

State of the State Address

Wednesday, January 24, 2018

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

I begin tonight by recognizing those South Carolinians in uniform no longer with us – who gave their lives in the line of duty, and in service to us all.

Corporal James Eric Chapman, of the Johnston Police Department;

Trooper Daniel Keith Rebman, Jr., of the South Carolina Highway Patrol;

Master Deputy Devin Pressley Hodges, of the Anderson County Sheriff's Office;

Officer Jason Gregory Harris, of the Spartanburg Police Department;

Detective Michael Robert Doty of the York County Sheriff's Office;

And Specialist Javion Shavonte Sullivan, United States Army, of Fort Mill, who gave his life in Iraq in support of Operation Inherent Resolve.

To the families and loved ones of these six men, on behalf of all South Carolinians, we share your sadness, honor their service and wish you strength.

To my wife Peggy and my children, Henry and Mary Rogers, and to the members of my Cabinet: I thank you for your support.

Ladies and gentlemen, our state is strong.

Today, we stand at the dawn of a NEW PROSPERITY. In the history of our great country, this is our time.

To those generations of South Carolinians who have fought, toiled and labored – I say: Thank you.

To those of us here tonight who have inherited the richness, beauty and brilliance of this land – and the fruits of our predecessors’ talents and imaginations – I say: Let us not hesitate, stumble or stall, but let us act.

Let us open our eyes. Let us focus our energies on the vast opportunities which can be ours. Knowing yet, that though they are vast, they are also fleeting.

And to the young ones of today, those born and yet to be born, we pledge to you now that when our work is done, we will be able to say to you:

We have done our best. We have kept the faith. We have accepted the treasures and accomplishments of South Carolina – enhanced them, built upon them – and now we give them to you.

May you see our time not as one of petty squabbles, ambitions or bickering – and not one of favor to friend or punishment of foe – but one of vision, principled service and sacrifice for you, our children. And yours to come. And theirs.

I am confident that in this Assembly and in others throughout our state, there are men and women of good will and determination who can forge the ideas, hopes and dreams of our people today – and the wisdom of the centuries – into a force which can lift our state into an era of prosperity, strength and happiness unlike any we have seen before.

So, with the freshness and promise of this new year, let us begin.

In 2017, we announced more than 17,000 new jobs from over 120 economic development projects, with nearly \$5 billion in new capital investment.

In this, we welcomed new friends to our South Carolina family, through new businesses or expansions. These companies have placed great faith in our people, as we have in them. Some are here tonight.

Representing Samsung, Mr. Joon So and Mr. Tony Fraley;

Representing Volvo, Ms. Katarina Fjording and Ms. Katherine Yehl;

Representing BMW, Mr. Alfred Haas;

Representing Magna, Mr. Steve Salvatore and Ms. Misti Rice;

And, representing Harbor Freight Tools, Mr. Robby Roberson and Mr. David Matthews.

Ladies and gentlemen, we welcome you to this historic State House.

We have a lot to offer. Our port in Charleston will soon be the deepest on the eastern seaboard. Our two inland ports in Dillon and Greer provide unique logistical strength. And we have three research universities and a world-renowned technical college system.

But newcomers all tell us the same thing: it's our people who make the biggest difference. South Carolina is a "handshake state." When someone from South Carolina gives you their word, they keep it.

My word to you, the people of South Carolina, is that I will do whatever it takes to continue the success we see today, to keep and enhance our competitive edge and build for an even better tomorrow.

The recent tax reform bill signed by President Trump was a great victory for American taxpayers and our economy. Companies have already begun announcing reinvestment and raises for employees.

But with the federal government cutting taxes, it is now more important than ever for us to do our part. I recently unveiled my executive budget, which proposes a \$2.2 billion tax cut for every South Carolinian.

The first year's cut amounts to \$139 million. To all the South Carolinians listening tonight: that's \$139 million that would have gone to government, and will stay with you instead.

