Proviso 33.33, which would open the back-door to Obamacare. I hope you will sustain my veto so that we can continue to find homegrown, market-based solutions to the healthcare challenges we face.

The budget that has arrived on my desk contains countless earmarks, pass-throughs, and set-asides for various special interests. Although most of these are funded with non-recurring dollars, several items are slated for new appropriation lines in the General Fund. What is especially troubling is that, like a house of cards, this budget has been balanced by shifting more than \$50 million of non-recurring revenues into Part IA of the budget. The commitments we make in the General Fund should never exceed the amount of recurring revenue we have to meet those obligations. This unsustainable practice sets us on an extremely perilous path, as we look ahead to the 2014-15 fiscal year.

Despite this concern, I feel we have made great progress in the past few years – to prioritize spending on the state's core services and critical needs, to curtail earmarking, and to use the Executive Budget as a jumping-off point for the annual budgeting process. I'm proud that we've been able to work together to achieve these ends, and I look forward to working with you and the other members of the General Assembly to move South Carolina forward in the coming year.

I. Part IA – Funding

Rejecting New Earmarks

**Veto 1 Part IA, Page 32; Section 12, Higher Education Tuition Grants Commission;
I. Administration – Special Items, Student Legislature: \$25,000 Total Funds;
\$25,000 General Funds**

This is not the first time that we have seen an attempt to insert a new earmark into the budget for the Student Legislature. For instance, the FY 2008-09 budget also contained a new \$25,000 line for this program. Although I certainly wish to see South Carolina's students take an active interest in public service, I would rather see these dollars used in the classroom instead of subsidizing an exercise in mock government.

Earlier this month, more than 1,500 students from Palmetto Boys State and Girls State came to visit our State House, showing that you don't need an earmark to make your voice heard. The House of Representatives made the right decision in sustaining a veto of this line in 2008, and I hope they will see fit to do the same again.

**Veto 2 Part IA, Page 97; Section 34, Department of Health and Environmental
Control; II. Programs & Services, E. Family Health, 2. Maternal/Infant
Health – Special Items, Donated Dental: \$50,000 Total Funds; \$50,000
General Funds**

Many dentists and other healthcare providers selflessly share their time, expertise, and resources in order to improve the lives and well-being of the less-fortunate members of their communities. I value and appreciate the contributions that these practitioners make every day.

According to the website of the foundation that hosts the Donated Dental program, this effort only provided six South Carolinian patients with a total of \$15,423 in services in FY 2011-12, the most recent year for which this data was made available.

The budget that I proposed in December provided more than \$156 million in new, recurring support for the Department of Health and Human Services to ensure that our Medicaid program would be funded responsibly and sustainably. On the other hand, the budget that the General Assembly has sent me contains no new recurring, General Fund support for Medicaid, putting us on a dangerous and precarious path as we look ahead to FY 2014-15.

I have vetoed this item because I believe that we should fund the statewide programs we already have before we create new ones that would direct funds to specific non-profits for the benefit of relatively few.

Veto 3 Part IA, Page 169; Section 57, Judicial Department; IX. Non-Recurring Appropriation – Barnwell County Court House Repairs: \$100,000 Total Funds; \$100,000 General Funds

The Judicial Department did not request funds for this facility when it submitted its FY 2013-14 spending plan to the Office of State Budget. Although many courthouses require maintenance and repair, upkeep of these buildings is the responsibility of the counties. We should not support this earmark.

Denying New Programs a Foothold in the General Fund

Veto 4 Part IA, Page 95; Section 34, Department of Health and Environmental Control; II. Programs & Services, B. Coastal Resource Improvement – Special Items, Waterway Cleanup / Caudle Foundation: \$1 Total Funds; \$1 General Funds

Veto 5 Part IA, Page 249; Section 94, Lieutenant Governor’s Office; II. Office on Aging, B. Office on Aging Assistance – Special Items, Family Caregivers: \$1 Total Funds; \$1 General Funds

It is a common practice for one house of the General Assembly to appropriate \$1 towards the other body’s spending priorities so that conferees will be able to arrive at a compromise figure instead of being forced into an “all-or-nothing” position for these programs. Occasionally, these programs are left on the cutting room floor at the end of the negotiations, leaving a \$1 appropriation in the final conference report. Leaving these lines in place opens the door for these programs to receive recurring funding next year.

Controlling the Growth of Government

Veto 6 Part IA, Page 150; Section 47, Department of Natural Resources; II. Programs & Services, F. Marine Resources, 2. Marine Research & Monitoring – Special Items, Waddell Mariculture Center: \$353,202 Total Funds; \$353,202 General Funds

I supported higher funding levels for several DNR initiatives in my Executive Budget, including the hiring of additional law enforcement officers and hydrologists. The enacted budget, however, provides the Department of Natural Resources with an excessive 18.5% increase in General Fund support, including another \$300,000 for hatchery operations.

When DNR filed its budget request for FY 2013-14, the agency requested \$903,000 in one-time money to address certain capital and maintenance needs for its marine research programs.

Instead, this budget creates a new recurring special item that would provide DNR with over \$350,000 per year for this facility on an indefinite basis. I am prepared to reconsider a request for one-time funding for this facility next year, subject to the availability of funds, but in the meantime, responsible stewardship of taxpayer resources requires that we be disciplined enough to set priorities and only fund the most critical needs.

Veto 7 Part IA, Page 150; Section 47, Department of Natural Resources; II. Programs & Services, G. Land, Water & Conservation, 2. Conservation – New Positions, “Program Coordinator II”: \$37,945 Total Funds; \$37,945 General Funds

If this veto is sustained, then DNR’s Conservation Program will still receive General Fund increases of \$40,500 for personnel and \$65,200 for other operating expenses. This translates into a 13.9% increase instead of the 18.9% that the conference report provides. I believe that 13.9% is sufficient.

