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Subject: Media Interview: Jamie Self, The State
Location: Governor's Office
When: 5/20/2016 1:30:00 PM - 1:45:00 PM

Assessment of Certain Issues ongoing at State Agencies:

Department of Education (Response to Abbeville)

The Abbeville decision failed to take into account all the work we have done during the Haley Administration. Therefore, while we have done nothing in direct response to that decision, we have, and will continue to pursue quality K-12 education reform.

In undertaking the largest and most advanced educational reforms in South Carolina history, Governor Haley has focused on five primary objectives.

Fair and simple funding:

- o Pushed to consolidate and simplify education funding, thereby reducing administrative costs and pushing more money towards actually educating South Carolina students.

Emphasis on reading:

- o Fought to reform the way we judge student success by emphasizing reading, putting reading coaches in all elementary schools, and requiring a 3rd grade reading retention policy.

Education technology:

- o Focused on a three-year, \$97 million technology and vocational equipment boost for our K-12 schools, bringing urban and rural schools into the 21st Century.

High-quality public school choice:

- o Expanded educational choices for South Carolina families by supporting equitable funding for charter schools and increasing access to virtual classes.

Rural teacher recruitment:

- o Focused on core recruitment and retention incentives for bringing and keeping quality teachers in rural and underserved schools, including efforts to recruit students to become teachers while they are still in high school, offering to pay for college education – either directly or through loan repayment, ensuring every new teacher has a mentor, and helping career teacher advance their own education and professional development.

Additionally, Governor Haley has fought to improve the governance structure, and infrastructure of our K-12 system.

State education governance:

- o Worked to amend the South Carolina Constitution, and allow every Governor to appoint the Superintendent of Education, thereby creating a leadership team with common vision and goals for South Carolina students.

K-12 infrastructure:

- o Proposed setting aside 1% of the state's General Obligation debt capacity for exclusive use to improve South Carolina K-12 facilities, thereby guaranteeing each student attends a safe and sanitary school.

Department of Transportation (Ongoing Roads Debate)

Your Plan, outlined in the State of the State twice:

- Income tax cut: Cut the income tax rates for every taxpayer by two percentage points for every bracket. This will cut income taxes overall by 30 percent and bring our stifling top income tax rate down from 7 percent to 5 percent.

- o Highest in the Southeast, this will take us back under NC and Georgia and be huge for our families and our businesses.
- o This amounts to a tax cut of \$8.5 billion over ten years, and \$1.7 billion a year by year ten. It is the largest tax cut in SC history, and is supported by Sen. DeMint and a host of others because it is hugely important for our state's future.
- o What this tax cut means is an average of \$689 dollars a year back in the pockets of taxpayers – about two weeks take home pay for someone making \$30,000 per year.
- Gas tax increase: The largest single investment in our infrastructure in SC history. BUT – no more than 10 cents, has to stay below Georgia's to keep us competitive.
 - o This will generate enough revenue so that we can both fix the roads we have – and importantly, maintain them in an appropriate state going forward, forever.
- Restructuring: Get rid of the legislatively-elected commission.
 - o Our priorities are clear – with a DOT accountable to your governor, we're going to focus on the roads our people rely on to get to work, the roads our businesses need to move their goods, and the roads our visitors need to enjoy our state from the mountains to the sea.
 - o No more commissioners fighting over roads money for their districts and their contractors. Instead we'll have a DOT that fights for the entire state; a department with one boss and one goal – rebuilding our highways.
- We are happy the House and Senate have passed bills and are currently working on this in conference, but they must address the governance issue for true and lasting DOT reform.
- We all know we need more money for roads. It's a safety issue for our people, and it's an economic issue for our businesses.
- But right now the structure of the DOT does not work. It's regional and political and it has to change. Road improvements should be based on safety, traffic, and development, not on which legislative members are in leadership.
- **I will not sign a roads bill that does not address governance.**

Department of Health and Environmental Control (Dams)

- DHEC requested funds for this purpose, and your Executive Budget recommended \$595,000 to find new inspectors.

