Wednesday, January 17, 2007
(Statewide Session)

The Concurrent Resolution was ordered referred to the Committee on Invitations and Memorial Resolutions.

Rep. THOMPSON moved that the House recede until 6:45 p.m., which was agreed to.

THE HOUSE RESUMES
At 6:45 p.m. the House resumed, the SPEAKER in the Chair.

HOUSE STANDS AT EASE
The House stood at ease, subject to the call of the Chair.

THE HOUSE RESUMES
At 6:55 p.m. the House resumed, the SPEAKER in the Chair.

JOINT ASSEMBLY
At 7:00 p.m. the Senate appeared in the Hall of the House. The President of the Senate called the Joint Assembly to order and announced that it had convened under the terms of a Concurrent Resolution adopted by both Houses.

Governor Marshall C. Sanford, Jr., and distinguished party were escorted to the rostrum by Senators Knotts, O’Dell, Peeler, Scott and Setzler and Representatives BREELAND, BRADY, DUNCAN, MAHAFFEY, MITCHELL AND J.E. SMITH. The President of the Senate introduced Governor Sanford who then addressed the Joint Assembly as follows:

2007 State of the State Address
Governor Mark Sanford
January 17, 2007

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

It’s an honor to be with you tonight to deliver my view of the State of our State, but before I do I would like to offer a few “Thank you’s.”

Last year I mentioned a safety calendar contest in which our third son, Bolton, had made not having your birthday party in Afghanistan his safety tip for the year. It’s a long way from “wear a bike helmet” or “don’t play with matches,” but many young Americans are still having their birthdays in both Afghanistan and Iraq. So before we consider the State of the State this evening, it’s worth pausing again to remember our country remains at war.
Whether you agree or disagree with what is going on in the Middle East, in the last year since I spoke here, nine more of our fellow South Carolinians have died in efforts to bring greater freedoms to that part of the world. The service and sacrifice of men and women in uniform should serve as a constant reminder to all of us that freedom is not free. Military families bear this cost, and know the price - and so I ask you to join me in remembering South Carolinians lost in fighting over the last year:

- Specialist Anthony C. Owens, USA - Conway
- Staff Sergeant Jay T. Collado, USMC - Columbia
- 2nd Lieutenant Almar L. Fitzgerald, USMC - Lexington
- Sergeant John P. Phillips, USMC - St. Stephen
- Corporal David G. Weimortz, USMC - Irmo
- Specialist Seth A. Hildreth, USA - Myrtle Beach
- Private First Class Satieon V. B. Greenlee, USA - Pendleton
- Corporal Matthew V. Dillon, USMC - Aiken
- Specialist Douglas L. Tinsley, USA - Chester

While I am at it, I want to thank a few other people as well. I talk a lot about the inefficiency of our government. How, because of our structure, we spend 130 percent the U.S. average on the cost of government. How we need to continue what Governor Carroll Campbell began in changing this government’s structure.

I want to again be clear that the faults of our government do not rest with its workers. It rests in its structure, which is in our hands to change - and so I would ask that you join me in recognizing one such worker who is representative of so many who often times work without recognition, like Velvet McGowan, who has worked for the past 20-plus years at the Department of Juvenile Justice.

Finally, I want to recognize a person who is representative of tens of thousands in the private sector who go about their jobs without recognition or praise, and yet are the wellspring of all the money that eventually comes to government to pay for the services of government. Bobby Sheridan, who runs SMS Sportsworld in North Augusta, thank you.

I ask that my Cabinet stand and be recognized for their hard work in administering their respective fields of government.

The state of our State is that we are still a State in transition, and both our opportunities and our challenges stem from the way that the world is changing and in how we choose to respond to those changes.
In our changing world, for the first time a kid in Greenville County is directly competing with a kid in Shanghai, New Delhi or Dublin. As a consequence, the level of competition in our connected world of 6.5 billion souls is at levels never before seen.

China could soon be the largest English speaking country in the world. There will be about another 200 people born in India in the next five minutes, and all of these things will impact the 4 million people who make our State great.

Our opportunities are the opposite side of the same coin. In a global age, where you are on the globe still matters - and we have been blessed by God in our geography. Our location midway on the South-Atlantic Coast opens particular opportunities in areas ranging from distribution to tourism.

The work ethic of our people is a great resource, and we are at the front end of a wave of graying in America that will have profoundly positive implications for this State if we handle the growth that will come with it in a thoughtful manner.