Veto 8 Part IA, Page 144; Section 47, Department of Natural Resources; II. Programs & Services, A. Conservation Education, 1. Outreach Programs – Other Operating Expenses: \$608,128 Total Funds; \$500,000 General Funds

When it filed its spending plan for FY 2013-14, the Department of Natural Resources gave the following explanation for the role and audience of the Outreach Program:

External agency communications with the public and the media through the following activities: news releases, publications, public speaking, responses to requests for information, informational videos agency staff participating in non-governmental organization events.

Although there is some value to these services, this is hardly the most important aspect of DNR’s mission. Furthermore, I am struck by the fact that even though **DNR only requested an increase of \$68,905 for this program, this budget inexplicably increases spending in this area by a full \$500,000.**

Veto 9 Part IA, Page 86; Section 29, State Museum Commission; II. Programs, E. Public Info & Marketing – Classified Positions: \$89,153 Total Funds; \$89,153 General Funds

This budget adds \$150,000 in funding – including the associated benefits costs – for positions in three different areas of the State Museum Commission. I am vetoing the \$40,000 increase for the Public Information and Marketing program because the needs of the Collections and Education programs are greater.

Veto 10 Part IA, Page 198; Section 70, Human Affairs Commission; III. Compliance Programs – New Positions, “Attorney II”: \$54,074 Total Funds; \$54,074 General Funds

If this veto is sustained, then the Human Affairs Commission will still receive a 15.4% General Fund increase instead of the 19.5% hike that the appropriations bill provides. This represents more than \$200,000 in new funding to help the Commission achieve its mission of preventing and eliminating discrimination in employment and housing.

Veto 11 Part IA, Page 155; Section 49, Department of Parks, Recreation & Tourism; II. Programs & Services, H. Product Services & Development – Other Operating Expenses: \$500,000 Total Funds; \$500,000 General Funds

Director Parrish has placed a great emphasis on moving our state parks towards self-sufficiency and sees effective marketing as an important part of that effort. I am vetoing this line, not to undermine his work, but because other changes to PRT’s budget this year have made it possible for him to achieve these goals through other means.

This year’s changes to Proviso 49.9 allow for unexpended funds from a variety of PRT’s programs to be used for marketing, advertising, or deferred maintenance and capital projects at state parks.

This budget adds \$7.3 million to PRT’s General Fund appropriations, on a base of about \$30 million. This includes an additional \$4 million for the Destination Specific program and another \$3.5 million for Tourism Sales and Marketing. I recommended this \$500,000 increase in my Executive Budget, but not the millions of additional growth. This veto will bring PRT’s growth rate back towards the earth; I remain confident that PRT will have sufficient funds and legal authority in FY 2013-14 to effectively promote our state parks.

Veto 12 Part IA, Page 8; Section 1, Department of Education; XII. Education Improvement Act, F. Partnerships, 2. Other Agencies and Entities – Center for Educational Partnerships: \$715,933 Total Funds

This budget combines several of the University of South Carolina’s teacher training programs – each of which currently receives a distinct appropriation through the EIA – into a new umbrella “Center for Educational Partnerships.” I am not conceptually opposed to the University’s management of these programs in this way and have therefore permitted Proviso 1A.52 to become law.

Two items, however, trouble me. First, the SC Geographic Alliance and the Writing Improvement Network are two of the programs that will be incorporated into the new Center. I vetoed both of these programs last year because they had only received a score of 1.8 out of a possible 5.0 from the Education Oversight Committee; only two programs received lower scores. Second, the \$715,933 that this line appropriates to the Center for Educational Partnerships is precisely \$250,000 more than the total amount that its various components received in FY 2012-

13. Therefore, this line not only continues support for programs with questionable value, but also includes an extra quarter-million dollar bonus.

Veto 13 Part IA, Page 8; Section 1, Department of Education; XII. Education Improvement Act, F. Partnerships, 2. Other Agencies and Entities – Public-Private Literacy Partnerships: \$50,000 Total Funds

This budget contains funding for a variety of literacy initiatives, including the highly-rated Reading program in the EIA and a new \$1.5 million Summer Reading Camps program. Instead of constantly creating new programs with overlapping mandates, we should be making an effort to continuously review the effectiveness of the programs we already have. If we have additional resources available, then they should be targeted for the initiatives that have already proven successful. I am also wary of approving these funds and the associated proviso because this new program has not yet been submitted to the Education Oversight Committee (EOC) for evaluation.

In the final analysis, this budget provides well over \$100 million in new funding for K-12 education in South Carolina. This is a significant step in its own right; let's revisit the partnerships proposal next year, once the EOC has had an opportunity to weigh-in.

Veto 14 Part IA, Page 136; Section 44, Department of Agriculture; III. Consumer Service – New Positions, “Field Specialist I”: \$145,000 Total Funds; \$145,000 General Funds

The \$795,000 in new recurring funds that this budget would provide for the Department of Agriculture represents a 15.9% increase. Sustaining this veto would leave the Department with 13.0% General Fund growth and would provide the Consumer Services program with the same amount of new funding that the Department originally requested when it filed its FY 2013-14 spending plan with the Office of State Budget.

- Veto 15** **Part IA, Page 141; Section 45, Clemson University (Public Service Activities); III. Agricultural Research – New Positions, “Agricultural Engineer”: \$150,000 Total Funds; \$150,000 General Funds**
- Veto 16** **Part IA, Page 141; Section 45, Clemson University (Public Service Activities); III. Agricultural Research – New Positions, “Plant Breeder”: \$150,000 Total Funds; \$150,000 General Funds**
- Veto 17** **Part IA, Page 141; Section 45, Clemson University (Public Service Activities); III. Agricultural Research – New Positions, “Research Associate”: \$100,000 Total Funds; \$100,000 General Funds**

In my Executive Budget, I recommended an additional \$300,000 for the food safety and inspection services offered by Clemson PSA’s Livestock and Poultry Health program. This budget contains a total of \$1.8 million in new General Funds, plus a \$3 million allocation from the Capital Reserve Fund for the Advanced Plant Technology Lab.

