



State of South Carolina

Office of the Governor

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June 11, 2008

The Honorable Robert W. Harrell, Jr.
Speaker of the House of Representatives
Post Office Box 11867
Columbia, South Carolina 29211

Dear Mr. Speaker and Members of the House:

I am returning without my approval S. 1252, R-363.

This bill would remove the cap from the Centers for Economic Excellence Matching Endowment and would guarantee that \$30 million a year be put toward the program. Additionally, this bill would impose special student fees at Francis Marion University essentially making students help repay bonds for new athletic facilities.

There could be nothing better intended than the idea of growing the knowledge-based economy in South Carolina. We're all for that as South Carolinians. The real question lies in how you do it and whether or not you pause, analyze, and make improvements in your efforts to do something on which there is more or less complete accord. As we have stated in several instances, our veto is not aimed at ending the Endowed Chairs program but bettering it by forcing policymakers to look at what works and what does not work in the program.

It also needs to be remembered that this debate is about whether we increase funding by \$20 million and keep it within the confines of the cap that came with the original Endowed Chairs program or raise it by \$30 million, break the cap, and do no review of what works and does not work. This last point is especially important given that universities like Clemson have become especially creative in defining matching dollars. Most recently they matched state money with land that had been transferred from the state to North Charleston as the "supposed" private match in the confederate era submarine restoration project from which we have yet to see any material private investment or job creation. In short, Endowed Chairs may well have merit, but in these economic times it is very important that we live within the original \$200 million commitment and take a slightly longer look at where change might strengthen the program.

Overall, this Administration has many concerns about this legislation, several of which relate to the Endowed Chairs program. One can certainly grow the economy by growing government, but this Administration believes that it's far better grown by the private sector. Given South Carolina government has already funneled just shy of \$200 million into the Endowed Chairs program, coupled with the importance of limiting the growth of government as a tool in growing the economy, we believe removing the cap and guaranteeing an additional \$10 million, over the \$20 million already promised in funding, isn't a wise course.

A better course, in our view, is to not rush forward and to leave the cap in place so that we can continue the program and possibly gain insight by reviewing the program's success. While we agree with the intent of the program, here are some reasons that we are concerned with the proposed legislation.

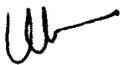
1. We believe that the General Assembly is reauthorizing an Act that has not lived up to its legislative intent. The program, which created endowed professorships at the three senior research universities, was initially begun as dollar-for-dollar match between state and non-state resources. What has happened over time is that non-state funds have not been collected to fully match state funds. The unmatched dollars have caused the program to drift toward one that is being overwhelmingly driven by public expenditures.
2. The requirements in using this money are being watered down. For example, the original legislation required cash-on-hand to be eligible for the state match. Then it became allowable to use cash within 18 months, and then two 6-month extensions were added on top of that. Also, the original legislation required that the money go directly to fund the actual endowed chair; not to fund equipment for the chair. Now, "in-kind" contributions are eligible for state match, and, in some cases, we believe the in-kind "match" doesn't truly equal the monetary value committed by the state. For instance, a microscope valued at \$1.5 million was used as a state "match," but many have legitimately questioned whether this device would actually sell for that amount in the real market.
3. Of equal concern in this bill is that it waives the \$200 million cap for the program – which it has almost reached – and commits \$30 million be put toward the program each year. This is a risky commitment – considering that education lottery funds have dwindled in recent years – meaning that money for this program is competing with fewer dollars for need-based scholarships and K-12 education.
4. It appears to us that the hard questions about waste in the program aren't getting asked. For example, a Public Relations firm in Columbia has been hired, in essence, to help ask for yet more state funding and support. Is it really worth the \$750,000 contract? And does this not fall into the category of using state money to lobby for yet more state money? Similarly, at Innovista in Columbia – though construction has been delayed, costs are up about \$10 million, and tenants and private buildings have not materialized – the private developer has still been paid handsomely.

5. If the Endowed Chairs program is about economic development, then why don't we require a quantified return on our investment? For instance, a large part of the program's mission is to ensure that the professorships create well-paying jobs and enhance economic opportunities and improve the quality of life for South Carolinians. If this bill is going to commit \$30 million annually, why don't we request job creation numbers, as we do for other economic development efforts?
6. Finally, we are very concerned with Article 3 of the bill, which includes imposing special student fees at Francis Marion University for the purpose of repaying bonds to cover athletic facility upgrades. While we aren't opposed to seeing students have the chance to enhance their athletic skills and physical well-being with newer, safer equipment and facilities, we are opposed to the fact that this legislation is allowing the university to once again turn to the student to help pick up the cost. The bill also states that the funds could be raised through admission fees, but we are reluctant to believe that ticket sales would raise sufficient revenue to repay the bonds.

As we've said in the past, we have to stop and look closely at the likely long-term effects of this type of legislation, and this veto represents a stopping point for our Administration. It is our belief that special fees tied to repayment of bonds are essentially *de facto* tuition payments that will only further increase the financial burden on students. This comes at a time when tuition has already skyrocketed in recent years. South Carolina currently ranks at the top of all Southeastern states for the cost of in-state tuition, and there are only six other states in the nation that have higher in-state tuition fees. At Francis Marion, tuition increased by 8.1 percent last year and the university has seen a 38 percent tuition increase over the past five years. Having a post-secondary program will serve little purpose if our children cannot afford to participate.

It is for these reasons that I am vetoing S. 1252, R-363, and returning it without my approval.

Sincerely,



Mark Sanford