So things are changing and we have to change too.

Where I believe we want to go is to South Carolina being a land of greater opportunity for each one of us in this State and for each one of our children - while at the same time keeping its special sense of place. To South Carolina being a more fertile place to build an idea or a dream into a business - and, therefore, a better place to make a good living and get a great job. To South Carolina being a place where a great education and health care are available to all. To South Carolina being a great place to enjoy a high quality of life with one’s family.

In my first Inaugural, I quoted from the book Red Hills and Cotton, and in it a South Carolina tenant farmer described his difficult decision to leave the land for the factory at the turn of the last century. He said simply: “I want to improve my condition. I want to educate my children. I want them to have things better than I have had.”

Whether or not a working family is able to affirmatively answer whether one lives in an improving condition is the test of all of our time in politics.

I am pleased to say that we have begun that process of improving conditions here in South Carolina. It has been with starts and stops, at times it has been contentious - and both of those things come with change.

For instance over the last four years, we have taken very serious steps to improving our business climate.
WEDNESDAY, JANUARY 17, 2007

A good business climate means government not spending money it doesn’t have, which makes it important that we have dug out of a $1 billion financial hole.

We’ve gone from losing to gaining jobs, with over 150,000 more people working and 2,500 new small businesses over the last four years. Last year our Commerce Department had the highest net capital investment in the last 15 years at $1.3 billion.

A good business climate means an Executive Branch budget that is no longer simply a wish list - and we have changed the Executive Branch’s level of involvement in the budget process, and in that process saved over $100 million.

A good business climate means not forgetting small business when it comes to economic development, and toward that end we passed tort reform and cut the marginal income tax rate for small businesses.

In education we have fully funded base student cost and funded teacher pay $300 above the Southeast average. In affecting quality of life, we have together moved things as wide ranging as the campaign finance reform bill, for three years now fully funding the Conservation Bank crucial to open space in South Carolina.

We have streamlined agencies so they can do more with what they have, and we see it with results that make a difference in people’s lives - whether at DNR in its ability to purchase a property like Hamilton Ridge, or DMV with reduced wait times.

That is where we are, but tonight is as well about where we go to better the lives of South Carolinians in the next year.

For all that we have gotten done, we still have many miles to go in improving our State and the lives of people in our State.

In addressing both the challenges and opportunities before us, let me add two postscripts on how I personally will be confronting the many things we need to improve and change in the way that our State government serves the people of South Carolina.

One, the good Lord and the voters have given me only four more years. That means I’ll be saying a whole lot of the Irish prayer in asking God grant me the serenity to accept the things I cannot change, the courage to change the things I can, and the wisdom to know the difference.

Two, I will ask for your leadership. I’ve come to learn over the last four years in amazingly concrete terms, that in South Carolina the Governor can propose but that it is up to the Legislative Branch to dispose. Change is truly in your hands.
When you talk about something like restructuring and updating a 100-year-old governmental system, each of you will be tested in the choices you make. Each of your respective grandchildren will be blessed or burdened by the choices that are indeed in your hands.

Abraham Lincoln once said, “Nearly all men can stand adversity, but if you want to test a man’s character, give him power.” And we all know the power to make or walk away from the proposals I will offer is in your hands.

The danger of power lies in the fact that those who are vested with it too often make its preservation their first concern and therefore naturally oppose any changes in the forces that have given them this power.

This means most of you will have to take the road less traveled in politics for our government structure to change. It will mean looking beyond simply power for those who currently wield it to how well the system works. It is my humble and earnest prayer that you will take this course, and I realize some would say I need to keep on praying because there is no way that is happening in our State.

But I don’t believe that.

Our differences over the last four years have been well chronicled and documented. It is undeniable that I have had major differences with some of the outcomes of the General Assembly. As is often the case, I believe outcomes of a group can be inferior to the individuals who make up that group, as the outcomes fall prey not to the best ideas - but to whomever can speak the loudest or the longest.

That’s a reality, but despite it, I have come to see many of you as real heroes. Many of you were working in your hometown and you decided you wanted to come to Columbia to make a difference just as real as I do.

I need that individual greatness to step forward and show itself over the next year, and the four in front of us, if we are to have real hope of bringing change to South Carolina. I can’t possibly make these changes on my own - I need your help.

We also need to think about a number of challenges confronting us not in South Carolina terms, but in global terms. As we think about policy in South Carolina, we need to remember the bumper sticker we’ve all seen on occasion that says “Think Globally Act Locally.”