This is in addition to \$3 million of recurring money for Clemson’s Center for Energy Systems, which I did support, plus another \$1 million for the Student Career Opportunity Program, which I did not recommend in December.

Today, I am vetoing funds for the Advanced Plant Technology Lab in H.3711 (Veto #10); here I am vetoing the three associated positions for that project.

Delivering Cost-Effective Public Services

- Veto 18** **Part IA, Page 84; Section 28, Arts Commission; II. Statewide Arts Services – Other Operating Expenses: \$417,750 Total Funds; \$102,142 General Funds**

This year’s budget adds \$1 million to the amount of grant funding that the Arts Commission will distribute, nearly doubling these allocations. As I stated last year, supporting the arts and supporting the Arts Commission are not the same thing. The administrative costs of this program continue to be concerning, especially since many of them are avoidable. For instance, although the Arts Commission has taken steps to reduce the costs of its space, there is still cheaper, but entirely adequate space available within the State Museum.

I am vetoing the “Other Operating Expenses” line for the Arts Commission because this would leave the grants and the staffing in place and would motivate the Arts Commission to take steps to reduce its back-office and administrative costs by partnering with other state agencies.

The General Assembly clearly shares my concerns. This year’s budget contains a new Proviso 101.33, which directs the Budget and Control Board to study the feasibility of consolidating administrative functions among agencies that receive less than \$5 million in total appropriations. Even with the additional funding for grants, the Arts Commission still falls below this threshold.

It is also important to note that this budget does not modify Proviso 28.4, which states that the Arts Commission must expend 70% of its appropriated state funds on “grants to support the statewide improvement of learning and enrichment opportunities for children and communities through educational and cultural programs with proven research based strategies.” By funding an additional \$1 million in grants without adjusting this proviso, the General Assembly has made it possible for the Arts Commission to use up to \$300,000 of this new funding for other purposes.

Sustaining this veto will ensure that the greatest possible amount of funding for the Arts Commission will actually find its way **to the arts**.

**Veto 19 Part IA, Page 152; Section 48, Sea Grant Consortium; I. Administration –
Personal Service, Director: \$89,247 Total Funds; \$89,247 General Funds**

A primary function of the Sea Grant Consortium is to help South Carolina's colleges and universities pursue research funds – especially federal grants. Instead of supporting a separate infrastructure and a dedicated state agency for this purpose, participating institutions could develop an agreement among themselves, through which they could negotiate their respective financial contributions without the state's direct involvement. Since the current model funds the Sea Grant Consortium independently from its member institutions, those institutions have no incentive to control the cost of operating the Consortium.

I am not attempting to eliminate the services provided by the Sea Grant Consortium, but to drive down the costs of maintaining a separate agency for these purposes. For that reason, I have allowed the classified position, other personal service, employer contribution, operating expense, and grant-making lines to become law. I have vetoed the Director's line because it is the smallest of the Consortium's personnel appropriations, and therefore, leaves the Consortium with the ability to perform its work.

Since last year, the Sea Grant Consortium has lost responsibility for administering its largest grant, which is now managed by DHEC's Office of Ocean and Coastal Resource Management. With such a significant reduction in workload, the Consortium should be able to manage with fewer administrative resources.

Closing Programs That Don't Work

Veto 20 Part IA, Page 100; Section 34, Department of Health and Environmental Control; II. Programs and Services, F. Health Care Standards, 2. Facility / Service Development – Total Facility & Service Development: \$1,759,915 Total Funds; \$1,442,571 General Funds

The Certificate of Need program is an intensely political one through which bureaucratic policymakers deny new healthcare providers from offering treatment. We should allow the market to work rather than politics.

II. Part IB – Temporary Funding

Rejecting Irresponsible Budget Practices

**Veto 21 Part IB, Page 498; Section 118, Statewide Revenue; Proviso 118.17B, Item 1 –
Part IA - General Fund: \$50,739,599**

It is impossible to argue that the budget that has arrived on my desk is truly balanced. The legislative appetite for new spending was so great this year that the General Appropriations Act has resorted to inserting this almost unprecedented line-item into the primary non-recurring revenue proviso. This passage effectively launders \$50.7 million of non-recurring funds into Part IA of the budget, where they have been spent in the General Fund as if those resources were truly sustainable. The reality is that they are not.

The Office of State Budget has produced an analysis that conservatively projects that the impact of this budget's annualizations will be \$192 million in FY 2014-15. That's \$192 million worth of additional promises that this budget is already making against next year's money – even before we know whether or not those revenues will actually materialize.

It's dangerous, it's irresponsible, and it's wrong.

**Veto 22 Part IB, Page 499; Section 118, Statewide Revenue; Proviso 118.17B, Item
5(a) – Department of Health and Human Services, Nursing Homes - Rate
Increase: \$5,000,000**

Inserting a \$5 million non-recurring line in the budget to increase payments to nursing homes would completely undermine the progress we've made for two reasons. First, it gets the General Assembly back into the business of setting provider rates. This can only increase the state's healthcare costs and add to the risk that political influence will drive our healthcare spending, instead of clinical decision-making.

Second, these funds are non-recurring, even though the increase in nursing home provider rates presumably would not be. This budget already failed to provide any new recurring, General Fund support for our Medicaid program. Tacking on a \$5 million nursing home rate increase as we look ahead to a massive annualization in FY 2014-15 only adds insult to injury.