Also under my plan, retired veterans, first responders and law officers will never pay state income taxes on their retirement pay again – ever.

This tax relief not only enhances their compensation during their retirement years, but also strengthens recruitment and retention. It reaffirms the unwavering commitment of South Carolinians to the people who have chosen to serve.

We thank you for your service.

Like Presidents Reagan, Kennedy and now Trump, I believe that low taxes spur economic growth and prosperity. Yet, South Carolina currently has the highest marginal income tax rate in the southeast – the 12th highest in the nation. Seven states have no income tax at all. Taxes of all kinds at all levels add up – little by little – to smother growth.

We must act. We must heed the lessons of history. We must respect the right of the people to their own money, for their own purposes, according to their own priorities.

Today, the nations of the world are transitioning into a new kind of economy. Information, goods and services are moving with lightning speed. Language is no barrier and neither is distance. Workers who previously carried tool boxes now carry tablets.

In South Carolina, our workforce must keep pace with our own success. Despite our low unemployment rate, we still have an estimated 60,000 jobs available throughout the state. That number is expected to grow. Good paying jobs.

We must invest in our workforce development institutions. Fortunately, we have the talent, vision and means to do just that.

Dr. Tim Hardee is here tonight representing the South Carolina Technical College System, the engine of our economic and workforce development.

We should use this magnificent system to the fullest extent. To that end, I'm calling for the creation of the South Carolina Workforce Partnership.

This new initiative will connect businesses with high schools and technical colleges to collaborate on internships, dual credit and certificate programs for students interested in the skilled trades – focused on rural areas of our state.

My budget also increases funding for Workforce Scholarships and Grants – so that more students can access the financial resources to obtain certificates and associate's degrees at our technical colleges.

Just as we cannot have a thriving economy without an educated workforce, we cannot have a productive educational system without economic growth. When a school district prospers, the schools in that district prosper.

We know that South Carolina has some of the best educators in the country. We have with us tonight the 2017 National Principal of the Year, Dr. Akil Ross from Chapin High School.

Dr. Ross represents the kind of educator we must have; men and women who are not just good teachers, but role models as well.

I recently visited most of the school districts in the Abbeville case. One thing is clear: the words “minimally adequate” bear absolutely no relation to our aspirations for our children.

So what do we want? And what must we do?

We want a multifaceted system, anchored by traditional public schools boasting the best teachers, principals and technologies. We want charter schools – all public – to flourish, including those for children with special needs. Parents want vigorous, accountable, innovative school choice.

So how do we accomplish this?

After meeting with educators, parents and students with this question in mind, I offer these observations:

Poverty is the enemy of education; some of our children, through no fault of their own, live in circumstances so bleak that intellectual stimulation and learning are but fleeting experiences. Ultimately, gainful employment of the parents or adults in the home offers the surest deliverance of the child into educated society.

But economic development often comes slowly, and is easily outpaced by the child’s birthdays. What can be done in the meantime?

Good teachers and good principals clearly are the key to success. There is rarely a child who will not or cannot be taught. The key is not trying to pour knowledge in,

but rather opening eyes and imaginations and letting eagerness and fascination out. A good teacher can do this.

Clemson's Call Me MISTER program works to increase the pool of available teachers and principals from diverse backgrounds. My executive budget invests more for this important initiative.

But our work will require systemic reforms.

The Abbeville Court's observation about administrative costs being disproportionate to school district size remains both accurate and astute. Spiraling administrative costs have a direct impact on educational outcomes. Consolidating small districts will reduce costs, limit duplication and put more money and resources where they belong: in the classrooms.

A Department of Education study recently identified up to \$338 million in savings over five years if consolidation efforts are undertaken. We must realize such savings – in school districts and across all of state government.

