



# Veto Explanations

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**Governor Nikki R. Haley**

July 18, 2012



# Appropriation Vetoes

July 17, 2012

**State of South Carolina**  
Office of the Governor







## State of South Carolina Office of the Governor

NIKKI R. HALEY  
GOVERNOR

1205 PENDLETON STREET  
COLUMBIA 29201

July 5, 2012

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 R330, H.4813, the Fiscal Year 2012-2013 General Appropriations Act.

First, I believe that we should acknowledge this year's progress – passing tax cuts for small business income, reforming the long-term sustainability of our pension system, and continuing to expand school choice in this State. These things will result in a more sustainable government and increased educational opportunities that send the message that South Carolina is open for business.

Despite that progress, the upcoming fiscal year will be full of unique challenges, and I repeat the need to live within our means. While tax revenues are up, hundreds of millions of new tax revenues do not reflect our true economic health as a state or a nation. Much of this money is one-time surpluses and will not be available again. More of the money is the result of cautious optimism – the people of our State are confident in our economic prospects though they have not yet all materialized.

To this end, I applaud the General Assembly for using most one-time money to fully-fund reserves, but new recurring revenue should have been allocated more in accordance with the uncertainty we face. Recent rulings by the Supreme Court of the United States will radically change our healthcare system and skew the cost of employment nationwide. Now is not the time to return to our old ways of constituent-driven earmarks.

One of the benefits that came out of the tight financial times South Carolina has seen the last few years has been the elimination of the pork projects and special interest payouts that for too long were hallmarks of our political system. Many of you showed political courage in stepping away from the parochial ways of our past and truly fighting to protect the taxpayers of our state as a

whole. In reviewing this budget, one of the largest disappointments has been the return of this nefarious process. Included in what follows is a list of those projects – and an opportunity to confirm to the people of South Carolina that our government does not believe in, and will not accept, pork barrel spending.

What follows in this veto message is not an exhaustive list of those areas of the budget with excessive growth. Rather, this message contains items where growth is too high, and I was afforded the opportunity to veto a line that would nullify objectionable growth. The structure of our General Appropriations Act does not lend itself to a reasonable debate – we may disagree over relatively small portions of many lines. My veto pen is a blunt tool, and I only have the option of vetoing entire lines and potentially destroying entire programs where only part is undesirable. The current process lacks the transparency that would allow a project by project debate between the executive and legislative branches; this is unfair to the taxpayer.

Ultimately, budgets are about our priorities and our commitment to being responsible with taxpayer dollars. Where I proposed increases in mental health and law enforcement, the General Assembly went a step further and provided growth above what I believe was responsible. Other sections, particularly in provisos and one-time money, return the state to the old-fashioned earmarks of the past. If you look to the Fiscal Year 2012-2013 Executive Budget, you see government funded over \$100 million in tax relief, a commitment to infrastructure, and a tremendous amount of revenues still unspent. These vetoes get us closer to that track.

## **I. Part IA – Funding**

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### **Focusing on the Core Functions of Government**

Those who see more government as the solution to all of our problems are constantly advocating for new or expanded programs to cure various perceived social ills. Although often arising from good intentions, the expansion of the state into new areas of our lives has a price – not just the obvious financial cost to the taxpayer, but also a price in terms of a loss of focus and direction. Staying focused on the core functions of government requires discipline and can mean saying “No” to some popular programs, but it is essential if we are to give our essential programs the attention and the resources that they require.

**Veto 1                      Part IA, Page 120; Section 30 – Arts Commission, Total Funds Available: \$3,446,946 Total Funds; \$1,937,598 General Funds**

Supporting the arts and supporting the Arts Commission are not the same thing. The Arts Commission’s administrative costs are significant – in fact, a full 30 percent of the funds allocated to the Arts Commission in Part IA are dedicated to administration, personnel, and operating expenses. Who would donate to a charity that spent that much money on overhead? Instead of taking a command-and-control approach to promoting the arts, we would be better off returning these funds to the public, to let them decide for themselves what artistic endeavors deserve financial support.

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**Veto 2                                      Part IA, Page 26; Section 6, Commission on Higher Education, III. Other Agencies and Entities, Special Items – EPSCOR: \$161,314 Total/General Funds**

The Experimental Program to Stimulate Competitive Research (EPSCoR) is a federally-supported program designed to stimulate research in universities. Last year, the General Assembly sustained my veto of a significant portion of the state's support for this program. Despite this veto, our colleges and universities have continued to innovate and attract sponsored research opportunities. The evidence shows that this program is unnecessary.

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**Veto 3                                      Part IA, Page 145; Section 38, Sea Grant Consortium – Total Funds Available: \$6,048,009 Total Funds; \$428,223 General Funds**

Similar in a sense to EPSCoR, 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.

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**Shutting Down Programs That Don't Work**

In many ways, governing is about experimentation. We devise programs in an attempt to address various problems we confront as a society – to combat crime, to teach our children, and to improve public health. Unfortunately, there will be times when we determine that these programs aren't working. When that happens, we have an obligation to try to improve them, and if necessary, to eliminate them.

**Veto 4                                      Part IA, Page 8; Section 1, Department of Education, XII. Education Improvement Act, F. Partnerships, 2. Other Agencies and Entities – Writing Improvement Network: \$182,761 Total Funds**

**Veto 5                                      Part IA, Page 8; Section 1, Department of Education, XII. Education Improvement Act, F. Partnerships, 2. Other Agencies and Entities – S.C. Geographic Alliance - USC: \$155,869 Total Funds**

In preparing the educational funding proposals contained within the Fiscal Year 2012-2013 Executive Budget, I paid particular attention both to Superintendent Zais' recommendations and

also the rankings issued by the Education Oversight Committee. By both sets of standards, these two programs are not making the grade. The EOC awarded both of these initiatives a score of only 1.8 out of a possible 5.0; out of the dozens of educational programs evaluated by the EOC, only two scored worse. Similarly, in his budget request, Superintendent Zais recommended that funding for both of these programs be eliminated. I agree with the assessments offered by South Carolina's educational experts: our instructional dollars can be better spent.

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**Veto 6**                      **Part IA, Page 87; Section 22, Department of Health and Environmental Control, II. Programs and Services, F. Health Care Standards, 2. Facility and Service Development – Total Facility & Service Development: \$727,189 Total Funds; \$411,317 General Funds**

I believe in the virtues of free markets and open competition, and for that reason, I am vetoing the Certificate of Need program as I did last year. Bureaucracy should not be telling us which community has or does not have sufficient need for a hospital or a particular piece of complex medical equipment. Through this process, the Department of Health and Environmental Control is essentially responsible for guarding the gates for a cartel of healthcare facilities that have received their CONs and now have a vested interest in denying them to other prospective healthcare providers. Let's shut down this program and let resources flow more freely and efficiently through our healthcare system, instead of letting the central government planners decide for us.

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### **Adopting Responsible Budgeting Practices**

We all come to Columbia with a set of priorities and certain goals that we wish to accomplish during our tenure in office. It is no surprise, then, that as we prepare each year's budget, there is enormous pressure to spend every dollar – both recurring and non-recurring. When these funds are slated for allocation to popular programs, such as education, it is all the more difficult to vote "No."

Last year, there were lines in the budget that I was forced to veto, not because I oppose education, but because I support responsible budget practices. This means that I cannot endorse the use of non-recurring revenues to finance recurring expenses.

**Veto 7**                      **Part IA, Page 7; Section 1, Department of Education, XII. Education Improvement Act, C. Teacher Quality, 2. Retention and Reward, Special Items – Teacher Salary Support State Share Non[-recurring]: \$10,070,600 Total Funds**

The use of one-time money to assist school districts in paying the costs of teacher salaries is not a responsible or sustainable practice. On another line, this budget contains \$38.6 million in new,



recurring support for teacher salaries; I have approved that line. Using an additional \$10 million in one-time money for the same purpose, however, is the equivalent of making a promise about next year's budget that we can't be certain we'll be able to keep.

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### **Controlling Spending Growth**

Some veto decisions are relatively easy to make – cutting wasteful spending, eliminating an earmark, or striking down a proviso that imposes an unfunded mandate on an agency. Others are more difficult to resolve, such as when funding for a legitimate program has been increased beyond a reasonable level. The veto pen is a blunt tool – I can accept the amount passed by the General Assembly or I can eliminate it entirely, but I have no ability to provide for funding at any amount in between. Faced with this “all or nothing” choice, I have vetoed the following budget lines.

