

Mr. Speaker, Mr. President, Ladies and Gentlemen of the General Assembly, Constitutional Officers, and my fellow South Carolinians:

Let us start tonight, as we have rightfully done in the past, by honoring those heroes we lost over the last year. It is my sincere prayer that a year will come that there are no names for us to read.

So now, please join me as we pay tribute to those who gave the last full measure of devotion in the service of their state and country:

Specialist Ember M. Alt, Beech Island

Deputy Sheriff Joseph C. Antwine, Lake City

Private First Class Barrett L. Austin, Easley

Volunteer Firefighter Michael L. Broz, Ridgeville

Deputy First Class Timothy E. Causey, Nichols

Deputy Sheriff Robert L. Evans, Lugoff

Assistant Chief Rodney C. Hardee, Loris

First Sergeant Inez "Renee" Odom-Baker, U.S. Army-Retired, Cayce

Chief Warrant Officer Curtis "Skinny" Reagan, Summerville

On behalf of all South Carolinians, to their families, know we will never forget.

I am blessed to have the support of an amazing family. Both sets of parents, my brothers, and my sister. But more than anything, I am the proud mom of two amazing kids who keep me grounded.

To them I am "Just Mom" and nothing makes me happier. Please help me welcome Nalin who is now 12 and my star basketball player and Rena who is now 15 and my happy cheerleader!

I am touched, honored, and so fortunate to be a military spouse.

Michael's deployment to Afghanistan played out a little more publicly than we would have wished. It was a trying time for the kids. Many told me the year would go by fast. It didn't.

But we are all thrilled and I am a happy girl to be able to say I have my soldier home. Please help me welcome back The Coolest First Man, Michael Haley.

One of the best things about giving this speech each January is it gives me the opportunity to celebrate some of the people and deeds that have made us all smile.

Last year we had one in particular that showed the country her exceptional grace and talent.

Candice Glover wowed the nation when she won American Idol.

And when I met her, she wowed me.

Candace is an inspiration, a shining example of what it means to never give up. She was forced to audition three times before she ever made the live show. But once she got her chance, she grabbed it with both hands and never let go.

Candice, the daughter of John and Carole Glover, is the oldest of seven children and a graduate of Beaufort High School.

John and Carole, you are amazing parents and raised an exceptional daughter, a wonderful young woman who portrays South Carolina in the best possible light.

Please help me congratulate, thank, and celebrate our very own American Idol, Candice Glover. You have made your home state incredibly proud.

I can't go any further without talking about what happened in this Statehouse yesterday.

And I'll start by saying this — Carroll Campbell, the father of restructuring in our state, is smiling down on South Carolina this evening.

They say that good things come to those who wait.

And while patience has not always been my strong suit, the passage of the Department of Administration, the biggest and most important piece of government reform South Carolina has seen in two decades, was well worth the wait.

That we are able to celebrate this win is the product of a lot of work by a lot of people. But there are a few who have been down in the trenches fighting to make this a reality, and I'm going to take a moment to single them out: Representative Garry Smith, Representative Jay Lucas, Representative Greg Delleney, former-Representative Jim Harrison, Senator Vincent Sheheen, Senator Thomas Alexander, Senator Larry Martin, and Senator Shane Massey.

Thank you. South Carolina is a better place for your efforts.

There is not time tonight for me to go into all the good that will come from this change, but I will say this: the Budget and Control Board — what I call the big, green, ugly monster — is dead, and with it the legacy of a backwards administrative government that was as wasteful as it was clumsy, as inefficient as it was embarrassing.

We are a better state today. We will be a better state tomorrow. And yesterday truly was a great day in South Carolina.

And just think, if we can do this in the first two weeks of session, how much we can accomplish over the next six months if we choose to work together.

Tonight marks the fourth time I have stood in this Chamber and described to you and our fellow South Carolinians where I believe our state stands, and more importantly, where I believe she can go.

Time flies. But during that time, much has been accomplished, and South Carolina is in a far different place than we were in January of 2011.