In this vein, we almost need to think of ourselves as a country rather than a State because as comforting as it might be to be a part of the United States, our competition is no longer in America with North Carolina or Georgia.
South Carolina’s Gross State Product is roughly $140 billion a year. That puts us just below Israel, Finland, Venezuela, and Ireland in the size of our economy. It puts our economic size just above the oil-rich United Arab Emirates. It puts us well above places like New Zealand, Slovakia, Bulgaria, Kuwait or Jamaica. The question we all need to ask ourselves is whether or not we see each of our actions as steps toward or against being able to compete economically with other countries.

Finally, as I mentioned in my Inaugural this year, we very much need to focus on getting principles right so that we unleash the power of individual initiative. Nobel Prize winning Economist Milton Friedman once said, “Nobody spends somebody else’s money as carefully as he spends his own. Nobody uses somebody else’s resources as carefully as he uses his own. So if you want efficiency and effectiveness, if you want knowledge to be properly utilized, you have to do it through the means of individual ownership.”

To me that means we should not shy away from the idea of actually limiting government’s growth so we move more power and authority to individual South Carolinians - and in turn unleash the potential of individual South Carolinians.

With all this said, here are our priorities for the year.

We believe the number one thing we could do this year to better our State government - and in turn people’s lives - is to update and change our government structure. The number one thing we could do in this category is to make DOT a cabinet agency.

I know that some of you are thinking, “Why don’t we leave good enough alone?” and the answer lies in the fact that “good enough” won’t make us competitive in the new world of which we’re a part. In life you can be just a little bit off the mark and completely miss the mark.

Just like a few words can make all the difference, in the same way some would see just a few little things out of place with our structure - but we get a world of difference in the outcomes of our government.

The deliberation of ideas is well done by a committee, but the execution of those ideas can never be well done by a committee because in administration, responsibility - “the buck” if you will - has to stop somewhere. Our government structure is fatally flawed in the way responsibility for outcomes fall to groups of people rather than one person or branch of government - and if everyone is responsible, no one is responsible. This is the case with the committee structure at DOT where our needs are great.
I simply ask for what I have asked for before - your leadership in moving us toward a more balanced and therefore better functioning government - with three more equal branches of government.

To compete in the times we live in it is vital we let the Executive Branch of government do what the Founding Fathers intended, and what occurs in nearly every other State - administer the laws created and approved by the Legislative and Judicial Branches of government.

There is no more pressing case for reform than at DOT, where the agency’s budget has outpaced the rest of State government and where we even outpace the Southeastern average - without commensurate results. The Department of Transportation is accountable to the Executive Branch in 47 other States. It needs to be in South Carolina as well.

I furthermore ask on restructuring at large that you simply allow the chance to take a vote on whether or not citizens would like a long list of Constitutional Officers independently elected or a part of the same Executive Branch cabinet.

Health care restructuring continues to be vital to a better-integrated system and consequently better care. The creation of a Department of Administration would bring to the South Carolina governorship administrative oversight now handled by forty-nine other governors. We are the only State in the country with a Budget and Control Board, and allowing its administrative functions to move to a Department of Administration would bring us in line with the 49 other States.

Second, we continue to believe it is vital we take steps each year to continue to better “soil conditions” for business so that we have more in the way of jobs and economic opportunity. This year we propose an economic betterment package of three things: workers’ comp reform, an income tax cut and small business health care reform.

Workers compensation rates in South Carolina are scaring off business investment and killing jobs in our State. Since 2000, S.C. ranks second in terms of workers’ compensation rate growth.

Our system is too subjective and penalizes some of the most in need of help. Reforming the Workers’ Compensation Commission has become important not just because of rate change, but because there is no consistency of awards, no objective standards, very little use of mediation and very little accountability in the way non-expert advice is relied on and in the way that effects of natural aging can be classified.

The Second Injury Fund has seen skyrocketing assessments. Currently, one third of every dollar in workers’ comp premiums goes to
the Second Injury Fund, though only about two percent of employers actually receive reimbursements.

To give you a sense of how out of balance our system is - our assessments in this State are 10 times California’s, the reverse of what you would expect in our State that also happens to be 10 times smaller than California.

Second in this package, we believe part of our State’s ability to compete lies in our competitiveness in different tax categories. As an administration, we have come to agree with many of you who believe that we should take a comprehensive look at our tax system, and we are committed to working with you to look comprehensively at our system.