**Veto 8                      Part IA, Page 9; Section 1, Department of Education, XIII.  
Governor's School Science & Math, Personal Service – Classified  
Positions: \$1,173,826 Total/General Funds**

From all sources, the Governor's School for Science & Mathematics is appropriated \$8.4 million, which is more than \$3 million higher than the previous year's appropriation. All told, the General Assembly's budget would increase state support for GSSM by more than 50 percent on an annual basis. I consider this increase excessive and believe that we can support the GSSM in a more fiscally responsible manner. At less than \$1.2 million, this veto leaves over half of the total increases intact, providing the school with a healthy increase to support the further development of its programs.

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**Veto 9                      Part IA, Page 96; Section 23, Department of Mental Health, IV. Non-  
recurring Appropriations – Deferred Maintenance: \$1,000,000 Total  
Funds; \$1,000,000 General Funds**

The Fiscal Year 2012-2013 Executive Budget recommended and the General Assembly approved an additional \$16 million for the Department of Mental Health plus amendments to Proviso 80A.27 (Sale of Surplus Real Property) to allow DMH to retain the proceeds of the sale of the Bull Street property and apply it towards the department's deferred maintenance needs. Those proceeds should total roughly \$15 million for deferred maintenance. Given the major investment that this budget has already made in DMH, I am vetoing the additional \$1 million in funding for deferred maintenance.

**Veto 10                     Part IA, Page 224; Section 70A, Legislative Department - The Senate,  
I. Administration, Special Items – Joint Citizens & Legislative**

**Committee on Children: \$300,000 Total Funds; \$50,000 General Funds**

Last year, this Committee did not receive dedicated support from the General Fund. I respect the Committee's work but am wary of creating a new General Fund budget line for this program. This budget provides millions of dollars worth of increases for the General Assembly's own appropriations including its legislative service agencies. Given that very significant growth, I feel that if the Legislature values the Joint Committee's work, then it should be able to find the required funds internally instead of asking the taxpayers to support another appropriations line.

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**Veto 11                      Part IA, Page 230; Section 70F, Education Oversight Committee, I. Administration – Other Operating Expenses: \$703,088 Total Funds; \$200,000 General Funds**

Given its role, the Education Oversight Committee has historically received support, not from the General Fund but, through EIA. This budget contains generous increases in state support for education including through EIA. If the EOC needs an additional \$200,000 to support its operations, then the General Assembly should have provided those funds through the traditional funding source, instead of giving the EOC a foothold in the General Fund.

As noted earlier, I value the EOC's assessments and rankings, and weighed them when preparing my Executive Budget. At the same time, K-12 education is unlike many other core programs in that it can draw from a significant, dedicated funding source. We should continue to fund EOC exclusively through EIA and leave General Fund resources available for all the other programs that have no dedicated pool upon which to rely.

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**Veto 12                      Part IA, Page 160; Section 44, Judicial Department, V. Administration, C. Information Technology – Other Operating Expenses: \$2,800,000 Total Funds; \$1,500,000 General Funds**

Earlier this year, the General Assembly passed legislation allowing the Judicial Department to establish electronic filing fees at a level that would cover the cost of providing the underlying services. I believe that this new unrestricted funding source should have the effect of reducing the Judicial Department's needs for additional funding to support its technological needs.

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## **II. Part IB – Temporary Provisions**

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### **Housekeeping Items**

**Veto 13                      Part IB, Page 468; Section 90, Statewide Revenue, Proviso 90.7 – SR:  
E-Verify**

This proviso states calls for each “state entity” to certify its participation in the E-Verify program before it may receive ARRA funds. These funds have been allocated, rendering this proviso obsolete.

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**Veto 14                      Part IB, Page 333; Section 19, Educational Television Commission,  
Proviso 19.2 – ETV: Digital Satellite**

When it submitted its annual budget request to the Office of State Budget last fall, the Educational Television Commission asked that this proviso be deleted, stating “it is no longer needed as the digital satellite system is no longer operational.” Furthermore, the Video Resources Oversight Council established by this proviso “has not met in several years.” It’s time to get this proviso off the books.

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**Veto 15                      Part IB, Page 343; Section 22, Department of Health and  
Environmental Control, Proviso 22.22 – Allocation Patient Days**

This proviso conflicts with H.5028, which passed unanimously in both the House and the Senate and was signed by me on May 14, 2012. The Department of Health and Human Services, Department of Health and Environmental Control, and South Carolina Health Care Association have all requested that this proviso be vetoed.

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## **Good Government**

**Veto 16**                      **Part IB, Page 465; Section 89, General Provisions, Proviso 89.130 –  
GP: Open Market for Bus Contract Vendors**

Although couched in language that suggests it invites competition, this proviso is actually – as explained by Superintendent Zais in his letter requesting a veto – one legislator’s attempt to circumvent the state’s procurement procedures. This proviso would allow companies that failed to win contracts through competitive bidding to make direct sales pitches to individual bus shops – instead of working through the Department of Education’s procurement office.

Accordingly, companies who routinely lose bids would not have to improve pricing, bids, or the quality of their services to get a second chance to win state contracts. Sustaining this veto will help maintain the integrity of our procurement process.

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**Veto 17**                      **Part IB, Page 301; Section 1, Department of Education, Proviso 1.92 –  
SDE: Lee County Bus Shop**

This new proviso would force the SC 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 – no more, no less. This is an unwarranted intrusion into the department’s provision of student transportation services, which can only serve to increase overall costs and reduce system efficiency. Superintendent Zais opposes this proviso; I agree with his assessment.

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**Veto 18**                      **Part IB, Page 321; Section 1A, Department of Education, Education  
Improvement Act, Proviso 1A.64 – SDE-EIA: Education Oversight  
Committee Innovation Initiative**

I have cited the Education Oversight Committee’s rankings several times in expressing my opposition to specific line items in this budget. Although I appreciate EOC’s work, this new proviso would expand the Committee’s mandate significantly beyond that which is provided for by law, by tasking it with designing and implementing new programs autonomously. This proviso thoroughly undermines the authority of Superintendent Zais and his agency and blurs EOC’s role that is currently and clearly defined as a respected and impartial evaluator. Meaningful programmatic changes should be driven through the appropriate executive agency.

**Veto 19****Part IB, Page 361; Section 31, State Museum Commission, Proviso 31.10 00 MUSM: State Museum Admissions Tax**

This new proviso would capture \$50,000 in admissions tax revenue and divert it to the State Museum to support its operations. I oppose this measure because if the State Museum needs more money, then the appropriate course of action would be to seek funding on the appropriate Part IA line. This type of backdoor attempt to bring money into the State Museum is inappropriate. Fortunately, there is a solution. Folding the State Museum into the Department of Parks, Recreation, and Tourism would allow both agencies to reduce their overhead costs, further undermining the argument for a proviso such as this.

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**Veto 20****Part IB, Page 398; Section 67, Department of Employment and Workforce, Proviso 67.9 – DEW: Benefit Amount**

This proviso attempts to ease the unemployment tax burden of a claimant's most recent employer by spreading the responsibility for the employee's benefits over his last four employers. Unfortunately, however, there are insufficient guidelines to reasonably limit the liability of past employers. Moreover, the proviso completely fails to account for work done outside of the state.

Based on the limited amount of data available to the Department of Employment and Workforce and this proviso's poorly vetted guidelines, the agency cannot possibly implement this policy change in the manner in which it was intended. This would result in an unfair tax shift to companies who would otherwise not be responsible for a claimant's benefits.

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**Veto 21****Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 52, Arts Commission – Grants: \$500,000**

Supporting the arts and supporting the Arts Commission are not the same thing. The Arts Commission's administrative costs are significant – in fact, a full 30 percent of the funds allocated to the Arts Commission in Part IA are dedicated to administration, personnel, or operating expenses. Who would donate to a charity that spent that much money on overhead? Instead of taking a command-and-control approach to promoting the arts, we would be better off returning these funds to the public, to let them decide for themselves what artistic endeavors deserve financial support.