Good Government

**Veto 23 Part IB, Page 430; Section 91, Legislative Department; Proviso 91.27 – LEG:
Committee Member Purchases**

This proviso would permit members of the House Ways and Means Committee to purchase new chairs for the committee room, using personal funds. This is an internal matter for the House of Representatives to resolve; it doesn't belong in the budget.

**Veto 24 Part IB, Page 472; Section 117, General Provisions; Proviso 117.34 – GP:
Innovative Transportation**

This proviso was inserted on the Senate floor in 1998, at the request of a Delaware corporation that has since been dissolved. No grant has ever been issued by the Transportation Infrastructure Bank or the Railroad Commission pursuant to the authority given by this proviso. It's time to take it off the books.

**Veto 25 Part IB, Page 491-492; Section 117, General Provisions; Proviso 117.134 –
GP: DOT Transfer to SIB**

This proviso duplicates language that was inserted into Section 4 of H.3360, the transportation funding package that I signed into law on June 24, 2013. This proviso is no longer necessary.

**Veto 26 Part IB, Page 492; Section 117, General Provisions; Proviso 117.135 – GP:
Joint Transportation Corridor Study Committee**

Yesterday, I signed a bill that will invest more than \$1 billion in our transportation infrastructure over the course of the next decade, without raising fees or taxes.

This proviso would create a new panel of 12 legislators and 2 gubernatorial appointees, tasked to tread well-worn ground and further investigate the state's transportation needs. I am vetoing this proviso because I don't believe we need yet another study on this subject.

**Veto 27 Part IB, Page 425; Section 87, Division of Aeronautics; Proviso 87.9 – AERO:
Capital Improvement Projects**

This budget contains a variety of provisions that both tighten restrictions on the allowable use of state aircraft and also call for a study as to whether the state should even continue to retain ownership over them. This hardly seems like the right time to allow the Division of Aeronautics to divert resources away from the State Aviation Fund in order to improve its own facilities at Columbia Metropolitan Airport.

**Veto 28 Part IB, Page 359-360; Section 29, State Museum Commission; Proviso 29.10
– MUSM: Admissions Tax Exemption**

The State Museum currently charges its visitors the 5% admissions tax, unlike many county, municipal, and non-profit museums, which have been exempted under Section 12-21-2420(4). Advocates for the State Museum have asked to receive the same treatment as these other facilities. I agree, and if S.474 – which would exempt State Museum visitors from the admissions tax – reached my desk, I would sign it.

Unfortunately, this proviso would have a different effect. Under Proviso 29.10, visitors to the State Museum would still pay the admissions tax, but the State Museum would keep the proceeds instead of remitting them to the state. This is not the “equal treatment” that the State Museum indicates it is requesting.

Last year, the General Assembly sustained my veto of this proviso. I ask that you do so again and please send S.474 to my desk instead.

Impairing Effective Service Delivery – Micromanagement

**Veto 29 Part IB, Page 374; Section 34, Department of Health and Environmental
Control; Proviso 34.41 – DHEC: Vital Records**

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

**Veto 30 Part IB, Page 374; Section 34, Department of Health and Environmental
Control; Proviso 34.43 – DHEC: Laurens County**

This proviso would force DHEC to reimburse Laurens County \$39,425 for replacing the roof on a building that the agency has partially vacated. This would create a troubling precedent.

Current law compels counties to provide DHEC with space such as this; there is no explicit or implicit passage suggesting that DHEC should offer any reimbursement. Furthermore, DHEC was not the sole tenant in this building; other agencies also use this space. Finally, DHEC’s past tenancy in this building had no bearing on the condition of the roof or the apparent need to replace it.

For each of these reasons, I ask you to sustain this veto.

**Veto 31 Part IB, Page 310; Section 1, Department of Education; Proviso 1.71 – SDE:
Lee County Bus Shop**

This proviso, first inserted in FY 2012-13, would force the Department of Education to fund two specific bus maintenance facilities in Lee and Kershaw Counties at precisely the same level of support they received in the prior year. This inappropriately interferes with the Department's provision of student transportation services, which can only serve to increase overall costs and reduce system efficiency.

I appreciate that the House of Representatives deleted this proviso this year and was disappointed to see it reappear in the conference report. Superintendent Zais opposes this proviso and has pledged in writing that if this veto is sustained, then no employee will lose his or her job as a result.

**Veto 32 Part IB, Page 422; Section 83, Department of Employment and Workforce;
Proviso 83.8 – DEW: Local Offices**

This proviso attempts to lock in place an archaic brick-and-mortar approach to delivering Unemployment Insurance (UI) services that suits neither the current needs of program beneficiaries nor the levels of state and federal resources that are available to perform this work.

Since this proviso was introduced in February, DEW has transitioned to a new service delivery model for UI. Beneficiaries may now file online or by phone and may speak to agency representatives toll-free during normal business hours. Meanwhile, DEW's Employment Services continue to be available at SC Works sites in all 46 counties. It is also important to remember that the locations of these facilities are not at DEW's discretion but are instead selected by the local workforce investment boards.

**Veto 33 Part IB, Page 491; Section 117, General Provisions; Proviso 117.124 – GP: IT
Certifications**

Together, we have already taken some very important steps to improve information security and develop a common approach to protecting sensitive data. For instance, and thanks to your support, this General Appropriations Act and the accompanying Capital Reserve Fund bill provide essential funding and legal authority that will enable us to further improve the state's defenses, including:

- \$10 million from the Capital Reserve Fund, for IT security improvements and an additional year of identity theft protection and identity theft resolution services
- \$5.8 million in recurring funds for the new Division of Information Security, augmented by \$4.8 million from the Capital Reserve Fund for enterprise technology and remediation
- \$230,000 to establish an Identity Theft Unit within the Department of Consumer Affairs

Also, as recommended by Deloitte, we are establishing a new security organization under the leadership of a Chief Information Security Officer. We are also creating a Privacy Office that

will help us classify the records we hold, to ensure that sensitive records are safeguarded properly.