Recruiting new jobs and economic investment will do more to improve educational opportunity than simply sending money from Columbia. Yet, students must have the resources to reach their full potential. My executive budget invests in "base student cost" for South Carolina's public schools, and provides \$3.3 million to train new computer science and coding teachers for classroom instruction in every school in the state.

This will help us align our educational system with the technological necessities of the new economy.

We must continue to invest in school choice. A robust charter school program allows parents to choose the education opportunities that best suit their children. With the entry of Erskine College as a new charter authorizer, we are expanding choice across the state.

My executive budget increases per-pupil funding for charter schools, and establishes a transportation program to reduce barriers to access.

Last year, the House and Senate passed their own versions of legislation which would bring more accountability to our education system by making the Superintendent of Education a Cabinet-level position. The General Assembly has debated this for years. Now, you have the legislation before you – again. I urge you to pass it this year.

Teachers cannot teach and students cannot learn when distracted or threatened. Too often we have seen crime and violence find their way into our classrooms. A safe learning environment can be enhanced by the presence of a certified, trained police officer as a shield against disruption and tragedy.

My budget provides \$5 million for a need-based grant program to place these officers in schools. I ask each member of the General Assembly to work with me to station a trained police officer in every school, in every county, on every campus, all day, every day.

Prosperity requires law and order. We cannot tolerate lawlessness. That means we must say “no” to “sanctuary cities.”

Right now, there is no way for the people of South Carolina – or elsewhere – to know for sure whether our local governments are following state and federal immigration laws.

Experience shows that a refusal to enforce one law generally reflects a softness in enforcing other criminal laws, and attracts criminal behavior.

Our rule is “trust, but verify.” I thank Representative Bruce Bannister and Senator Rex Rice for introducing bills which would create an enforcement mechanism to register compliance. This legislation will make our position clear. I ask the General Assembly to pass it immediately.

We will keep our people safe, and send a message across the nation that there will be no “sanctuary cities” in South Carolina.

We also face threats from inside our prisons. Today, cell phones are so concealable and available that they have revolutionized criminal activity. With cell phones smuggled inside the prison or secretly thrown over the wall, inmates and

their conspirators on the outside can practice extortion, conduct blackmail, plan and execute “hits,” operate drug rings and run any number of fraud schemes. It is as though they never got caught.

Bryan Stirling, our Director of the Department of Corrections, is leading the national effort to repeal the federal law which prohibits us from jamming these phone signals. Until we accomplish that, we must take every action, try every idea and implement any law which will stop these criminals. I ask for your determined assistance.

Another threat we now face comes in pill form. The opioid epidemic is affecting every state in the country. But it’s not a typical crime problem; it’s a crisis born of human pain and suffering.

54% of the pills on the street come from your neighbor’s medicine cabinet in an unused prescription of too many pills.

For the last three years, we had more opioid-related deaths in South Carolina than homicides and drunk driving deaths combined. In 2016, this “silent hurricane” killed 616 people.

And it’s not just pills. Addictions intensify from one substance to another. From 2014 to 2016, heroin deaths increased 67%. Since 2015, SLED has seen a more than 700% increase in the number of cases involving fentanyl-related compounds.

We must take a bold new approach to this unprecedented threat. It consists of a “full court press,” including awareness, information and treatment.

Last month, I declared a statewide public health emergency in South Carolina. This allows us to bring the full power of the state’s emergency management infrastructure, health care apparatus and law enforcement resources to bear – as a single team – upon the growing epidemic of opioid deaths, addiction and abuse.

A comprehensive, informational website has been established. Doctors are warning patients that opioids which make the procedure pain-free may also make the patient an addict. Disposal protocols are being enshrined. Our task force is scouring the country for ideas that work – and we will produce results.

In addition, my executive budget provides more than \$10 million for treatment, prevention and education.

I'd like to take a moment to recognize a man who has demonstrated inspirational leadership and courage in challenging the opioid crisis – Representative Eric Bedingfield. Mr. Bedingfield retired last week after ten years in the House of Representatives. Today, I had the honor of presenting him with the Order of the Palmetto on behalf of five million grateful South Carolinians, but the sentiment bears repeating.