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**Veto 22**                      **Part IB, Page 347; Section 22, Department of Health and Environmental Control, Proviso 22.46 – Vital Records**

This new proviso is an unfunded mandate that requires the Department of Health and Environmental Control to provide vital records services in each county that received them as of the beginning of 2012. The department would be 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.

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**Veto 23**                      **Part IB, Page 365; Section 37, Department of Natural Resources, Proviso 37.10 – DNR: Lake Paul Wallace Authority**

This proviso conflicts with Act 229 of 2012, which is also related to the Lake Paul A. Wallace Authority, and which took effect July 1, 2012.

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**Veto 24**                      **Part IB, Page 471; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 13(c), Department of Public Safety – Capitol Complex Garage Security Equipment: \$75,000**

This earmark for Capitol Complex Security was not requested by Department of Public Safety Director Smith, the individual responsible for securing the Capitol Complex. I have confirmed with Director Smith that if up to \$75,000 is required to secure the Capitol Complex garage, he will be able to absorb the cost within his agency's budget. Additional funds are not required.

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**Veto 25**                      **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 25, Department of Motor Vehicles – Programming & Training/Implementation of S.1031: \$88,550**

The Department of Motor Vehicles collects sufficient funds on an annual basis to pay for its operation and program development. Many of DMV's excess funds are statutorily directed to the General Fund. I have confirmed with Director Shwedo that he will be able to implement S.1031, known as the "Demolishers' Bill" and which passed this year, without these additional funds.

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### **Local Earmarks**

- Veto 26**                      **Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 48(c), Department of Parks, Recreation, and Tourism – Irmo Veterans Park: \$30,000**
- Veto 27**                      **Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 48(d), Department of Parks, Recreation, and Tourism – Patriot Park Environmental Pavilion: \$100,000**
- Veto 28**                      **Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 48(b), Department of Parks, Recreation, and Tourism – Southeastern Wildlife Exposition Regional Marketing and Advertising: \$200,000**

As passed by the General Assembly, the Statewide Revenue proviso contained one-time money for four items through the Department of Parks, Recreation, and Tourism. One of these items – which I also included in my Executive Budget – was \$250,000 to replace the Kings Mountain Bridge because the current bridge is no longer safe.

The three items identified below were not requested by the department and did not appear in my Executive Budget. They are earmarks for specific projects or events that will benefit very specific communities or organizations, and which do not rise to a level of statewide significance such that they would merit funding through this proviso. Please join me in rejecting this kind of earmarking by sustaining my veto of these items.

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- Veto 29**                      **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 34, Department of Transportation – SMART Ride - Camden: \$60,000**

There is no reason why the SMART Ride program for Camden merits greater consideration than its companion in Newberry. These funds were not included in the Executive Budget and were not sought by the Department of Transportation. This is an old-fashioned earmark.

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- Veto 30**                      **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 32, Department of Public Safety – Andrews Public Safety Building (1 to 1 Match): \$100,000**

In the Executive Budget, I proposed funding for more troopers so that we could improve highway safety. I was disappointed that this request was not honored in this budget and was even more frustrated when I saw this line. The Department of Public Safety did not request these funds and was unaware of this project when it appeared in the budget. We have better uses for this money – like improving highway safety – than to pay for this earmark.

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| <b>Veto 31</b> | <b>Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 30, State Museum – North Myrtle Beach Historical Museum: \$300,000</b>   |
| <b>Veto 32</b> | <b>Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 29(a), Department of Archives and History – City of Charleston African American Historic Sites Preservation: \$200,000</b> |
| <b>Veto 33</b> | <b>Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 29(b), Department of Archives and History – City of Hilton Head - Mitchelville Capital Land Purchase: \$200,000</b>        |

When pork projects in the budget are discussed, the legendary examples of Green Bean Museums and Balloon Festivals are what we hear to exemplify local earmarks and waste. After several years of economic downturn, which led to better prioritization, one good year has ushered in the return of these pork projects. We need to send a clear message now that we have learned from our past of pork barrel spending. We will not return to those old practices.

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| <b>Veto 34</b> | <b>Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 47(d), Department of Natural Resources – DNR: Darlington County Watershed Project</b>   |
| <b>Veto 35</b> | <b>Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 47(e), Department of Natural Resources – DNR: Lake Wallace Special Purpose District</b> |

The Department of Natural Resources received one-time funding for two water basin studies through this proviso. I approved both of those items because they are important to the department's efforts to update the state water plan. Although embedded within the same section of this proviso, I have vetoed the Darlington County Watershed Project and the Lake Wallace



Special Purpose District lines because they are not tied to revising the state water plan, but are actually local earmarks.

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### **Earmarks for Housing and Family Issues**

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| <b>Veto 36</b> | <b>Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 31, Prosecution Coordination Commission – Center for Fathers and Families: \$200,000</b>                                       |
| <b>Veto 37</b> | <b>Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 41, Department of Disabilities and Special Needs – Charles Lea Center (1 to 1 Match): \$250,000</b>                            |
| <b>Veto 38</b> | <b>Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 45, Housing Finance and Development Authority – Marion County Habitat for Humanity Pilot Project (1 to 1 Match): \$250,000</b> |

These three items are additional earmarks that relate to various housing and social issues. While I do not attempt to question the merits of each organization or the quality of their missions, there are just as many service organizations as worthy who seek private sector support to maintain their operations.

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### **Earmarks for Social Service Providers**

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| <b>Veto 39</b> | <b>Part IB, Page 357; Section 26, Department of Social Services, Proviso 26.24 – DSS: Women in Unity</b>   |
| <b>Veto 40</b> | <b>Part IB, Page 357; Section 26, Department of Social Services, Proviso 26.25 – DSS: Tri-City Outreach</b>  |
| <b>Veto 41</b> | <b>Part IB, Page 357; Section 26, Department of Social Services, Proviso 26.26 – DSS: Callen-Lacey Center for Children</b>   |
| <b>Veto 42</b> | <b>Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 44(a), Department of Social Services – United Center for Community Care: \$75,000</b> |

**Veto 43**                      **Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 44(b), Department of Social Services – Community Outreach Center Incorporated After School Program: \$25,000**

Five separate provisos in the Department of Social Services' budget lines serve as earmarks for handpicked service providers. Handing taxpayer dollars directly to these organizations without a competitive procurement process is not an appropriate or responsible use of these funds. Director Koller has made tremendous progress at DSS in the past 18 months, and she has done so without requesting new General Fund support for the upcoming year. I ask that you not carve these earmarks out of DSS' operating budget.

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### **Higher Education Earmarks**

**Veto 44**                      **Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 39(e), State Board for Technical and Comprehensive Education – SC Skills USA: \$200,000**

The Technical College System did not request funding for this program. This line was inserted in the budget as a pass-through to SC Skills USA, which is the state affiliate of a national nonprofit that conducts competitions for high school students enrolled in technical or skilled service programs. This is not an essential program and certainly not an appropriate way to seek funding for an initiative.

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**Veto 45**                      **Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20, Non-Recurring Revenue, Item 36(a), Commission on Higher Education – University Center of Greenville Technology Upgrade: \$100,000**

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 \$100,000 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 \$100,000 to improve its technology, then the participating institutions should make the required contributions.

- Veto 46**                      **Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 37(a), Clemson University PSA – Advanced Plant Technology Lab: \$4,000,000.**
- Veto 47**                      **Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 37(b), Clemson University PSA – Operating: \$100,000.**
- Veto 48**                      **Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 49, University of Charleston – Interactive Digital Technology Pilot Project (1 to 1 Match): \$2,000,000.**

I approved millions for deferred maintenance for our institutions of higher education through the Capital Reserve Fund. These allocations were consistently in excess of what these colleges and universities would have received had they been given the 2.3 percent increase in their operating budgets that I proposed in my Executive Budget, based upon the Higher Education Price Index. I should also note that I approved major projects for both of the universities identified below: \$3 million for Clemson's Grid Simulator Project and \$1.9 million for the reconstruction of the College of Charleston's Science Center. Funding these additional projects this year would be an excessive imposition on South Carolina's taxpayers.