Deloitte has already completed risk assessments of three agencies and will undertake 15 more over the course of the next year. Thanks to the funding contained in this budget and the authority granted under the “Technology and Remediation” proviso, we have the ability to rapidly respond to any security vulnerabilities that are uncovered. In many cases, this response will involve the procurement of IT services or equipment.

This proviso clearly has its roots in Deloitte’s initial report on how South Carolina should organize its efforts to establish a true statewide approach to information technology and security. One of Deloitte’s key findings – with which I am in complete agreement – was that we need to transition from the decentralized model we have today to a federated model in which more decisions about technology policies and standards are made centrally.

To that end, the proviso I am vetoing would suspend – starting less than a week from now – all information technology procurement delegations for all state agencies, with exemptions for the legislature, the judiciary, and our technical colleges and other public institutions of higher education. Unfortunately, the closing sentence of this proviso is the primary reason for my veto: “All information security and information technology purchases must be approved by the Budget and Control Board, Division of State Information Technology in a manner prescribed by the Division.”

I believe this proviso was drafted with the reasonable intention of ensuring that security-related purchases of IT hardware and services are made according to a common set of standards. I support this and will direct cabinet agencies to work with DSIT to procure and implement IT security improvements, effective immediately.

Unfortunately, I am vetoing this proviso because its overly-broad wording encompasses “[a]ll information security **and information technology** purchases” within its scope, and therefore captures essentially any software, hardware, or IT service purchase that will be made by a state agency in the coming year, **even if entirely unrelated to security**. I do not believe this was the original author’s intent; furthermore, I suspect that DSIT is not prepared to review the full range of agencies’ IT requests beginning in just six days.

We have made great strides in improving the state’s information security practices in the past year, through a variety of means including two Executive Orders and this budget. That work will continue and will be easier to accomplish without this proviso’s unintended consequences. I look forward to partnering with you to that end in the coming year.

Earmarks for Local Museums

- Veto 34** **Part IB, Page 500; Section 118, Statewide Revenue; Proviso 118.17B, Item 17(a) – State Museum Commission, Laurens County Museum: \$150,000**
- Veto 35** **Part IB, Page 500; Section 118, Statewide Revenue; Proviso 118.17B, Item 17(b) – State Museum Commission, SC Railroad Museum: \$200,000**
- Veto 36** **Part IB, Page 500; Section 118, Statewide Revenue; Proviso 118.17B, Item 17(c) – State Museum Commission, Greenville Children’s Museum: \$100,000**

The budget contains three earmarks for local museums. It is important that we reject these types of earmarks, as we have in the past. The State Museum Commission did not request funding for any of these projects.

Earmarks for Health and Social Service Providers

- Veto 37** **Part IB, Page 500; Section 118, Statewide Revenue; Proviso 118.17B, Item 19(c) – Department of Health and Environmental Control, Women in Unity: \$100,000**

Last year, I vetoed – and the Senate sustained – a proviso that would have carved \$100,000 out of another agency’s existing programs, to be transferred to Women in Unity instead. This year, the earmarkers want to take \$100,000 from DHEC for this purpose. Please join me in rejecting this way of doing business.

- Veto 38** **Part IB, Page 502; Section 118, Statewide Revenue; Proviso 118.17B, Item 39 – Department of Social Services, Phyllis Wheatley - Donaldson Center Revitalization: \$150,000**

Community centers all across South Carolina rely upon private, charitable contributions in order to sustain their capital needs; this facility should not receive special treatment. The Department of Social Services did not request funds for this facility and is not involved in this earmark.

**Veto 39 Part IB, Page 502; Section 118, Statewide Revenue; Proviso 118.17B, Item 37
– Prosecution Coordination Commission, Centers for Fathers and Families:
\$400,000**

The Center for Fathers and Families was established in 2002 and has been a contracted service provider for the Department of Social Services ever since. In recent years, the Center has received an average of \$1.8 million from DSS annually as compensation for this work. Service providers should be selected by the agencies that manage these programs – competitively, whenever possible – instead of receiving earmarks to support their operations.

**Veto 40 Part IB, Page 500; Section 118, Statewide Revenue, Proviso 118.17B, Item 20
– Department of Mental Health, Seahaven: \$200,000**

**Veto 41 Part IB, Page 377; Section 35, Department of Mental Health; Proviso 35.15 –
DMH: Psychiatric Day Program**

The FY 2013-14 budget increases General Fund support for the Department of Mental Health by more than \$20 million, much of which I recommended in my Executive Budget. These new dollars are scattered all across the agency, in programs ranging from community mental health centers and inpatient behavioral health to DMH's nursing homes and veterans' services. Those who need mental health treatment should – and will – receive it, but the providers of treatment services should be selected by medical professionals for clinical reasons instead of by legislators through earmarks.