In the near term though, we need to take steps each year that move us toward being more competitive. On this front, we believe doing what we have called for in our budget - trading off an increase in cigarette tax for a decrease in income taxes would be incredibly timely.

On this point it needs to be remembered that the Democratic Governor of New Mexico, Bill Richardson, cut income tax rates from 8.2 percent to 4.9 percent. Democratic Governor of Oklahoma Brad Henry cut income tax rates from 6.25 percent to 5.25 percent. Democratic Governor of Arizona Janet Napolitano cut income taxes by 10 percent.

Democratic Governor of West Virginia Joe Manchin has called for Legislators to lower a variety of taxes including the income tax, and even Rhode Island - with massive Democratic majorities in its legislature - now offers residents the choice of a flat tax that cuts the top tax rate from 9.9 percent to 5.5 percent. This should not be a partisan issue in our State, just as it has not been in so many others.

Finally, we believe small businesses need help in offering health care plans to their workers. This is important both in addressing the number of uninsured in South Carolina and in addressing a small business’s ability to compete.

Currently small businesses are not allowed to band together as big businesses can to find the most affordable health care. They are also saddled with over 30 well-intentioned mandates that make the health care they can offer less affordable; we believe reform that brings flexibility on both fronts is vital and I ask you to join us in advancing reform.

Third, I ask that you help me hold the line on how much government grows this year in South Carolina. I recognize that we all have different perspectives on how much it should grow.
South Carolina spending led the Southeast over the last two years with 25% growth versus the Southeastern average of 13.7%—about half that number. If we spend all the money that comes in over this next year, South Carolina government will have grown 38% since 2004.

State general fund spending will have risen from $5 billion to essentially $7 billion over the last four years, and total spending in South Carolina has grown by 25% over the last three years—as it’s risen from $15.5 billion to $19.4 billion. It does not make common sense to grow government faster than people’s wallets and pocketbooks.

One of the most unsustainable components of our present budget is tied to retiree benefits that were promised but not paid for. In our case, retiree health care benefits are completely unfunded and amount to a $9.3 billion liability. These unfunded promises have an eerie similarity to the unfunded promises of Medicare, Medicaid and Social Security in Washington.

David Walker is the Comptroller General of the United States of America and is currently embarked on what he calls the “Fiscal Wake-Up Tour.” He argues that America will lose its competitive position in the world if we as a country don’t subscribe to the common sense notion that families and businesses adhere to in matching costs with benefits.

In an effort to avoid financial explosions every State must now account for its long-term liabilities, and in South Carolina alone, $535 million would be required to fully fund this year’s portion.

Holding the line on spending to population plus inflation is necessary to avoid growing government by 38 percent over four years, it’s necessary to set aside money to pay for unfunded and promised benefits, and it’s necessary if we’re going to return $200 million to taxpayers this year.

If we don’t hold the line on spending this year I am also certain we are going to crawl right back into the financial hole we just spent four years climbing out of. This will mean mid-year level budget cuts, which are bad for anyone relying on government.

It will mean cuts past muscle and right into bone in agencies we are now adequately funding. I implore you not to spend all this money projected to come our way. There are serious storm clouds on the financial horizon as the U.S. trade deficit in 2006 was right at $878 billion, the savings rate in this country has gone flat and housing markets across the country are cooling.
It isn’t just about the sustainability of spending - it is also about change. Think about it - if you really believe that we live in one of the most transformative times in world history, then wouldn’t you want to maximize the part of your economy that will change the fastest? Money in the private sector can be redirected faster than money in the public sector.

More than anything, this whole spending debate is about common sense notions. Most folks tell me they agree with the principal of “first things first” and that it makes sense to pay off money you have committed to spend before you begin new spending. They tell me it doesn’t make sense to grow government faster than people’s ability to pay for it.

On this front I ask just two things. One, as I mentioned earlier, adopt what we laid out in our budget in setting aside money for the $9 billion health care liability, and two, limit this year’s growth in government to population plus inflation so we can do so.

Finally, enhancing the quality of one’s life in South Carolina is critical to fully answering the charge put to each of us in the book Red Hills and Cotton. This year the top three things on our list are DUI reform, further education reform and $20 million for land conservation.

On DUI there is nothing more fundamental to quality of life than life itself. Tragically, people are being robbed of their lives in South Carolina because of anemic DUI laws.