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- Veto 49**                      **Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 36(b), Commission on Higher Education – SC Manufacturers Extension Partnership: \$200,000**

I have approved the \$682,049 provided for the SC Manufacturers Extension Partnership in Part IA of the Department of Commerce's budget this year. This is the same amount that was appropriated for this program in the prior fiscal year. I have vetoed this second line for SCMEP because it would increase the cost of the program by \$200,000.

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### **Healthcare Earmarks**

- Veto 50**                      **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 27(a), Department of Health and Environmental Control – ADAP Prevention: \$200,000**
- Veto 51**                      **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 27(b), Department of Health and**

**Environmental Control – SC Coalition Against Domestic Violence and Sexual Assault: \$453,680**

- Veto 52**                      **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 27(c), Department of Health and Environmental Control – Kidney Disease Early Evacuation and Risk Assessment Education: \$100,000**
- Veto 53**                      **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 27(d), Department of Health and Environmental Control – Hemophilia - SC Bleeding Disorders Premium Assistance Program: \$100,000**
- Veto 54**                      **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 27(e), Department of Health and Environmental Control – S.C. Office of Rural Health - Benefit Bank: \$500,000**
- Veto 55**                      **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 27(f), Department of Health and Environmental Control – James R. Clark Memorial Sickle Cell Foundation: \$100,000**

I am vetoing each of the earmarks in Section 90 of the Department of Health and Environmental Control's budget. Each of these lines attempts to serve a portion of our population for which we extend our sympathy and encouragement, but nevertheless, it is only a small portion of South Carolina's chronically ill or abused. Overall, these special add-on lines distract from the agency's broader mission of protecting South Carolina's public health. Each new special interest that wins an earmark takes more of DHEC's attention away from its overall mission.

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**Veto 56**                      **Part IB, Page 344; Section 22, Department of Health and Environmental Control, Proviso 22.26 – Head Lice**

This proviso carves \$200,000 out of the rest of the Department of Health and Environmental Control's budget in order to fund a statewide head lice program. These resources are insufficient to capably manage such an initiative; instead, this proviso has the effect of undermining the agency's more critical programs.

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## **Technology Upgrades**

The Center for Digital Government is a respected national organization associated with the publishers of *Government Technology* magazine; they publish the biennial *Digital States Survey*, which grades the states based upon their governance, practices, and accomplishments in the IT arena. In the most recent survey, South Carolina tied with two other states for last place.

The vision and leadership provided by a Department of Administration would have gone a long way towards improving our IT capabilities and oversight. In the meantime, several agencies sought significant levels of funding for IT equipment through this year's budget.

**Veto 57**                      **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 21, Secretary of State – Information Technology Upgrade: \$500,000**

Between the increases provided in Part IA and the revision to Proviso 74.1, the Secretary of State's office will receive an additional \$298,000 in the upcoming year. In the Executive Budget, I recommended that this agency receive \$250,000 in one-time funds for its technology needs, based upon my review of the application development projects the office intended to undertake with these new funds. Given the significant new resources that will now be at the Secretary of State's disposal, coupled with the fact that this one-time money is twice what I recommended, I have vetoed this line because I believe the agency can complete the necessary work with the resources at hand.

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**Veto 58**                      **Part IB, Page 471; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 20(a), Department of Natural Resources – Replacement of IT Equipment and Maintenance: \$1,260,505**

This is the precise amount that the Department of Natural Resources sought in one-time funding when it submitted its annual request to the Office of State Budget last fall. My staff subsequently met with DNR leadership and reviewed a more detailed itemization of this request. As a result, I supported only \$195,000 in one-time funding for DNR's IT needs in my Executive Budget to cover desktop computing equipment and the associated licenses that would be required. DNR proposed to use the remainder of the funds to deploy its own new servers, network infrastructure, and disaster recovery plan in isolation, instead of in collaboration with the Division of State Information Technology's government-wide solutions, as would be more consistent with generally-recognized best practices. When we fail to take advantage of opportunities to take an enterprise-wide approach to IT problems, as a comparably-sized private sector organization would, we achieve poorer outcomes and waste taxpayer dollars along the way.

**Veto 59**                      **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 23, Commission on Indigent Defense – Information Technology Upgrade: \$101,000**

This budget increases state support for the Commission on Indigent Defense by about 75 percent. While I recognize that much of this new money will be allocated to legal defense, certainly, the Commission should be able to find enough to cover its most pressing IT needs.

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**Veto 60**                      **Part IB, Page 471; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 15(b), John de la Howe School – Information Technology Upgrade: \$200,014**

I approved the \$400,000 in Section 90 for seven cottages with significant deferred maintenance needs. The General Assembly's revisions to Proviso 5.4 (JDLHS: Capacity) are a clear expression of the Legislature's concerns with the enrollment levels at this facility. I share these concerns and believe we must first address these fundamental issues before undertaking a significant investment in the school's technology upgrades.

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### **Excessive Growth**

**Veto 61**                      **Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.29B, Non-recurring Revenue, Item 57, Budget and Control Board – Rural Infrastructure Fund: \$3,000,000**

According to the Office of State Budget, the Rural Infrastructure Fund has \$20 million unspent in the bank already. It is unnecessary and excessive to devote an additional \$3 million to the Fund.

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**Veto 62**                      **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 26, Vocational Rehabilitation – Restoration of Vocational Rehabilitation Program - State Matching Funds: \$1,000,000**

In the Executive Budget, I recommended \$2.5 million in additional General Fund support for the Vocational Rehabilitation Department. This represents an increase of more than 30 percent against the prior year. I have vetoed this particular line because it would add an additional \$1

million in new spending, and also because it would use one-time money to pay for what would become recurring expenses.

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**Veto 63**                      **Part IB, Page 471; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 16, Wil Lou Gray Opportunity School – Window Replacement: \$750,000**

I have vetoed this item because \$750,000 is an enormous amount of money, given the number of students who attend this school. Fortunately, there is another path to completing these energy-efficient improvements without making a major cash investment.

Through performance contracting, the school can finance the replacement of these windows using a portion of the energy savings to be realized. This would be a win for the school, the environment, and the taxpayer.

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**Veto 64**                      **Part IB, Page 470; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 8(b), Legislative Audit Council – Peer Review Audit - Government Auditing Standards: \$15,000**

Part IA of this budget provides the Legislative Audit Council with \$125,000 in new recurring funds. Even though this is more than I requested in the Fiscal Year 2012-2013 Executive Budget, I have not vetoed any of those additional resources. I should also note that I approved \$45,000 for the LAC’s technology needs in the Capital Reserve bill.

Given the amount of new money the LAC will receive this year – including through the Capital Reserve Fund – and in light of the fact that Government Auditing Standards only require that a peer review audit be performed every three years, I believe that the LAC can and should be able to fund its Fiscal Year 2012-13 audit through the \$160,000 in new money it will receive this year without this additional \$15,000.

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**Veto 65**                      **Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 46(a), Department of Agriculture – Marketing and Branding: \$500,000**

This budget provides \$700,000 more for the Department of Agriculture in Part IA than I recommended in the Fiscal Year 2012-2013 Executive Budget – \$500,000 for Marketing and

Branding and \$200,000 for Laboratory Services. I have accepted those increases, but I am vetoing the additional \$500,000 for Marketing and Branding that appears in Section 90. While I applaud Commissioner Weathers' achievements in making South Carolina produce world-renowned, this one-time money would be an unsustainable spike in resources. I believe Commissioner Weathers can continue to his successes within the means provided in his recurring budget.

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**Veto 66**                      **Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Item 46(c), Department of Agriculture – Market Operations: \$600,000**

When the Farmer's Market moved to Lexington County, we were told that the project would be financially self-sufficient. It is clear that this is not going to be the case. I have approved the \$400,000 requested for signage, fencing, and other infrastructure associated with the completion of the initial stage of this project, in part because the Department of Agriculture has provided assurances that by securing the perimeter of the facility, we would be able to dismiss some part-time security staff, thereby reducing the site's operating deficit. I cannot, however, approve an additional \$600,000 merely to plug the anticipated deficit for the rest of the year.

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**Veto 67**                      **Part IB, Page 470; Section 90, Statewide Revenue, Proviso 90.19 – SR: National Mortgage Settlement**

Since taking office, my top priority has been more jobs for South Carolina – which is why I've worked hard for tax cuts, tort reform, and other policies that are improving our business climate every day. Certainly tools such as the Closing Fund are useful for financing the infrastructure that helps us to attract and retain businesses, but at the same time, I consider it inappropriate to raid the proceeds of the national mortgage settlement in order to generate more resources for the Closing Fund.