Eric, thank you for your service to the State of South Carolina.

The most important function of government is providing for the safety and security of the people. That extends to all life – born and unborn, young and old.

I believe that human life begins at conception. That's why, in August, I directed state agencies to stop providing state funds to abortion clinics.

This right to life is the most precious of rights – and the most fragile. We must never let it be taken for granted.

Nor can we take for granted our precious natural resources which define and sustain us, from the mountains to the sea.

South Carolina's beaches, sea islands and marshes are the most beautiful in the nation, bringing 29 million people to South Carolina every year and supporting a \$20 billion tourism industry.

From Little River and Myrtle Beach, to Georgetown and Charleston, to Hilton Head and Beaufort and Daufuskie Island, our economy and culture depend on a living, pristine coastline. Every municipality along our coast has voted to oppose drilling and seismic testing. They are right.

With offshore drilling comes the construction of onshore infrastructure – refineries, gas storage tanks, maintenance and operating facilities, trucks and traffic. We have no place to put it. It is incompatible with everything we have and do on our coast.

Oil spills, like hurricanes, can disrupt and damage a state's economy. We cannot stop hurricanes, but we can avoid oil spills. We cannot take a chance. We must do whatever it takes to preserve this economic paradise we call "the beach, the marsh, the coast and the lowcountry." It is made of gold.

South Carolinians must be able to trust those they elect to represent them.

Two years ago, Governor Haley commissioned Attorney General Travis Medlock and me to co-chair the Ethics Reform Commission. Our group proposed sweeping reforms – some of which have been implemented, some not. My goal as governor is to see them all implemented.

That means stronger and expanded investigative authority for the State Ethics Commission – to obtain, verify and investigate campaign finance disclosures and statements of economic interest.

It means requiring legislators to recuse themselves from participating when conflicts exist. And it means everyone complying with the Freedom of Information Act.

Today, the legislature is shielded from Freedom of Information Act requests. That destroys public confidence. This exemption must end.

But ethics reform doesn't start and stop at the State House. It extends to every city hall, county council and school district. Ironically, these government bodies which are closest to the people conduct business with the least transparency of all.

For example, citizens have no way of knowing who is being paid to lobby to raise their school millage rates, change zoning laws or obtain easements across their backyard.

I ask you to join me in making sure that anybody who is paid to lobby county councils, city councils, school boards or anything else be required to register as a lobbyist.

You send me the bills to strengthen the public's trust in government, and I will sign them.

We must also earn the public's trust every day in deciding whether to spend their money. State government can no longer afford to buy, maintain and repair buildings and vehicles which wear out and depreciate. We should not own many of them in the first place.

So, my executive budget requires state agencies to save money by leasing, renting and consolidating administrative services through the Department of Administration. It also establishes a new property management process to provide for maximum efficiency in the use of those facilities we do own, and those we lease in the future.

A recent report from the Department showed that by consolidating IT services, we saved over \$14 million in twelve months.

Another example: a year ago, agents at Probation, Parole and Pardon Services needed more vehicles – sometimes they were assigned three to a car. Director Jerry Adger saw his chance. Instead of buying vehicles, he leased them from the state fleet, and was able to get twice as many cars – for half the cost.

There's no reason we cannot extend this "shared services" model across other agencies with similar functions – human resources, accounts payable, procurement, budgeting, reporting and maintenance.

Here's the point: Let's let the taxpayers keep their money.

This session, we must take further action to address the ongoing crisis in our pension system. We are now facing a \$24 billion unfunded liability which threatens our long-term stability.

In April, we enacted legislation increasing employee and employer contributions for the South Carolina Retirement System and the Police Officers Retirement System. This was the only way to immediately begin reducing this unfunded liability. Now we must finish our work.