Ladies and gentlemen, I'm pleased to report that the state of our state is strong. And that we're just getting started.

It's important that we take a look at why our state is on the move, because our successes have so much to teach us.

The *Bible* tells us that "If a house is divided against itself, that house cannot stand." President Lincoln famously applied that truth to our nation.

I believe it applies to South Carolina.

There is no state in this country, no place in the world, that has more potential than we. But for too long we weren't realizing it. For too long we were held back by our differences, whether they were political or regional or personal. For too long we failed to understand that we are a team, and that the success or failure of our state is determined by our ability to work together.

And work together we have.

Governor Campbell, whose portrait now hangs in the library at the residence, believed that if you give a person a job, you take care of a family.

Three years ago, we had a lot of families to take care of. Team South Carolina was formed, and we have never looked back.

The changes in South Carolina over the last few years are not the result of one person, or one city, or one region.

We have realized that what is good for Charleston is good for Greenville, what is good for Orangeburg is good for Aiken, even what is good for Clemson is good for Carolina.

We have realized that if we are going to truly lift up South Carolina, we have to lift up all of South Carolina.

And what a difference it has made.

We have announced over 43,000 new jobs, in 45 out of 46 counties.

We have seen almost \$10 billion invested in South Carolina.

We have seen 186 expansions of existing companies, the ultimate compliment a business can give a state.

We have seen the revival of our manufacturing industry, with the announcement of more than 26,000 new manufacturing jobs.

We've seen the unemployment rate of our National Guardsmen drop twelve full percentage points, from sixteen down to four.

We have seen companies from twenty-five foreign countries decide that they want to do business on American soil, right here in South Carolina.

We have seen the time it takes for an unemployed South Carolinian to find a job decrease by a full month.

We have seen the lowest unemployment rate in five years — and seen our rate fall 2/3 faster than the national rate.

We are being referred to, which I love, as the “Beast of the Southeast.”

We now have the fastest growing economy on the east coast.

And 70,000 more South Carolinians are working today than were just three years ago.

That is progress. That is real. That is the state I am so proud of, each and every day.

And that is proof that when we come together there is nothing we can't accomplish.

I have invited here tonight some special guests, new friends and old, who have this year invested their capital and their future in South Carolina and her people. Please join me in giving them a warm welcome.

Stand when I call your name.

- Representing 200 jobs in Aiken County, from Reclim, Pete Davis
- Representing 200 jobs in Dillon County, from Harbor Freight Tools USA, Inc., Greg Elmore
- Representing 145 jobs in Horry County, from PTR Industries, Josh Fiorini
- Representing 500 jobs in Fairfield County, from Element Electronics, Mike O'Shaughnessy
- Representing 318 jobs in Chester County, from JN Fibers, Inc., Mark Bachner

- Representing 134 jobs in Richland County, from Dayton Rogers Manufacturing Co., Ron Lowry
- Representing 149 jobs in Greenville County, from Kimura, Inc., Shoji Kimura
- Representing 1200 jobs in Berkeley County, from Benefitfocus, Shawn Jenkins
- Representing 501 jobs in Lancaster County, from Keer America Corporation, Wally Wang

Thank you for making our home, your home.

Today, the entire country is looking at South Carolina and all she has to offer.

But we can't take our success for granted.

As President Kennedy said, "Time and the world do not stand still. Change is the law of life. And those who look only to the past or present are certain to miss the future."

Our future is bright, but we have to stay one step ahead in order to compete.

And competing globally means always strengthening our business climate, continuing to prepare our workforce, and fighting back the federal government when they push to treat every state the same.

Every year, standing here, I have asked you to join me in decreasing the tax burden we place on the families and the businesses of South Carolina.

This budget year is the third year in a row that we've cut taxes for our small businesses. That's a huge thing — and sends a message to companies both within and outside of our borders that we value them, their contributions to our state, and that in South Carolina they will always be taken care of.