Even without this proviso, the Closing Fund will receive \$15 million this year -- \$5 million more than last year. And there are other weapons in our economic development arsenal, as well. For instance, the SC Rural Infrastructure Authority currently has \$38 million at its disposal.

You have my commitment that we will continue to fight to bring jobs and businesses to South Carolina. We just don't need to do it like this.



## Education

**Veto 68**                      **Part IB, Page 331; Section 15, University of South Carolina, Proviso 15.3 – USC: School Improvement Council**

**Veto 69**                      **Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 28, Department of Education – SC School Improvement Council: \$35,000**

In preparing the educational funding proposals contained within my Executive Budget, I paid particular attention to rankings issued by the Education Oversight Committee. By EOC's standards, the above two programs in reference to the School Improvement Council do not make the grade. I agree with the assessments offered by South Carolina's educational experts: our instructional dollars can be better spent.

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**Veto 70**                      **Part IB, Page 471; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 14, Department of Education, Governor's School for the Arts and Humanities – Administration Building Construction: \$1,250,000**

I vetoed a personnel line for the Governor's School for Science & Math in Part IA, because I believed that it was excessive to increase that school's funding by more than 50% this year as this budget allows. Growth for the Governor's School for the Arts & Humanities is more restrained in this budget but is still present in the EIA's "Partnerships" lines. For the number of students who attend this school, I consider \$1.25 million for the construction of a new Administration Building to be excessive and unnecessary.

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**Veto 71**                      **Part IB, Page 407; Section 70, Legislative Department, Proviso 70.32 – LEG: EOC Efficiency Review**

**Veto 72**                      **Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.20B, Non-recurring Revenue, Item 56, Education Oversight Committee – School District Efficiency Review Pilot Program**

Proviso 70.32 tasks the Education Oversight Committee with responsibility for initiating an efficiency pilot program with as many as three school districts. Since the EOC lacks the resources to manage this program, this proviso is powered by a separate \$300,000 allocation in Section 90.

An efficiency program such as this is plainly beyond the scope of the EOC's mission. The fact that an outside consultant would need to be paid to administer this program makes the initiative's connection to the EOC all the more tenuous.

Superintendent Zais opposes this proviso in part because it usurps his agency's authority. If the General Assembly wishes to fund a K-12 efficiency program, it should reside with the Department of Education.

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## **Ports**

To be clear, voting to override these vetoes is a vote against the Jasper Ocean Terminal. These two provisos will jeopardize the Joint Project Office's efforts to move the JOT development forward, as they give the Savannah River Maritime Commission the authority to undermine the efforts of the JPO and put the project in jeopardy of default. I have repeatedly said that I support the development and expansion of all of our State's ports – Georgetown, Charleston, and Jasper – and will not choose one over the other. All of our ports are valuable assets that we must support. The Jasper Ocean Terminal is a viable and vital economic development project that will be a tremendous benefit to a rural area of the State. To move this project forward requires a vote to sustain these vetoes.

**Veto 73**                      **Part IB, Page 402; Section 69, State Ports Authority, Proviso 69.4 – SPA: Joint Project Office Funding Approval**

This proviso is unnecessary for two reasons. First, the State Ports Authority ended continued funding to the Joint Project Office in December of 2011 - a decision I did not support. Also, the JPO has voted to suspend spending due to pending litigation. Second, my goals and the tireless efforts of my appointee to the JPO, the only member from the Jasper area, are one in the same – to quickly move the development of the Jasper Ocean Terminal forward. The South Carolina delegation to the JPO should also have this shared goal.

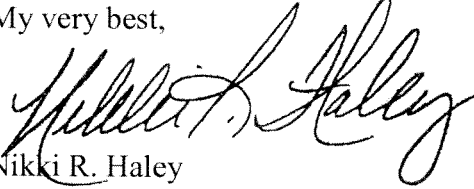
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**Veto 74**                      **Part IB, Page 402; Section 69, State Ports Authority, Proviso 69.5 – SPA: Dredge Disposal Material**

This proviso will put the Jasper Ocean Terminal project in jeopardy of default. The 2008 Intergovernmental Agreement between South Carolina and Georgia declared from the outset that the JOT is a feasible and vital project and both states must take actions in good faith to further this project. This proviso gives the Savannah River Maritime Commission the discretion to re-evaluate the merits of this project and determine whether it is a "high priority project for the State" – a clear conflict with the Agreement.

For these reasons, I am vetoing the aforementioned line-items and provisos in R330, H.4813.

My very best,



Nikki R. Haley



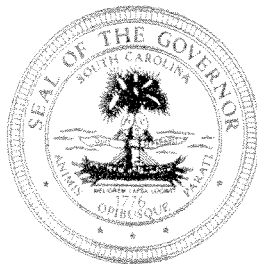
# Capital Reserve Vetoes

July 17, 2012

**State of South Carolina**  
Office of the Governor







## State of South Carolina Office of the Governor

NIKKI R. HALEY  
GOVERNOR

1205 PENDLETON STREET  
COLUMBIA 29201

July 5, 2012

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 to you several line items in R331, H.4814, a Joint Resolution to appropriate monies from the Capital Reserve Fund.

First and foremost, we appreciate members of the General Assembly including the \$43.2 million in tax relief – out of \$77 million overall – that this Joint Resolution will provide for South Carolina's business owners and employers, something we fought hard for over the course of the session because our people and businesses want and deserve it. As we all know, when businesses have cash flow and profit margins they hire people and invest back into their enterprise and into our state. Tax relief is precisely what South Carolina businesses need in this tough but recovering economy.

Most of the other items funded through H.4814 relate to our technical colleges and our four-year institutions of higher learning. In January, I offered an Executive Budget that recommended a 2.3 percent increase for our public colleges and universities based upon the Higher Education Price Index (HEPI), a respected national measure of the growth in institutions' operating costs. The General Assembly ultimately elected not to increase the primary appropriations for most institutions but rather provided them with allocations from the Capital Reserve Fund to address their deferred maintenance needs.

Since the maintenance backlogs are significant and the amounts provided through H.4814 are comparable to what each institution would have received under my Executive Budget, I have accepted each deferred maintenance line. However, there are seven items that I am returning without my approval – because they fund institutions in excess of a responsible level.

Budgets are ultimately statements of our priorities. If these institutions are truly committed to these projects, then I believe that they will find ways to see them through to completion using existing funds or other sources of revenue.

**Veto 1**                      **Page 2; Section 1, Item 7, The Citadel – Jenkins Hall Arms Room  
Upgrade: \$200,000 Capital Reserve Fund**

The Citadel will receive more than \$737,000 under this Joint Resolution in order to address its deferred maintenance needs. This is roughly \$542,000 in excess of the increase The Citadel would have received in operating support under my Executive Budget. I have approved each of the deferred maintenance allocations contained within this legislation but do not support separate and additional funding for this specific project.

**Veto 2**                      **Page 2; Section 1, Item 10, Clemson University – Greenwood Genetics Lab:  
\$2,000,000 Capital Reserve Fund**

Clemson will receive nearly \$1.6 million under this Joint Resolution in order to address its deferred maintenance needs. This is roughly \$220,000 in excess of the increase Clemson would have received in operating support under my Executive Budget. I have approved each of the deferred maintenance allocations contained within this legislation but do not support separate and additional funding for this specific project.

**Veto 3**                      **Page 2; Section 1, Item 14, Francis Marion University – Nurse Practitioner  
Program: \$100,000 Capital Reserve Fund**

Francis Marion University will receive more than \$1.1 million under this Joint Resolution in order to address its deferred maintenance needs. This is more than \$900,000 in excess of the increase the University would have received in operating support under my Executive Budget. I have approved each of the deferred maintenance allocations contained within this legislation but believe that Francis Marion should be able to support the Nurse Practitioner Program with the resources already provided.