- Veto 42** **Part IB, Page 500; Section 118, Statewide Revenue; Proviso 118.17B, Item 19(a) – Department of Health and Environmental Control, SC Bleeding Disorders Premium Assistance Programs: \$100,000**
- Veto 43** **Part IB, Page 500; Section 118, Statewide Revenue; Proviso 118.17B, Item 19(d) – Department of Health and Environmental Control, HIV Prevention - Project Faith: \$350,000**
- Veto 44** **Part IB, Page 500; Section 118, Statewide Revenue; Proviso 118.17B, Item 19(e) – Department of Health and Environmental Control, Nurse Family Partnership: \$100,000**
- Veto 45** **Part IB, Page 500; Section 118, Statewide Revenue; Proviso 118.17B, Item 19(f) – Department of Health and Environmental Control, Best Chance Network and Colon Cancer Prevention Network - Proviso 34.44: \$1,500,000**
- Veto 46** **Part IB, Page 374; Section 34, Department of Health and Environmental Control; Proviso 34.44 – DHEC: Cancer Early Detection/Screenings**
This language controls the use of the funding in Veto #45.
- Veto 47** **Part IB, Page 500; Section 118, Statewide Revenue; Proviso 118.17B, Item 19(h) – Department of Health and Environmental Control, Donate Life SC - Organ Donor Registry: \$100,000**
- Veto 48** **Part IB, Page 500; Section 118, Statewide Revenue; Proviso 118.17B, Item 19(i) – Department of Health and Environmental Control, James R. Clark Sickle Cell Foundation: \$100,000**

Each of the organizations above serves a laudable purpose; the stories of those affected by these diseases tug at our heartstrings. At the same time, how do we decide to distribute funds to fight colon cancer, but not breast cancer? How do we choose these ailments and these non-profits over all others? Many of us support Habitat for Humanity, Harvest Hope, or the American Red Cross, and yet none of those worthy organizations receives an earmark in this year's budget.

We all have charities that we support for personal or family reasons; I believe that I have made my personal willingness to support charitable interests quite clear. But just as the decision to contribute to some charities and not others is personal, so should be the funds that are being donated.

Rejecting Obamacare

**Veto 49 Part IB, Page 364; Section 33, Department of Health and Human Services;
Proviso 33.33 – DHHS: Non-Disabled, Childless Adults Waiver**

The General Assembly has wisely chosen not to implement Medicaid expansion. This proviso would undermine that decision, since its only purpose is to give Director Keck and the Department of Health and Human Services the authority to request a waiver from the federal government to massively expand our Medicaid program. If you oppose Obamacare, then you oppose this proviso too.

Excessive Spending

**Veto 50 Part IB, Page 500; Section 118, Statewide Revenue; Proviso 118.17B, Item 21
– Vocational Rehabilitation, Basic Services - Case Services: \$500,000**

This budget provides the Vocational Rehabilitation Department with an additional \$1 million in recurring operating funds; I have supported this increase. I am vetoing this additional \$500,000 non-recurring line because VRD's programs operate with strict federal maintenance-of-effort rules, which means that if we don't annualize this \$500,000 next year, then we will face federal penalties thereafter. If we don't have enough recurring money to provide this money in this year's recurring budget, then we shouldn't be binding ourselves to funding this line on a recurring basis beginning next year.

**Veto 51 Part IB, Page 501; Section 118, Statewide Revenue; Proviso 118.17B, Item 28
– Commission on Minority Affairs, PC Replacement: \$23,286**

In the FY 2013-14 spending plan that it filed with the Office of State Budget, the Commission on Minority Affairs requested \$10,334 for PC Replacement, which I gladly recommended in my Executive Budget.

Unfortunately, I am compelled to veto this line for two reasons. First, this budget contains more than twice as much money for this equipment as the agency asked for in the first place. Second, this budget also grants more than \$150,000 in new recurring funds for the Commission's operating expenses, which means that even with this veto, the Commission has more than enough new money to replace a few computers.

**Veto 52 Part IB, Page 502; Section 118, Statewide Revenue; Proviso 118.17B, Item 40
– Department of Agriculture, Certified South Carolina Grown Program:
\$500,000**

This budget provides the Department of Agriculture with \$795,000 in operating increases and nearly \$10 million in non-recurring funds, of which \$2.5 million is targeted for marketing programs.

I have vetoed this line because I believe that this level of funding for the Department's marketing programs is more than is truly required. In this budget, Proviso 118.16(C) directs \$2 million of the proceeds of the Tobacco Master Settlement Agreement (MSA) to the Department of Agriculture to support its marketing efforts and references Section 11-49-55 as the basis for this transfer. That passage states that, "the State Treasurer shall direct one million dollars annually for five fiscal years beginning with the first fiscal year in which funds are available, to the Department of Agriculture to cause the marketing and branding of South Carolina agricultural crops or produce as being grown in South Carolina when offered for sale in retail establishments and to assist in relief from natural disasters affecting state-grown crops."

It is plainly evident that permanent law only requires that the Department of Agriculture receive \$1 million this year from the MSA. I have allowed Proviso 118.16 to become law so as not to violate the promise made by Section 11-49-55, but I am vetoing this line because even without this money, the Department of Agriculture has received \$1 million more for its marketing programs than is actually necessary.

Higher Education Earmarks

**Veto 53 Part IB, Page 499; Section 118, Statewide Revenue; Proviso 118.17B, Item 6 –
Commission on Higher Education, University Center of Greenville
Infrastructure Development: \$200,000**

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

I am vetoing this additional \$200,000 because it is unreasonable to expect taxpayers across the rest of the state to shoulder an additional burden on behalf of the relatively small number of students who attend courses through this Center. If this facility truly needs another \$200,000 to improve its facilities, then the participating institutions should make the required contributions.

**Veto 54 Part IB, Page 449; Section 118, Statewide Revenue; Proviso 118.17B, Item 11
– University of Charleston, Avery Center: \$300,000**

The College of Charleston's FY 2013-14 budget plan included a request for support for its Science Center; I am supporting the \$2 million allocation made for this purpose from the Capital Reserve Fund in H.3711. This earmark for the Avery Center, however, was not requested by the university and should therefore be rejected.