I believe we must close the current “defined benefit plan” and move to a “defined contribution plan” for new employees. And, as I asked the Joint Committee on Pension Systems Review, we should consider: enhanced contributions which recognize employees’ years of service, the elimination of unfunded cost-of-living adjustments and raising the age of retirement eligibility.

We must maintain our commitment to the many people who rely on our state retirement systems. We must protect the taxpayers from bearing the financial burden caused by delay. And we must do it now, before this body adjourns.

South Carolina’s bright economic future and continued job growth require an abundant supply of clean and affordable energy. Without it, we are at a competitive disadvantage.

Santee Cooper’s and SCANA’s decisions to suspend and abandon the construction of two nuclear reactors at the V.C. Summer Nuclear Station require us to take action immediately, but carefully.

Customers of Santee Cooper and SCANA have already paid billions for this project. Now, they face the prospect of also being charged for years in the future for reactors which may never be completed. This cannot happen.

We must carefully assess our situation. We must construct the best possible solution. The customers must either get the reactors or get their money back.

On Friday, the Office of Regulatory Staff produced an independent audit which contradicted the bleak scenario painted by SCANA’s executives, concluding SCANA’s bankruptcy to be “unlikely” if the Base Load Review Act is reformed.

In light of this new information, it is plainly irresponsible to allow SCANA or any prospective purchasers to continue collecting money from customers for this project. Send me a bill that replaces the Base Load Review Act and prevents ratepayers from being charged in the future for the abandoned reactors, and I will sign it. Send me a bill that continues to place the financial burden of this corporate failure on South Carolina ratepayers, and I will veto it.

The interests of the ratepayers must come first.

Unlike SCANA, Santee Cooper has no stockholders to bear part or all of this debt. Santee Cooper is owned by the state. It is currently saddled with \$4.3 billion in debt from this project alone, with nothing to show for it. It also has another \$4 billion in other debt.

This debt will have to be paid. But it won't be paid from the sale of power from these two unfinished nuclear reactors. Santee Cooper will have no choice but to raise rates on customers. Their largest customer, the electric cooperatives, will be required to pay roughly 70% of it for the next 30 years.

The only feasible solution suggested so far is the sale of Santee Cooper.

As you know, I have been meeting with several companies which have expressed serious interest in buying Santee Cooper. Some have made proposals. Its value is well recognized.

I have informed all of these interested purchasers that the State will not consider any proposal which saddles the customers or taxpayers with Santee Cooper's debt.

There are powerful market and competitive forces at play here, as well as economic and legal consequences. All of us in this room have to be deliberate and wise. But being deliberate and wise does not mean we have to be tentative. We have to make the best decisions for the people, both now and for generations to come. I have great confidence in our people and our future.

There are other things we must do.

We must encourage the spirits of charity and volunteerism among our people, organizations and institutions, including our houses of worship, because government cannot and should not attempt to be all things to all people.

We must promote and celebrate excellence wherever we find it, whether in academics, industry, athletics or art, because excellence in one thing begets excellence in another.

And we must approach our duties not with the goal of managing scarcity but of creating abundance.

Above all, I ask that we reaffirm our commitment to being smart, innovative and doing more with less. Let the taxpayers keep more and more of their money. Let us build a state government which is efficient, transparent and accountable, and let our service be distinguished by wisdom, vision and steady hands.

As I close, I am reminded that the scriptures tell us to be awake, for we know neither the day nor the hour in which the moments of opportunity will come. I believe such moments are here. This is our time.

So, let us seize this day, and each which follows. Let us recognize that there is no power in a small idea.

And let us resolve to serve the people of South Carolina in ways uncommon, to build a new prosperity for generations to come – which, in their turn, they can build upon – and which will be recorded as the fulfillment of our highest hopes and duties. And let us always be proud of South Carolina.

May God bless you and make his light shine upon you. And may God bless South Carolina, and may God bless the United States of America.