Department of Juvenile Justice

Reforms at DJJ have focused on the concerns expressed by officers and teachers by:

- increasing pay for officers;
- enhancing physical security with 828 new panes of break resistant glass, 48 sinks and fountains with tamper resistant plumbing, secure institutional furniture, 51 new cameras, and 2220 linear feet of fencing; pole lights, school metal detectors;
- overhauling a disciplinary process that frustrated officers and teachers;
- equipping officers with radio ear pieces for secure conversations inside units;
- hiring a police chief and inspector general charged with being responsive to staff concerns;

- providing 30 hours of training to security staff in the last 60 days;
- restoring uniforms and rank structure requested by officers;
- filling 30 of 36 remaining vacancies in Broad River Road Complex security positions; and
- adding tiers of housing that provide more disciplinary flexibility and better suit the rehabilitation needs of individual juveniles.

Department of Social Services

Through a combination of increased funding and smarter business models DSS has:

- reduced the number of caseworkers with 50 or more cases from 120 in January 2015 to 65 in March 2016.
- regionalized Economic Services operations, increasing the percentage of SNAP application processed timely from 83 percent to 90 percent; reducing wait time for eligibility phone interview from an average of 63 minutes to an average of 24 minutes; and processing approximately 48 percent of applications and renewals at first contact.
- retooled foster care licensing process that sometimes took as long as 12 months, improving timeliness with an ultimate goal of 120 days or less.
- provided caseworkers with the smartphones to enable them to more efficiently perform administrative functions in the field and arm them with information they need to protect children;
- decreased its turnover rate from 39.1% in 2014 to 27% in 2015 - Counties with the largest decreases include Richland (104% to 58%), Greenville (56% to 24%) and Aiken (48% to 23%).

Specific Points that will be Presented by Mrs. Self, and Responses:

The general fund has grown roughly 6% since the recession, but population has grown twice as fast and inflation has grown nearly three times as quickly.

- Not sure where these numbers are from – in terms of revenue, we're up 14% since 2007 and 45% since the trough of the recession.

There are 15% fewer state employees than there were before the recession.

- Equivocation of the number of state employees before and after the recession doesn't necessarily indicate the quality of state services.
- First, spending in the state budget has tilted toward services provided external to the core state government such as education which would express itself as local employees, health services, which take the form of payments to providers.
- Second, the Haley Administration has taken the approach that there are inherent inefficiencies in Government that have to be addressed in order to allow for the continued quality of programs and services offered by the state:
 - o Medicaid cost controls to include healthy babies and rural transformation – we're not going to pay doctors to make bad decisions and we want to stop paying hospitals to lose money and offer too many services. Director Soura is continuing to implement managed care strategies started under Director Keck to improve health outcomes and decrease the cost of care.
 - o Director Adger is implementing a tiered workforce at PPP that will improve offender supervision ratios while deferring the costs of employing and training all class I law enforcement officers.
 - o Corrections – sentencing reform has put lower-level offenders back into communities where they can be part of our workforce and taxpayers, not net drains to the system sitting in a prison. As

our prison population is declining, we have closed dormitories and focused on officer safety.

- o DOA initiatives – Real estate and technology compensation.
- Third, one of the greatest risks to the success of programs statewide is the cost of employing staff in state agencies. It would be irresponsible to drive up statewide payrolls and the associated long-term pension liabilities before we address the cost of employee benefits.

Additionally, we have worked on innovative strategies to maximize our workforce and provide services to our citizens:

- **Developing Public Servants**

- o The Governor has supported public health and safety recruitment efforts through additional pay or additional staff at DMH, DSS, DPS, PPP, SLED, Corrections, and DJJ.
- o PPP and DSS both overhauled their staffing model for frontline workers to better recruit and retain workers by giving them a career path.
- o The Governor required cabinet agencies to provide onsite health services and publicize little known benefits of state employment, including health screens, flu shots, adult vaccinations, colonoscopies, free heart health and diabetes medications, and help quitting tobacco.