Earmarks for New Programs

**Veto 55 Part IB, Page 501; Section 118, Statewide Revenue; Proviso 118.17B, Item 32
– Office of Lieutenant Governor, Caregivers: \$2,999,999**

In December, I recommended a \$1 million increase for the existing Home and Community Based Services program; ultimately, the budget adds a total of \$3 million to this line. This means that altogether, General Fund support for the Office of Lieutenant Governor will increase by more than 45% under the budget that has arrived on my desk.

I am not unsympathetic to the burdens and the strain that family caregivers face each day, all without financial compensation. Unfortunately, I must veto this line because the goal is clearly to position this program for a new General Fund appropriation in FY 2014-15. Since this year's budget provides no new recurring, General Fund money for Medicaid, I have very little confidence that there will be sufficient funds next year to launch another health-related program. It would be irresponsible to begin a caregivers initiative now with temporary funding, knowing that the state would likely be forced to abandon participants a year from now.

**Veto 56 Part IB, Page 502; Section 118, Statewide Revenue; Proviso 118.17B, Item 36
– Arts Commission, Cultural Districts Designation Program: \$25,000**

The Arts Commission did not request funding for this new initiative when it submitted its FY 2013-14 spending plan to the Office of State Budget, but instead, added it to the wish list when appearing before the House Ways and Means Committee. The Arts Commission has stated that it would use this money to create a task force "to plan such a program for South Carolina and to develop proposed legislation to enact it."

Put simply, the Arts Commission would like to receive this one-time allocation so they can get help deciding how to ask for more recurring money next year. Since this budget already adds another \$1 million for arts-related grants, it hardly seems appropriate to tack on an additional \$25,000 for this purpose.

**Veto 57 Part IB, Page 429; Section 91, Legislative Department; Proviso 91.26 – LEG:
EOC Efficiency Review**

This proviso would control the use of “[f]unds appropriated to the Education Oversight Committee for the School District Efficiency Review Pilot Program,” but there are no relevant funds in this budget. I agree with Superintendent Zais that this proviso should be deleted.

**Veto 58 Part IB, Page 500; Section 118, Statewide Revenue; Proviso 118.17B, Item
19(g) – Department of Health and Environmental Control, Stroke System of
Care Act of 2011: \$50,000**

The Stroke System of Care Act established an unnecessary new program within DHEC – along with a bureaucratic Advisory Council and Registry Task Force – that would designate certain treatment facilities in Georgia, North Carolina, and South Carolina as “primary stroke centers.” I ask that you sustain this veto instead of continuing to grow government.

**Veto 59 Part IB, Page 500; Section 118, Statewide Revenue; Proviso 118.17B, Item
22(e) – Department of Commerce, Community Development Corporation
Initiative: \$400,000**

Proviso 50.11, which allowed the Department of Commerce to carry forward balances from previous rounds of funding for this initiative, was deleted during this year’s budget negotiations because the relevant funds have all been spent. I am vetoing this proviso to keep yet another program from coming back to life; the Department of Commerce did not request these funds.

Old-Fashioned Pork

**Veto 60 Part IB, Page 501; Section 118, Statewide Revenue; Proviso 118.17B, Item
26(a) – Department of Natural Resources, Outreach Programs: \$200,000**

On May 14, 2013, Senator Massey offered a floor amendment to the budget that would have eliminated the \$200,000 earmark for the Southeastern Wildlife Expo. After an attempt to table this amendment failed, and after serious and entirely reasonable questions were raised as to the propriety of using taxpayer resources to support such an event, the amendment was narrowly defeated by a 22-21 vote.

It is therefore unsurprising that this line appears in the final budget bearing the same euphemistic name that it carried as it traveled through the House of Representatives: “Outreach Programs.” There is no question, though, that this line is merely the transfer to SEWE, masquerading in disguise. Please respect South Carolina’s taxpayers – and their intelligence – by sustaining this veto.

**Veto 61 Part IB, Page 502; Section 118, Statewide Revenue; Proviso 118.17B, Item 41
– Department of Parks, Recreation, and Tourism, Rural Tourism
Development - Cultural Visitor’s Center, Orangeburg County: \$1,000,000**

The Department of Parks, Recreation and Tourism did not request this project and is in no way involved with this earmark.

**Veto 62 Part IB, Page 500; Section 118, Statewide Revenue; Proviso 118.17B, Item
16(b) – Department of Archives and History, GLEAMNS - Benjamin Mays
Historical Preservation Site, Capital Equipment: \$200,000**

The Department of Archives and History did not request this project and is in no way involved with this earmark.

**Veto 63 Part IB, Page 502; Section 118, Statewide Revenue; Proviso 118.17B, Item
43(f) – Department of Transportation, Sandy Island Boat Ramp: \$150,000**

The Department of Transportation did not request this project and is in no way involved with this earmark.

**Veto 64 Part IB, Page 502; Section 118, Statewide Revenue; Proviso 118.17B, Item 45
– Budget and Control Board, Security Lighting Upgrade: \$453,000**

The Budget and Control Board did not request this project and is in no way involved with this earmark for a sports facility.

Education Earmarks

Veto 65 Part IB, Page 311; Section 1, Department of Education; Proviso 1.80 – SDE: Early Warning Referral and Monitoring System

The Department of Education did not request this proviso, which it referred to as “essentially an earmark for a Florida-based company called Beanstalk Innovation.” Superintendent Zais opposes this proviso and indicates that his agency already has a data system that has the desired capabilities.

Veto 66 Part IB, Page 502; Section 118, Statewide Revenue; Proviso 118.17B, Item 44 – Education Oversight Committee, Partnerships for Innovation: \$100,000

Veto 67 Part IB, Page 342-343; Section 1A, Department of Education-EIA; Proviso 1A.55 – SDE-EIA: EOC Partnerships for Innovation

In Part IA of the budget, I vetoed a new \$50,000 appropriation for “Public-Private Literacy Partnerships” within the Education Improvement Act (EIA). Here, I am vetoing \$100,000 in non-recurring funds, along with a new proviso that would control the distribution of these resources.