But we have to do so much more.

Just look around us.

Last year North Carolina passed one of the largest income tax cuts in its state's history. Tennessee, our constant competitor for new companies, investments, and jobs, has no income tax. Likewise Florida and Texas.

Our tax code needs to be simpler, flatter, and fairer. And a year should not pass where we fail to move further down that road.

In this year's budget, I have renewed my call for the citizens of our state to receive a tax cut of their own, this time eliminating the six percent individual income tax bracket.

This simple change will put money back into the pockets of South Carolina's working families — and I ask that you join me in giving our taxpayers some additional relief.

Infrastructure must also remain a priority.

We are blessed to have, in the Port of Charleston, an asset that is the envy of our friends and competitors in states across the nation.

Year after year we are breaking export record after export record.

But our port is only as good as our manufacturers' ability to get their product to it — quickly, safely, and cheaply.

Last year, using revenue we already had, we were able to pass into law the largest investment in South Carolina's roads and bridges in more than two decades. A billion dollars. And we did it without raising taxes.

South Carolinians are about to see orange cones popping up all across our state. It's a beautiful thing.

And I want to thank Chairman Brian White and Senator Harvey Peeler for helping make that happen.

But we know there's more work to be done.

You might ask the question, "How do we pay for it?"

And my answer will be, "Not by hiking taxes."

We proved last year that we can invest in our roads and bridges with the dollars we already have. Raising the gas tax — forcing our people and our businesses to pay more for the simple act of getting around — is not an option for me.

I will veto any bill that reaches my desk that raises taxes on gasoline.

Unlike during the recession, this is a good budget year, with enough revenue coming into Columbia that will allow us to make smart new investments in education, roads, and public safety.

That didn't just happen by magic.

And it didn't happen because we raised taxes or put more burdens on businesses and families.

We have a steady and strong flow of revenue into Columbia because we have the fastest growing economy on the east coast and unemployment is down to its lowest level in five years.

If we start raising taxes, rolling over for federal mandates, and crippling our businesses, we will damage our growing economy, and we will bring in less revenue, not more. Most importantly, we will stop the amazing progress we're making in putting our people back to work.

So instead, this year, as last, our budget writers should take the additional revenue that inevitably appears after our budget is balanced — what I call “the money tree,” — and invest it in our infrastructure.

Since 2005, the “money tree” that falls every year has averaged more than 106 million dollars.

According to the Department of Transportation, those dollars, invested the right way, will be worth more than 1.3 billion in additional road and bridge improvements.

That is prioritizing. That is our job.

It will come as no surprise to anyone who has heard me speak or has watched this Administration, that it is my firm belief that the federal government causes far more harm to South Carolina than good.

Those running the federal government make our job more difficult, day in and day out. Unfortunately, that is simply the reality we are faced with.

What is not a reality in South Carolina, however, is the idea that we simply have to take every problem the feds send our way. We don't, and we haven't.

Those of us who fought the President's disastrous healthcare plan have watched as predictions of lost coverage, rising costs, and unprecedented dysfunction have come true.

Obamacare is damaging to the country, and it is damaging to South Carolina.

Premiums will skyrocket. All our citizens who like their plans will not in fact be able to keep them. Quality of care will suffer, and so too will patients.

But as a state, and as an elected government, we will not be victims in this process.

We rejected the federal government's less than generous offer to run a state exchange, an offer that would have Washington bureaucrats dictating the exchange and South Carolinians paying for it.

And, with your help, we emphatically said no to the central component of Obamacare, the expansion of a broken Medicaid program that is already cannibalizing our budget, and would completely destroy it in the years to come.

These were not decisions made lightly, without thought or analysis. But I am fully convinced that South Carolina will be better for them, and I pledge to you this: we will continue to fight Obamacare every step of the way.

While we oppose Obamacare, we have an obligation when the federal government stands in our way to get creative and figure out how to better serve our citizens.

We've certainly done that in healthcare, working within the system to increase transparency and drive costs out of Medicaid.