**Veto 4**                      **Page 2; Section 1, Item 18, University of South Carolina, Columbia Campus  
– USC Palmetto College: \$2,115,000 Capital Reserve Fund**

My veto of this item should in no way be construed as a rejection of this initiative. Instead, I have rejected this item because the University of South Carolina has already received significant support through the Capital Reserve Fund this year and also because USC is one of only two universities that will receive more funding through Part IA of the budget this year than it did last year. The \$2.9 million increase provided in Part IA has been scattered across various lines in such a way that I cannot isolate that growth and strike it with my veto pen. What I can do, however, is veto this item and insist that USC implement the Palmetto College with the funding it has already received.



**Veto 5****Page 3; Section 1, Item 27, Winthrop University – Student Information Technology Infrastructure Update: \$500,000 Capital Reserve Fund**

Winthrop University will receive nearly \$1.4 million under this Joint Resolution in order to address its deferred maintenance needs. This is almost \$1.1 million in excess of the increase that the University would have received in operating support under my Executive Budget. I have approved each of the deferred maintenance allocations contained within this legislation but believe that Winthrop should be able to enhance its technology infrastructure using its available resources.

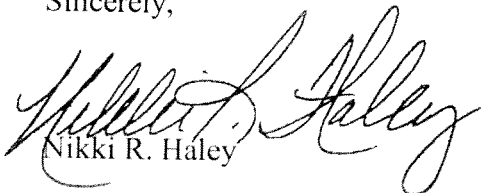
**Veto 6****Page 3; Section 1, Item 29, Medical University of South Carolina – Ashley Tower Renovation - MUSC Hospital Authority: \$5,500,000 Capital Reserve Fund**

The Medical University of South Carolina will receive \$3.2 million under this Joint Resolution in order to address its deferred maintenance needs. This is more than \$2 million in excess of the increase that the University would have received in operating support under my Executive Budget. I have approved each of the deferred maintenance allocations contained within this legislation but would ask MUSC to renovate Ashley Tower using the resources already at its disposal.

**Veto 7****Page 3; Section 1, Item 32, Clemson University-PSA – Power Grid Research: \$75,000 Capital Reserve Fund**

Despite the name – “Power Grid Research” – this item is not associated with the similarly-named “Grid Simulator Project” that so many of us have supported and which is an important public-private partnership in which Duke Energy, SCANA, and Santee Cooper are all making meaningful financial contributions. In fact, Clemson University did not even request this \$75,000 earmark. The taxpayers hardly expect us to send their money to organizations that have not even requested it.

Sincerely,



Nikki R. Haley



# Support Letters

July 17, 2012

**State of South Carolina**  
Office of the Governor







STATE OF SOUTH CAROLINA  
DEPARTMENT OF EDUCATION

Mick Zais  
Superintendent

1429 Senate Street  
Columbia, South Carolina 29201

July 13, 2012

The Honorable Hugh K. Leatherman, Sr.  
Chairman, Senate Finance Committee

The Honorable W. Brian White  
Chairman, House Ways and Means Committee

Dear Chairman Leatherman and Chairman White:

Thank you for the opportunity to comment regarding gubernatorial vetoes of certain budget line items and provisos contained in the Fiscal Year 2012-2013 General Appropriations Bill.

**Gubernatorial Vetoes**

**Veto #4 – Writing Improvement Network; \$182,671 EIA Funds**

In letters to House Ways and Means Committee for Fiscal Year 2011-2012 and Fiscal Year 2012-2013, I recommended shifting scarce resources earmarked for the Writing Improvement Network to higher priorities within the Education Improvement Act (EIA). The Writing Improvement Network is a duplicative program that has been unable to demonstrate a significant impact on student achievement.

Respectfully, I request Veto #4 be sustained.

**Veto #5 – SC Geographic Alliance; \$155,869 EIA Funds**

In letters to House Ways and Means Committee for Fiscal Year 2011-2012 and Fiscal Year 2012-2013, I recommended shifting scarce resources earmarked to the SC Geographic Alliance to higher priorities within the EIA. While the SC Geographic Alliance serves a noble cause, geography education, there are other pressing needs for scarce EIA resources.

Respectfully, I request Veto #5 be sustained.

**Veto #7 – Teacher Salary Support State Share (Non-Recurring); \$10,070,600 EIA Funds**

I have consistently argued that recurring dollars should be appropriated to fund recurring expenses. This new EIA appropriation line is a recurring expense yet is funded with non-recurring EIA funds, creating a \$10,070,600 annualization in the state budget that must be funded next year. Governor Haley is correct that using one-time funds to pay for on-going expenses is bad budgeting practice.

However, this is a budgeting decision made by the 170 members of the South Carolina General Assembly, not by the nearly 47,000 South Carolina teachers. Teachers and the salary increase mandated by the state budget should not be a casualty of the budget writing process. This appropriation line must be funded next year and if EIA revenues decline, the General Assembly must have the political will to reduce some of the EIA earmarks and pass-through appropriations in order to fund this line item. I look forward to playing an active role in that process if revenues decline.

Respectfully, I request Veto #7 be overridden.

**Veto #16 – Proviso 89.130**

This proviso, offered during the House budget debate in March and not considered by the House Ways and Means Committee, masquerades as a “good government” measure when in reality it is window dressing for a disgruntled corporation. Prior to my election as State Superintendent of Education, the SCDE and the Materials Management Office (now called Procurement Services) solicited bids for a statewide contract for school bus parts. Multiple awards were issued under this contract, which saves the taxpayers money by having the state purchase parts in bulk. Apparently, one vendor is unhappy with this competitively-bid contract and successfully lobbied the General Assembly to include this proviso. The effect of the proviso is to write SCDE human resources policy: requiring the SCDE to permit parts sales representatives onto state-owned bus shops for the sole purpose of selling parts.

Again, prior to my election as State Superintendent, it was agency policy not to allow sales representatives onto state-owned bus shops. The reason is straightforward: the SCDE has an Office of Procurement that manages procurement processes. The proviso as drafted is a prime example of the General Assembly overreaching into the operations of a state agency.

In addition to this overreach, this proviso is unnecessary. This competitively-bid, statewide school bus parts contract saves taxpayer money and ensures taxpayer money is spent with the highest degree of integrity. This proviso would have state-owned bus shops become sound stages for infomercial-like presentations. Furthermore, this proviso is inartfully drawn and could be interpreted to entice behavior in violation of state procurement law. This is unnecessary; it will not save taxpayer money. It will likely interfere with our ability to maintain a safe and effective transportation system for our students.

Respectfully, I request Veto #16 be sustained.

**Veto #17 – Proviso 1.92**

As adopted by the General Assembly, the proviso states, **“From the funds appropriated in program XB, Bus Shops, in the current fiscal year, the department must fund the Lee County School District Bus Shop and the Kershaw County School District Bus Shop at the same level as they were funded in the previous fiscal year.”**

The SCDE is responsible for managing and implementing student transportation services across South Carolina. School districts do not own maintenance facilities for state-owned school buses; they are all owned by the State of South Carolina. Many of these state-owned facilities serve multiple school districts. School districts may own and operate maintenance facilities for district-owned buses, but the state budget does not fund locally-owned school bus operations and maintenance, which are commonly called activity buses. The proviso, as adopted, refers to two non-existent entities: the Lee County School District Bus Shop and the Kershaw County School District Bus Shop. However, there are two state-owned facilities in Lee and Kershaw counties.

Currently, there are 47 school bus maintenance facilities, but there is not one in every county. The SCDE has provided safe transportation to 9 districts that do not have a maintenance facility within their county boundaries. On May 9, 2012, after careful review of the operations of the state-owned maintenance facility located in Lee County, the SCDE informed employees they would be transferred to the state-owned facilities in Kershaw and Sumter Counties, along with the state-owned school buses they maintained. No state employees were terminated; they were transferred to other facilities.

The fact of the matter is the state-owned Lee County facility is inefficient because of the small number of buses maintained there. In fact, the SCDE shifted 28 state-owned buses to the facility approximately 4 years ago in attempt to “justify” its continued use. Given the pressing needs in transportation, such as increased fuel and parts expenses due to an aging fleet, the SCDE cannot justify the operation of the state-owned facility in Lee County.

In a letter to the budget conference committee on June 8, 2012, I informed the conferees of my opposition to this proviso. The inclusion of this proviso raises serious doubts about the commitment of state government to a more efficient student transportation system.