This budget contains funding for a variety of literacy initiatives, including the highly-rated Reading program in the EIA and a new \$1.5 million Summer Reading Camps program. Instead of constantly creating new programs with overlapping mandates, we should be making an effort to continuously review the effectiveness of the programs we already have. If we have additional resources available, then they should be targeted for the initiatives that have already proven successful. I am also wary of approving these funds and the associated proviso because this new program has not yet been submitted to the Education Oversight Committee (EOC) for evaluation.

In the final analysis, this budget provides well over \$100 million in new funding for K-12 education in South Carolina. This is a significant step in its own right; let’s revisit the partnerships proposal next year, once the EOC has had an opportunity to weigh-in.

Veto 68 Part IB, Page 338; Section 1A, Department of Education-EIA; Proviso 1A.36 – SDE-EIA: Carry Forward

Each year’s budget contains a variety of wish lists that distribute a broad array of funds, whether those dollars have already been collected, are reasonably expected to materialize in the upcoming year, or in some cases, are significantly in excess of any current forecast. Over time, the EIA’s carry-forward proviso has devolved into yet another example of this practice.

This year’s variant of the EIA Carry Forward proviso now contains a \$1,000,000 earmark for Clemson University for another summer reading pilot program, of which the University may retain as much as \$150,000. The Department of Education just awarded the University of South

Carolina \$70,000 to conduct the same analysis of a 12-school summer reading pilot. All of this is in addition to the new \$1.5 million “Summer Reading Camps” program established by this budget, which I have allowed to become law.

The EIA is for educational programs, not earmarks for redundant studies. I ask that you support my veto of this proviso this year, so that we can reestablish a clean carry-forward proviso in FY 2014-15. If you sustain this veto, I commit to you that any funds that would lapse as a result will be returned and distributed for the EIA’s purposes next year.

Veto 69 Part IB, Page 345; Section 3, Lottery Expenditure Account; Proviso 3.5, Item 14 – Commission on Higher Education, Public Four-Year Universities, Two-Year Branch Campuses, and State Technical Colleges - Academic Facility Building, Repair and Maintenance, and Training: \$10,509,883

The overwhelming majority of funds distributed by this line would go towards the construction of higher education facilities. Section 59-150-350(D) identifies the allowable uses of Education Lottery proceeds. Other than empowering the Commission on Higher Education “to administer a construction and renovation fund for the historically black colleges and universities,” no authority is granted by that section for these types of construction projects to be lottery-funded.

Aside from this clear conflict with permanent law, I would also note that allowing lottery proceeds to be used this way would be precedent-setting. This action would not just threaten the support that K-12 education would otherwise receive from the lottery in the future, but also deviate from the understanding that the voters had when they authorized the lottery in the first place.

Veto 70 Part IB, Page 346; Section 3, Lottery Expenditure Account; Proviso 3.5, Item 17 – State Library, Union County Carnegie Library Renovations: \$1,250,000

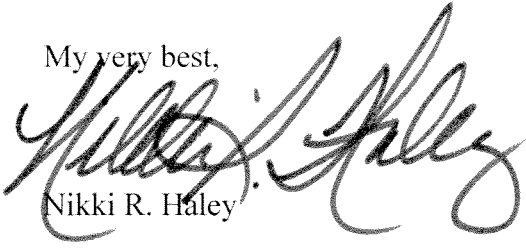
Section 59-150-350(D) clearly states that lottery proceeds appropriated “to the South Carolina State Library for public library state aid” may only “be distributed to county public libraries on a per capita basis...to be used for educational technology delivery, upgrade, and maintenance.” An earmark for a specific library is not consistent with that law.

Veto 71 Part IB, Page 346; Section 3, Lottery Expenditure Account; Proviso 3.5, Item 18 – Department of Education, New Carolina Transformation in Education: \$100,000

I welcome New Carolina’s contributions to educational reform, but do not believe that the taxpayers should fund an earmark to support these activities. When the voters approved the lottery, this wasn’t what they intended.

For these reasons, I am vetoing the aforementioned line items and sections in R120, H.3710.

My very best,

A handwritten signature in black ink, appearing to read "Nikki R. Haley". The signature is fluid and cursive, with the first name "Nikki" and last name "Haley" being the most prominent parts. It is positioned to the left of the printed name.

Nikki R. Haley

Anticipated FY 2014-15 Annualizations

Possible Annualizations Needed in FY 2014-15 Based on FY 13-14 Conference Report - Adopted

The Annualizations list is the State Budget Division's attempt to identify items that may be funding issues in the next fiscal year. The list is a subjective interpretation of items funded in the Appropriation Bill and is not intended or to be construed as a binding, legal document.

	<u>FY 2014-15</u>
Statewide:	
Formula Driven by State, Federal, & Constitutional Mandates (Per BEA 2/15/13 Estimate):	
General Reserve Fund (5%)	12,777,301
Capital Reserve Fund (2%)	5,110,921
Local Government Fund (Maintain at FY13-14 Level) (Statutory formula suspended during recent FYs. Annualization under statute = \$92,480,948)	30,000,000
Employee Health Insurance	23,259,000
Recurring Appropriations Contained in Part 1A Supported w/ Nonrecurring Revenue (Provisos 118.16 & 118.17)	87,933,555
Subtotal - Statewide Items	159,080,777
State Agencies:	
<u>Dept. of Health and Human Services</u>	
Medicaid Reserve Fund - Tobacco Tax Revenue Carry-Forward from FY12-13	32,865,000
Subtotal - State Agencies	32,865,000
ANNUALIZATION OF FY 2013-14	191,945,777