And this year, we are proposing a new way to cut the waiting lists for the neediest among us, providing 1,400 disabled South Carolinians with the care they've be deprived of far too long.

But there is no greater example of South Carolina getting resourceful and innovative with a federal program than the way we have tackled welfare.

One of my focuses since the day I took the oath of office has been to change the perception of South Carolina. We have so much to be thankful for, so much to be proud of — I want every citizen, in and out of our state, to feel the same way about South Carolina that I do.

Travelling the state, I often heard the complaint that there were too many dependent on government assistance. There was a belief that some of our fellow South Carolinians were choosing to remain on welfare rather than get a job.

I don't believe that.

We are a proud, resilient people, South Carolinians. Given the opportunity, we want to make a better life for ourselves and our families. But with the old welfare system, that opportunity didn't always exist.

Under the leadership of Lillian Koller, a dedicated and innovative public servant who was once named the nation's Public Official of the Year, we've changed that.

Previously, with Washington having its way, we would handle welfare recipients by asking a few simple questions, effectively checking a box, and handing over a check.

Easy in, easy out.

But no one improves their lot in life that way.

Now we do things differently. Instead of just asking routine questions designed to do little more than meet numbers and process people, we dig deeper. We ask them about their skills, what they are good at. We ask them what they like, what they want to do.

And then, together with our ever-willing business community, we find them a job.

Yes, it seems like a simple concept, but here's the deal: it works.

Since starting this program in 2011, we have moved more than 20,000 South Carolinians from welfare-to-work.

We should all be proud of this program.

But more than that, we should be proud of those workers, those South Carolinians who traded the false stability of a welfare check for the true dignity of a well-earned paycheck.

We should all remember what this success story proves — that those out there struggling day-to-day, they don't want to spend their lives on the couch. They want a chance for more, to make their children proud.

It is our responsibility to give them that chance, and I couldn't be more proud of the fact that, here and now, it's a responsibility we continue to fulfill.

There is more to changing the perception of South Carolina than putting people back to work. Much more. And it starts with all of us in the Chamber here tonight.

The 20th Century Supreme Court Justice, Louis Brandeis, once remarked "The most important political office is that of the private citizen."

I believe that, with everything I have. But sometimes, those of us in public office forget those words. When that happens the consequences — for us, for our shared constituents, for our system of representative democracy — are devastating.

When we lose the public trust, when we lose their confidence, we lose the ability to govern.

Last year in this very speech I took great pains to outline why, sadly, we are dangerously close to losing the trust of the South Carolina public.

I listed the shameful way the ethics laws and standards for South Carolina elected officials were ranked by independent watchdogs.

I thought about doing so again tonight.

But then I realized there was no need. There was no need because we all already know.

We know that the ethics laws we have are not good enough.

We know that the public deserves better than the government we are giving them.

We know that South Carolina needs stronger and clearer ethics laws, and we know we need it this year.

We know that we are one of just four states that don't require income disclosures, and we know we can't wait until we are the very last to fix the problem.

We know that South Carolinians want an investigative process they can believe in, and we know that means a truly independent process. No more House members investigating House members. No more Senators investigating Senators.

Most of all, we know we have to do better.

Public officials should not fear more transparency. We should not fear fair and independent investigations.

We should embrace them — because we should have nothing to hide from the people we serve.

The good news is that in one year we have made real progress.

The House has passed the strongest ethics reform bill in a generation. The Senate, in large part thanks to the perseverance of Chairman Larry Martin, moved that bill quickly through the committee process.

I would be remiss if I didn't again thank Attorneys General Henry McMaster and Travis Medlock for the remarkable reform package they put together, and if I did not give special recognition to Senator Chip Campsen, Senator Wes Hayes, and Representative Rick Quinn for their leadership in helping to push this legislation forward.

But we're not done yet.

As the Senate is poised this month for debate, I ask you not to water down this historic reform.

I ask that you not make excuses.