However, this inartfully drawn proviso may be interpreted to apply to state-owned facilities in Lee and Kershaw counties. Based on the premise, the proviso appears to limit the ability of the SCDE to manage safety issues at these two facilities. For example, if a fire were to consume the state-owned facility in Lee County or its buses, the proviso limits SCDE’s ability to fund this facility to an amount equal to the level in Fiscal Year 2011-2012. Certainly such a disaster would require funds to be shifted from other areas to repair the facility and its buses, but under the proviso, the SCDE would be prohibited from making the necessary repairs. But I repeat: this interpretation is flawed because the proviso references two non-existent entities, and not the state-owned facilities in Lee and Kershaw counties.

Chairman Leatherman  
Chairman White  
July 13, 2012  
Page 4

A plan to decentralize student transportation services to school districts is likely to be debated in the 120th South Carolina General Assembly. My position on decentralization will not change: I am not opposed to it. Previous State Superintendents have been strongly opposed to any effort to decentralize transportation services; I stand ready and willing to provide any data or information to those legislators who want a safe, but more efficient student transportation system that may include decentralization.

Every other state in the nation provides student transportation services at the local level; I am confident South Carolina school districts have the managerial and intellectual capacity to manage these services as well.

Respectfully, I request Veto #17 be sustained.

#### **Veto #18 – Proviso 1A.64**

This proviso creates a new “education incubator” program under the Education Oversight Committee (EOC). The statutory missions of the EOC, found in Chapters 6 and 18 of Title 59, are approval of academic standards, approval of the statewide accountability assessment, implementation of school report cards and parent surveys, and recommendations regarding programs funded by the Education Improvement Act (EIA). The language of the proviso possibly grants new statutory authority to the EOC as it permits the “education incubator” to grant waivers in state law and state regulations in the name of “piloting” the initiative. The General Assembly has provided clear authority to the State Superintendent of Education and the State Board of Education grant waivers, as these entities are either popularly elected or appointed by legislative delegations.

Innovation won’t happen in an “education incubator.” One needs only to look at successful companies such as BMW, Boeing, Michelin, Fuji Films, Nucor, and hundreds of others in South Carolina as innovative companies that weren’t born in a “business incubator.” Incubators may actually stifle innovation because a central planning committee will determine winners and losers, rather than the competitive marketplace.

Furthermore, this incubator isn’t designed to help the lowest-performing schools, which are the ones most in need of flexibility. The proponents of the incubator want to cherry-pick high-performing schools, those with graduation rates of at least 95%, for this pilot project. Respectfully, those schools are succeeding already, and they will continue to succeed with or without this pilot. The choice of high-performing schools in my opinion is designed to ensure a “quick win” for this new government program. I think this is disingenuous and political.

I’ve proposed and supported many pieces of legislation that empower parents, teachers, and local school districts to innovate. Innovation occurs from the bottom-up, grassroots ideas; not top-down, central planning committees.

Respectfully, I request Veto #18 be sustained.



Chairman Leatherman  
Chairman White  
July 13, 2012  
Page 5

**Veto #71 – Proviso 70.32**

This proviso was adopted without any discussion by a committee, as it was proposed during the Senate floor debate. The language of the proviso directs the Education Oversight Committee (EOC) to, “review certain school districts' central operations with a focus on non-instructional expenditures so as to identify opportunities to improve operational efficiencies and reduce costs for the district.”

The statutory missions of the EOC, found in Chapters 6 and 18 of Title 59, are approval of academic standards, approval of the statewide accountability assessment, implementation of school report cards and parent surveys, and recommendations regarding programs funded by the Education Improvement Act (EIA). While I respect the accountability functions and research capabilities of the EOC, their agency has not historically and does not today play a role in evaluating school district operations. It simply isn't in their statutory authority or their agency's mission. Their agency staffing level suggests they cannot manage this workload, and will likely have to contract with a vendor for these services.

In addition, SC Code of Laws 59-6-110 expressly prohibits the EOC from conducting “fiscal audit functions.” This proviso skirts state law to line the pockets of education consultants.

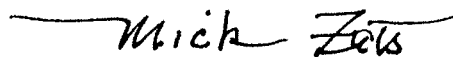
Furthermore, the proviso guts what is a core function of the EOC: evaluating academic progress. The proviso specifically states, “The review shall not address the effectiveness of the educational services being delivered by the district.” I've long advocated for more efficient school operations because a dollar spent on administrative expenses is one less dollar spent on instructional expenses. Yet, this proviso mandates the EOC to ignore a school district's academic progress. If this proviso remains in the budget, and the contracted vendor finds severe academic malpractice in a school district, are they supposed to simply turn a blind eye? I would hope not.

Respectfully, I request Veto #71 be sustained.

**Veto #72 – Proviso 90.20B, Item 56; Education Oversight Committee School District Efficiency Review Pilot Program, \$300,000**

For the same reasons stated above regarding Veto #71, I respectfully request Veto #72 be sustained.

Sincerely,



Mick Zais, Ph.D.  
State Superintendent of Education

CC: The Honorable Nikki R. Haley, Governor  
Members, South Carolina General Assembly



## Funding

### 2011-2012 BUDGET RECOMMENDATIONS

As required by law, the EOC provides recommendations to the SC General Assembly each year regarding program priorities. The overall recommendation from the EOC to the General Assembly is that education dollars be focused on strong, meaningful classroom instruction (both initial and as students move through the grades.) A majority of EOC members responded to a survey which asked them to indicate the priority that should be placed among Education Improvement Act (EIA) programs and offered the recommendations outlined in the table to the right. Programs in italics are generally allocated directly to school districts.

| EIA -Funded Initiative   | 2010-11<br>Appropriation | Mean<br>Ranking |
|--|--------------------------|-----------------|
| <i>Teacher Salary Supplement</i>   | \$77,061,350             | 4.8             |
| <i>Teacher Salary Supplement-Fringe</i>  | \$15,766,752             | 4.8             |
| Other State Agencies/Programs Teacher Pay  | \$11,069,037             | 4.8             |
| <i>Reading</i>   | \$6,542,052              | 4.6             |
| <i>Handicapped Student Services</i>  | \$3,045,778              | 4.4             |
| <i>P.L. 99-457 Preschool Children w/Disabilities</i>   | \$2,878,146              | 4.4             |
| Technology   | \$10,171,826             | 4.2             |
| Instructional Materials  | \$10,761,587             | 4.1             |
| Education Oversight Committee (A85)  | \$1,016,289              | 4.1             |
| Data Collection  | \$1,217,947              | 4.0             |
| <i>Students at Risk of School Failure</i>  | \$136,163,204            | 3.9             |
| Assessment / Testing   | \$17,652,624             | 3.8             |
| Student Identifier   | \$987,203                | 3.8             |
| Teacher Supplies   | \$12,999,520             | 3.8             |
| <i>High Achieving Students</i>   | \$26,628,246             | 3.8             |
| <i>Adult Education</i>   | \$13,573,736             | 3.7             |
| Teacher Loan Program-State Treasurer (E16)   | \$4,000,722              | 3.6             |
| <i>Modernize Vocational Equipment</i>  | \$2,946,296              | 3.6             |
| South Carolina Autism Society (\$350,000 by Proviso)   |                          | 3.6             |
| <i>Tech Prep/Work-Based Learning</i>   | \$3,021,348              | 3.6             |
| <i>Half-Day Four-Year-Old Program</i>  | \$15,813,846             | 3.6             |
| Report Cards   | \$722,385                | 3.6             |
| OFS - CDEPP  | \$2,187,950              | 3.4             |
| SCDE - CDEPP   | \$17,300,000             | 3.4             |
| SCDE - Principal Leadership Training   | \$930,887                | 3.4             |
| EOC Public Relations   | \$168,438                | 3.2             |
| SC Public Charter School District (Administration)   | \$372,712                | 3.2             |
| EOC Family Involvement   | \$33,781                 | 3.0             |
| <i>High Schools That Work</i>  | \$743,354                | 2.8             |
| <i>Professional Development</i>  | \$6,515,911              | 2.8             |
| Office of First Steps to School Readiness (OFS) -- General Operations  | \$1,490,847              | 2.8             |
| SC State Minority Teacher Recruitment  | \$350,111                | 2.8             |
| SC Middle Grades Initiative (\$75,008 by proviso)  |                          | 2.8             |
| CERRA Teaching Fellow Program  | \$3,140,501              | 2.8             |
| In FY11, \$5.0 million of any lapsed EIA funds authorized by PowerSchool and remainder for school bus transportation. In FY09 and prior, any lapsed EIA funds went to School Buildings |                          | 2.6             |
| Center of Excellence to Prepare Teachers of Children of Poverty (\$350,000 by Proviso)   |                          | 2.6             |
| Science PLUS (\$175,000 by proviso)  |                          | 2.4             |
| School Improvement Council Project (H27)   | \$149,768                | 2.4             |
| EAA Technical Assistance   | \$57,430,445             | 2.4             |
| EOC 4 Year Old Evaluation  | \$296,678                | 2.4             |
| CERRA Administration   | \$885,782                | 2.4             |
| CERRA Administration   | \$37,271                 | 2.4             |
| SCDE - Other Administration & Support  | \$7,837,448              | 2.4             |
| <i>Arts in Education Grants</i>  | \$1,187,571              | 2.2             |
| Centers of Excellence - CHE (H03)  | \$537,526                | 2.2             |
| Teacher of the Year Award  | \$123,473                | 2.2             |
| Palmetto Gold & Silver Awards  | \$2,230,061              | 2.0             |
| National Board Certification   | \$43,212,993             | 1.8             |
| SC Geographic Alliance-USC (H27)   | \$183,375                | 1.8             |
| Writing Improvement Network-USC (H27)  | \$215,013                | 1.8             |
| SC Educational Policy Center (\$75,008 by proviso)   |                          | 1.8             |
| Aid to other Agencies-Jr Scholars  | \$106,790                | 1.8             |
| Teacher Quality Commission (SCDE)  | \$404,251                | 1.6             |
| Aid to Other State Agencies  | \$121,276                | 1.6             |
| <b>Total:</b>  | <b>\$522,234,107</b>     |                 |



