

# State of South Carolina

## Office of the Governor

NIKKI R. HALEY  
GOVERNOR

1205 PENDLETON STREET  
COLUMBIA 29201

February 8, 2013

Dr. Jeffrey B. Liebman  
John F. Kennedy School of Government  
Harvard University  
79 JFK Street  
Cambridge, Massachusetts 02138

Dear Dr. Liebman,

Since I became Governor two years ago, I have fought to change the way we do business in South Carolina state government.

My highest legislative priority this year is to pass legislation to create a Department of Administration, wresting control over the state's back-office functions – such as procurement, human resources, real estate, and technology – away from a five-member board that is ineffective, unresponsive, and needlessly expensive. In 48 states, those services are provided by an agency that is led by a member of the Governor's cabinet. Sadly, in South Carolina, the Budget & Control Board continues to impede our ability to transition to a shared services approach for IT or to launch an enterprise-wide strategic sourcing initiative.

When it comes to the direct interaction that state agencies have with the citizenry each day, I have continuously challenged my cabinet to step back and reassess not just the range of services we provide, but also our methods of providing that assistance. For instance, our sentencing reform initiative has greatly reduced the inmate population that remains "behind the fence". To ensure that we help the rising number of parolees find meaningful work and avoid falling back into substance abuse or criminal behavior, I have not only hired agents to reduce our offender supervision ratios, but also deployed an evidence-based violations and incentives matrix that helps staff select sanctions that are equitable and that are also designed to have the desired effect on a parolee's behavior. My budget for the upcoming fiscal year includes funds for community-based therapeutic behavioral specialists, as well. Our work on sentencing reform is just one of many examples of where we are now taking a more thoughtful and rigorous approach to our work through the incorporation of tested and validated practices.

Dr. Jeffrey B. Liebman

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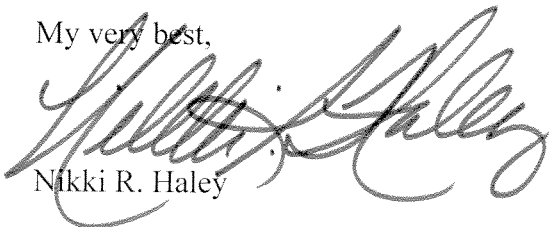
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I have also tasked agencies with finding innovative new approaches to structuring our payments in order to change the incentive structure for our business partners and the beneficiaries of public programs. Despite being the 40<sup>th</sup> largest state by land area, South Carolina has the 4<sup>th</sup> largest state highway system. The state-owned network includes thousands of “stranded segments” that may only be a few hundred yards long and which are bracketed on both ends by locally-maintained roads. These segments significantly increase our maintenance and administrative costs, but the political will to reform this approach has never materialized because state legislators have been afraid of transferring these roads – and the accompanying costs – to local officials who would publicly object. To solve this problem, I have proposed that we use \$75 million of one-time revenue in order to conduct a reverse auction, through which local governments could – on a voluntary basis – bid on individual stranded segments by indicating how much money they would need to receive from the state in order to accept ownership of those roads. Under my proposal, the state would open these sealed bids concurrently and accept these offers, in the order of their relative favorability for the state, until the full allotment had been expended.

Social impact bonds obviously present a fascinating new approach to paying for public services in a way that assures performance but also prioritizes evidence-based practices. South Carolina’s proposal is built upon the Nurse-Family Partnership program, which has been thoroughly vetted in a variety of settings as you will see in our accompanying application.

We will be most successful at improving health outcomes in South Carolina if we bring all available resources to bear. I deeply appreciate your consideration on behalf of the entire Palmetto State.

My very best,

A handwritten signature in dark ink, appearing to read "Nikki R. Haley", written in a cursive, flowing style.

Nikki R. Haley

NRH/cs