And I ask each and every one of you — Republican and Democrat, Senator and House Member — to send me a strong ethics reform bill this year and show the people of this state that we, as their elected representatives, deserve their trust.

Just two days ago our nation celebrated the life of Dr. Martin Luther King, Jr.

It goes without saying that he wrote and said much of great consequence in a life cut altogether too short, but one particular sentiment struck me:

Dr. King said, "There comes a time when one must take a position that is neither safe, nor politic, nor popular, but he must take it because conscience tells him it is right."

That call to conscience could apply to the ethics laws I just spoke about, and the need to restore the public's faith in our government. But to me it had a different meaning, it struck a different cord. What weighs on me is the education of South Carolina's children.

The time has come for us to do what is right.

Many of you may know by now the story of my educational experience — it's something I've been talking about for years — but I think it bears repeating here.

I was born and raised in Bamberg and went to school in a brick box. We didn't know what we didn't have, but we always took care of each other.

Now my daughter Rena attends the brand new River Bluff High School in Lexington, where every classroom has a 72-inch television and every child has an iPad.

I wish I could say that was generational progress. But the thing is, it is progress based on geography, not on generational advancement.

Because when I went back to Bamberg to give an anti-bullying speech, the school didn't even have the equipment to show a video.

That's wrong. It's immoral. And it has to change.

I still remember what it was like as a young girl in Bamberg. I remember the feeling of seeing other schools that were bigger and nicer than ours and wondering what that must be like.

Our kids should never feel that they are more or less worthy based on where they live. Our children should all feel like they have every opportunity to be as successful as they dream to be.

And South Carolina can no longer accept that the quality of our children's education will be determined by where they are born and raised.

In truth, I came to you last year knowing much of this — my childhood experiences certainly haven't changed in the last twelve months, and Rena was getting a wonderful education long before she moved to River Bluff.

What I didn't know was exactly how to change it.

So I asked for help — and as I have found to be the case time and again, the people of South Carolina delivered just what was needed.

The education conversation we started one year ago was one of the most interesting and enlightening experiences I've had as governor.

I want to acknowledge the legislators who participated in this process with me — Senator John Courson, Senator Wes Hayes, Senator John Matthews, Senator Nikki Setzler, Representative Kenny Bingham, Representative Jackie Hayes, and Representative Phil Owens.

You came into this with an open mind and a willingness to work, and to listen, and for that I thank you.

We met with teachers. We met with parents. We met with former state Superintendents, Republican and Democrat. We met with administrators and principals, business leaders and deans.

We learned a lot, and we formed a plan. A plan centered on the idea that in South Carolina, we need to take targeted approaches to education in a way that that drives results for our kids.

We looked at the way we fund education at the state level. We found our formula to be outdated and misguided, and that as a result we are not doing the best job of directing dollars to the areas that need them most.

Today, our primary funding formula doesn't account for children who are gifted or those who require individual instruction. We don't account for children who have difficulty speaking English. We don't account for those adult students, ages 17-21, who are still pursuing a diploma or a GED.

But the most glaring failure on our part has been the failure to acknowledge that it simply costs more to educate a child in poverty. Research shows that the cost of teaching low-income students with proven methods is roughly \$1,200 more per child.

As a state, we can't afford to ignore that any longer.

Under our proposed changes, school districts will receive 20 percent more in state dollars for each child that falls into the poverty index.

In real terms, this simple change means that next year almost \$100 million more will flow to South Carolina's neediest children.

We cannot spend an unlimited amount on our schools. And money, for sure, is far from the only answer to our problems in education. What we can do is be smarter about how we spend what we spend. We can make sure it is going where it is most needed, where it will make the most difference. That starts this year.

We have fallen into the bad habit in South Carolina of promoting students through grade levels before they are ready.

Teachers don't want to do this. They feel pressure, from administrators and districts and school boards, to keep children moving and to keep numbers up. And they feel pressure, from everywhere, not to damage a child socially by keeping them back.