In the Fall of 2010, the EOC worked with the Senate Select Committee on K-12 Funding, chaired by Senator Wes Hayes. The committee looked at various issues, including revisions to the Education Finance Act (EFA), district consolidation incentives, and expansion of early childhood education.

In January 2011, the committee proposed legislative, S433, which included statutory flexibility and statutory deregulation, an incentive compensation system for teachers, and inclusion of the EOC funding model weight in the EFA. These weights include add-on weightings for students in poverty and students with limited English proficiency. The EOC funding weights are also included in H3002, legislative before the House Ways and Means Committee.



# **Pork Projects and Earmarks**

July 17, 2012

**State of South Carolina**  
Office of the Governor





## **2012 PORK PROJECTS AND EARMARK LIST**

One of the benefits that came out of the tight financial times South Carolina has seen the last few years has been the elimination of the pork projects and special interest payouts that for too long were a hallmark of our political system. Many of you showed political courage in stepping away from the parochial ways of our past and truly fighting to protect the taxpayers of our state as a whole. In reviewing this budget, one of the largest disappointments has been the return of this nefarious process. What follows is a list of those projects – and an opportunity to confirm to the people of South Carolina that our government does not believe in, and will not accept, pork barrel spending.

### **2012 - 2013 BUDGET PORK LIST**

Taxing the entire state to fund a legislator's handpicked nonprofit or local project to help them gain political favor is not in the best interest of the State's taxpayers as a whole and should not be the role of State Government.

- |                |   |
|----------------|---|
| <b>Veto 26</b> | <b>Irmo Veterans Park: \$30,000 Non-recurring Funds</b> - Department of Parks, Recreation, and Tourism – Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.20B, Item 48(c)                                     |
| <b>Veto 27</b> | <b>Patriot Park Environmental Pavilion: \$100,000 Non-recurring Funds</b> - Department of Parks, Recreation, and Tourism – Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.20B, Item 48(d)                   |
| <b>Veto 29</b> | <b>SMART Ride - Camden: \$60,000 Non-recurring Funds</b> - Department of Transportation - Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Item 34   |
| <b>Veto 30</b> | <b>Andrews Public Safety Building (1 to 1 Match): \$100,000 Non-recurring Funds</b> - Department of Public Safety – Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Item 32                             |
| <b>Veto 31</b> | <b>North Myrtle Beach Historical Museum: \$300,000 Non-recurring Funds</b> - State Museum – Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Item 30   |
| <b>Veto 32</b> | <b>City of Charleston African American Historic Sites Preservation: \$200,000 Non-recurring Funds</b> - Department of Archives and History – Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Item 29(a) |
| <b>Veto 33</b> | <b>City of Hilton Head - Mitchelville Capital Land Purchase: \$200,000 Non-recurring Funds</b> - Department of Archives and History – Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Item 29(b)        |

- Veto 34**                      **Darlington County Watershed Project: \$600,000 Non-recurring Funds** - Department of Natural Resources - Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.20B, Item 47(d)
- Veto 35**                      **Lake Wallace Special Purpose District: \$100,000 Non-recurring Funds** - Department of Natural Resources - Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.20B, Item 47(e)
- Veto 38**                      **Marion County Habitat for Humanity Pilot Project (1 to 1 Match): \$250,000 Non-recurring Funds** - Housing Finance and Development Authority - Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Item 45

## **2012 - 2013 BUDGET EARMARK LIST**

The following budget lines serve as earmarks for handpicked service providers. Handing taxpayer dollars directly to these organizations without a competitive procurement process is not the most efficient or responsible way to spend taxpayer money.

- Veto 36**                      **Center for Fathers and Families: \$200,000 Non-recurring Funds** - Prosecution Coordination Commission - Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Item 31
- Veto 37**                      **Charles Lea Center (1 to 1 Match): \$250,000 Non-recurring Funds** - Department of Disabilities and Special Needs - Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Item 41
- Veto 39**                      **Women in Unity** - Department of Social Services - Part IB, Page 357; Section 26, Proviso 26.24
- Veto 40**                      **Tri-City Outreach** - Department of Social Services - Part IB, Page 357; Section 26, Proviso 26.25
- Veto 41**                      **Callen-Lacey Center for Children** - Department of Social Services - Part IB, Page 357; Section 26, Proviso 26.26
- Veto 42**                      **United Center for Community Care: \$75,000 Non-recurring Funds** - Department of Social Services – Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Item 44(a)
- Veto 43**                      **Community Outreach Center Incorporated After School Program: \$25,000 Non-recurring Funds** - Department of Social Services – Part IB, Page 473; Section 90, Statewide Revenue, Proviso 90.20B, Item 44(b)
- Veto 50**                      **ADAP Prevention: \$200,000 Non-Recurring Funds** - Department of Health and Environmental Control - Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Item 27(a)



- Veto 51**                      **SC Coalition Against Domestic Violence and Sexual Assault: \$453,680 Non-recurring Funds** - Department of Health and Environmental Control – Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Item 27(b)
- Veto 52**                      **Kidney Disease Early Evacuation and Risk Assessment Education: \$100,000 Non-recurring Funds** - Department of Health and Environmental Control – Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Item 27(c)
- Veto 53**                      **Hemophilia - SC Bleeding Disorders Premium Assistance Program: \$100,000 Non-recurring Funds** - Department of Health and Environmental Control – Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Item 27(d)
- Veto 54**                      **S.C. Office of Rural Health - Benefit Bank: \$500,000 Non-recurring Funds** - Department of Health and Environmental Control - Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Item 27(e)
- Veto 55**                      **James R. Clark Memorial Sickle Cell Foundation: \$100,000 Non-recurring Funds** - Department of Health and Environmental Control - Part IB, Page 472; Section 90, Statewide Revenue, Proviso 90.20B, Item 27(f)

The following budget lines pick entities that can qualify for state funding based on merit or need in a formal funding process, but a legislator has picked there favored entity as a “winner” outside of that formal funding process that all others must follow.

- Veto 17**                      **Lee County Bus Shop** – Department of Education - Part IB, Page 301; Section 1, Proviso 1.92
- Veto 28**                      **Southeastern Wildlife Exposition Regional Marketing and Advertising: \$200,000 Non-recurring Funds** - Department of Parks, Recreation, and Tourism – Part IB, Page 474; Section 90, Statewide Revenue, Proviso 90.20B, Item 48(b)