I believe it is morally wrong that Tony Howard, a husband and father of three who lived in the Upstate, died because of our weak DUI laws, killed by a drunk driver in 2002. The drunk driver had already racked up five DUI convictions in South Carolina and two more in North Carolina.

Each time though, he was either let off without a major penalty or allowed to plead to a lesser offence. Finally, on the eighth offense, this drunk driver killed Tony. This is not acceptable - we have to change the way DUI laws are enforced in this State and I ask we do it this year.

I have talked a lot about open space and in this year’s budget have even proposed another $20 million for land conservation because we are running out of time in preserving glimpses of the South Carolina so many of us grew up with. The demographic change that is an engine of growth brings with it the seeds to destroy a sizable portion of the open space that many of us consider important in our choice to make South Carolina home. I ask for your quick action on this measure.

I continue to believe passionately that a parent ought to be able to decide what school works best for their child, and as a consequence
believe in the need for choice in education and market based solutions to education. It therefore strikes me that as we deal with education funding this year in the wake of last year’s property tax reform - we have two readily achievable outcomes in this area.

One, I think moving toward a single weighted funding formula is not only something we can do, but it would also move us toward greater educational equality in South Carolina and open avenues by which more educational choices could become available in South Carolina.

Two, let’s recognize our wide-ranging school district sizes and structures for what they are - in some cases a throwback to the era of segregation, and so let’s instead move toward a system of one district per county.

At the end of the day, I don’t believe our current testing efforts or additional spending can ultimately replace the power of a parent putting his or her child into a school setting that works for them. I continue to believe choice is crucial to bettering education and will embrace the chance to work with any and all of you on reforms.

To keep my list short and attainable, I stop here in the things I ask you to consider.

There are a few other things that are worth highlighting though as we consider the state of our State, and so I will mention them as well.

We will work with many of you this year in addressing what has become a crisis for many families and businesses in paying for, or even having access to, property insurance on the coast.

I think it is important we advance market based remedies that don’t penalize people living at the opposite end of the State, or the next generation, as has been the remedy of some states.

Specifically, we believe a catastrophe fund whose cost is borne by people and commercial interests directly impacted by storms makes sense when combined with catastrophe savings accounts that encourage people to save for the losses that can come with a storm and tax deductions for mitigation measures that reward people for making their property more resistant to a storm’s damages.

Since insurance is fundamentally about paying for damages after they’ve been incurred and offsetting the risk of damage before it occurs, I think it is also important we examine the root cause of the damages themselves. Toward that end, we will propose two things this year.

First, a climate change stakeholders’ conference. I join others in believing climate change will impact the intensity of upcoming storms.
It goes without saying that from South Carolina we can’t impact what might be happening in China or India with CO2 emissions, but we probably could incentivize building codes that are more energy-efficient and wind-resistant in the event of hurricanes. So we plan to fully explore those issues with a range of stakeholders over the next year.

Second, insurance rates are being impacted by the rate of growth on the coast, and accordingly we need to take a closer look at how we develop as a State given the fact that a million people are coming here between now and 2030. During roughly the same time period, we’re projected to have $57 billion in infrastructure needs.

What this means is that in some of the high-growth areas along the coast, no matter how many lanes you build, we will have evacuation and density problems that in turn impact the cost of insurance on the coast.

In looking for long term solutions, it is our hope to invite Andrés Duany, a world renowned architect and community planner, for a land use and planning conference that may well afford local county planners more market-based tools as they deal with growth issues in their respective counties.

In health we will continue to try and raise awareness of the importance of taking steps to become more active. Lifestyle - not money - could add years and quality to every one of our lives. It needs to be remembered that we rank 47th nationwide in overall health while ranking 11th in public health care spending per capita. We will be doing another Family Fitness Challenge this year and hope you will join us.

In closing, my simple hope and prayer is that as we deal with these and other issues - as well as each other - this year, that we would live and walk Micah 6:8 - Doing with justice that which we are charged to do, embracing with mercy all affected by what we do, and most of all walking humbly with each other and those we serve in this State.

I look forward to working with each of you this year. Thank you and good night.

JOINT ASSEMBLY RECEDES

The purpose of the Joint Assembly having been accomplished, the PRESIDENT announced that under the terms of the Concurrent Resolution the Joint Assembly would recede from business.

The Senate accordingly retired to its Chamber.

THE HOUSE RESUMES