To that I would simply say that a child who cannot read at the level of his or her peers is already damaged socially. Because a child who cannot read is a child who cannot learn.

Studies show that children who cannot read proficiently by the end of the third grade are four times more likely to not graduate high school on time.

And South Carolina ranks 42nd in the country when it comes to our fourth graders' ability to read at a basic level.

Those two statistics together paint a dangerous picture for South Carolina's future.

But we can turn the tide.

With Governor Jeb Bush, Florida undertook one of the most meaningful transformations in education this country has ever seen. And when I asked Jeb, he told me the most important thing they did was teach those kids to read.

We're going to follow that model.

Every elementary school in South Carolina will be offered a reading coach to make sure that no child leaves the third grade unable to read.

And we are going to increase our investment in summer reading camps to make sure that students don't regress from year-to-year, and that in places like Allendale or Dillon that may have fewer opportunities outside the school year, our kids have a safe and productive way to spend their summers.

It has been said "To learn to read is to light a fire ..."

We can light that fire in the mind of every child in South Carolina, change the fortunes of generations of children yet to come, and forever alter the direction of our state.

Earlier I spoke briefly about my trip to Bamberg, and the gap that exists in technology between our schools that have and those that have-not.

Technology is the future — not just in education, but in all aspects of our lives.

We cannot pretend that we are preparing South Carolina's children for the world that awaits if some of them remain unaware of what that world looks like. Especially when that lack of awareness is not their choice but is imposed upon them by circumstance, or worse, by our indifference.

South Carolina is going to invest in education technology in a way we never have before.

We are going to make sure that the Internet gets to our schools. We are going to make sure those schools are wired to receive it. We are going to provide the tools — computers, tablets, and instructional materials — so that our teachers can get the most out of our investment and out of our students. And South Carolina's schools are going to be equipped to compete with any school, in any state.

The most impactful meeting I had over the last year was with a group of about fifty teachers from across this state. They were in a difficult place. They know the problems with our schools. They see them firsthand every single day. What they so desperately want is for us to help them help our kids.

In many ways, past debates over education had damaged their confidence. When we are not careful about how we talk about our very real educational needs, we can beat down the very teachers who are the special link between a child and his or her education.

That has to stop. We have to support our teachers with the right training and with the right attitude about what our schools are achieving, and what they can achieve in the future.

These are big changes we're calling for, I know. I also know that big changes are not always easy. But the size of these changes pales when compared to the size of their importance.

We can make them. We can transform education in South Carolina, and we can do it without raising a single tax and without taking a single existing dollar away from a single district.

When those changes seem too big, or too hard, remember at the core this is just a simple question.

Are we willing to stand two children side by side, and tell one, that through no fault of his own, he is going to attend a school with less, while at the same time telling the other she will have every ounce of support she needs to thrive?

I can tell you I am not. And I hope you'll join me.

I started tonight proclaiming the state of our state to be strong. I believe the path I've outlined here tonight will make South Carolina even stronger.

It's a path that creates jobs at a much faster rate than the rest of the country.

A path that moves more people from welfare-to-work.

A path that cleans up our ethics laws.

And a path that gives every child — no matter the circumstances of their birth — a chance at success.

Last year, the world lost an iconic woman, and I, a personal hero. Margaret Thatcher was a towering figure of history, a force for what was right and what was good.

She will be missed. But her words will remain with us.

"Look at a day when you are supremely satisfied at the end. It's not a day when you lounge around doing nothing; it's when you've had everything to do, and you've done it."

South Carolina is in a far better place than just a few short years ago.

But we still, in Lady Thatcher's words, "have everything to do."

We can keep South Carolina surging forward. We can create new opportunities and tackle our challenges. We can continue to make South Carolina the best place in America to live, work, and raise a family.

But I can't do it alone. I ask each one of you in this chamber to lend your support and your energies to securing the future of the state we all love so dearly.

It's a future that is just so bright.

Thank you, God bless you, and may He continue to bless the great State of South Carolina.