- **Going the Extra Mile**

- o The Governor has supported efforts at DSS and HHS to create new night shifts, providing better and faster service.

- **Empowerment through Work**

- o The Governor has proposed new programs to help people get to work or advance their careers. These initiatives complement other training programs by focusing on underserved individuals and small business, through:
 - § training and certification for high demand jobs, filling the gap between high school and degree programs; and
 - § building training programs around the needs of businesses that don't qualify for specialized training programs like readySC or Rapid Response.
- o EvolveSC, an initiative supported by the Governor's State Workforce Development Board, has already committed grants for training programs for dozens of employers across the state to grow and enhance their workforce.
- o Inmates to Work
- o Welfare to Work (more than 35,000 people)
- o Food Stamps to Work (more than 14,000 people)

- **Saving Money with Dept of Administration**

- o Governor Haley issued an executive order calling for a comprehensive assessment of the state's real estate, with an eye toward selling surplus, reducing our footprint, saving money, and improving employee morale. As a result, we are:
 - § Marketing surplus property around the state for sale;
 - § Implementing space standards to ensure we are wisely using the space we have;
 - § Reprogramming spaces to accommodate new tenants in existing buildings; and
 - § Uniformly tracking maintenance and operation costs to make better business decisions.
- o Governor Haley also spurred the development of a Statewide Strategic IT Plan
 - § Centralizing IT governance to improve services and reduce costs by leveraging the state's buying power as a whole;
 - § Reducing data center operations and network services costs through shared services agreements to use a State data center;

§ Implementing a statewide disaster recovery solution; and

§ Benchmarking IT costs and cataloging services so agencies can make better purchasing decisions.

• **Department Corrections has undertaken the following efficiency initiatives:**

- o Closed three prisons to date. Campbell, Coastal, and Lower Savannah.
- o Entered a telemedicine agreement with MUSC to facilitate safer, cheaper health care delivery for inmates.
- o Cut red tape in the hiring process to get new officers into training two and a half months faster.

• **Department of Public Safety has also streamlined the bureaucracy to focus more resources on law enforcement activities by:**

- o Consolidating 13 Tele-Communication Centers into just four locations
- o Making law enforcement mobile through wireless internet in all DPS law enforcement vehicles; electronic collision and ticket reporting from the patrol vehicle (the e-Collision project is up and running; the e-Ticket project should be up and running in the near future); and computer-aided dispatch in the vehicles.
- o DPS has also increased starting salary for entry level troopers and officers from \$31,154 to \$37,069 in an effort to improve retention and decrease turnover costs. They also increased current troopers/officers' salaries as well to achieve this minimum salary level, and increased starting salary for South Carolina-certified officers with three years of active law enforcement experience from \$37,695 to \$40,775.

K-12 spending has grown slowly at less than 3% in the same time period, while student enrollment grew twice as fast.

- I'm not sure where the 3% K-12 number came from, but what we have focused on reforms in the Governor's Executive Budgets, as discussed above.

Spending on higher education is down almost 25% from before the recession.

- Higher education spending is down significantly, but has been compensated by tuition increases. There may be a philosophical difference on who should pay for higher education – the state or the student – but Clemson, USC, and MUSC are thriving institutions without this support.
- The best example of this is public and private funding that's going into the USC campus explosion that's happening right down the street from us.
- I have long-advocated for a funding system that rewards universities based

Meanwhile, tax relief has gone up by about 20% over the same timeframe, and Medicaid spending has grown almost as quickly.

- Act 388, the sales-tax, property-tax swap was passed over a decade ago and is widely regarded as a convoluted process that has caused significant problems for school budgets while delivering little actual relief to tax payers, given that they have just shifted from property to consumption taxes.
- It's not reasonable to conclude that just because a formula indicates that there is a shortfall in sales taxes that the General Fund has to make up, that the hole in the budget is the result of a tax cut gone awry. The real problem is that the formula established by Act 388 has disconnected the amount of money the state has to pay local governments from the actual value of the property contained within those local governments.