

2010 State of the State Address

Governor Mark Sanford

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

It's an honor to be with you tonight to deliver my view on the state of our state, but as I've done in the past, I'd first ask that we pay tribute to the South Carolinians who died fighting in the Middle East and Afghanistan over the last year. Their deaths are a reminder to every one of us of how short and fragile life can be – and beg of us the larger question of what are we doing to both honor their sacrifice, and to live the gift of life each of us has been granted?

Their service is also a reminder to all of us, particularly in these trying economic times, of how important it is that we look for ways to serve others. There are little things that we can do here that can make a big difference.

For instance, as one of their initiatives this year Seacoast Church decided to make a difference with a community in Kenya where one of the biggest obstacles to life comes in what we take for granted – clean water. Each member of the congregation was given a bottle of what looked to be dirty water and the challenge to empty it and refill it with coins saved by simply forgoing soft drinks or coffee and instead drinking water over the couple of weeks leading up to Christmas. Fifty cents here and seventy-five cents there

doesn't seem a big service or sacrifice, but cumulatively enabled the church to provide five water purification machines through Water Missions International in Charleston that will give 15,000 people clean drinking water.

Or take more locally what Wayne Fields and his team at the Oliver Gospel Mission are doing in the lives of homeless men just a couple of blocks from where we are now. If every person in this state volunteered one day a month at institutions like this, it would dwarf anything that government might do in the way of social service.

So here in the New Year let's all recognize that many families across our state and nation are indeed hurting in these economic times – that there is a lot of need out there – in some cases unimaginable levels of need as we see the tragedy of Haiti unfolding – and it all begs one question. Can we follow these soldiers' examples in looking for ways to serve?

In fact, under the category of service from men and women in this chamber, Representative Ted Pitts is bound for Afghanistan. His wife, Christina – and father Ed – are here and I'd ask you not only offer a round of applause for his service to our country, but that you match it with a prayer for his safety.

Finally, the fact that each of the soldiers I alluded to earlier died in service to their country is again a reminder that freedom isn't free. This year's list of heroes is as follows:

Private First Class Jason Watson

Staff Sergeant Ralph Futrell

Corporal Ryan McGhee

Specialist Abraham Wheeler III

Lance Corporal Christopher Fowlkes

Specialist Demetrius Void

Specialist Gary Gooch, Jr.

Private First Class Geoffrey Whitsitt

While on the topic of thanking I have historically asked a state worker, someone in the private sector, and often times the First Lady – to stand while we thanked them for their different efforts. Tonight, for one last time, let me continue that tradition.

First, I'd like to recognize a state worker who is representative of so many who do their work without recognition. Barry Franco works at Trident Tech down in North Charleston and will train workers to take on roles at the new Boeing plant. Will you join me in thanking him for that important work – and for representing those who work in state government?

We've also been joined tonight by Maxine White. She is an artist in the Upstate and a reminder of the creative talents and the innovative spirit found in the private sector. She reminds me of the ways in which every one of us can make a difference in South

Carolina if we so choose. We don't have to wait for a government program – we can just do it – as she does, and so will you please join me in welcoming her as well?

Never losing the taxpayers' perspective, let me underscore that the savings Jenny created at the Lace House, the Waring House, and the Mansion, is a reminder of how every one of us tied to government can follow the lead of working South Carolinians in being creative in finding ways to do more with less. Doing more with less is what families across our state are doing everyday – and those of us who work in government should find ways to honor these daily decisions being made by the people who pay for government.

So with all that being said – the State of our State is that we have both enormous challenges and opportunities before us.

Our economic challenges for instance are in some ways historic in nature, but with every great challenge in life comes an opportunity. The opportunity in this moment is that many changes are possible in tough economic times that would not be possible in good times. Few people, few companies, few states and few nations change until they have to. We have an environment for change we have never had in the last seven years I have been with you.

Some things are going to change by virtue of the world economy whether we like them or not, and in much of this, the question will be whether or not we make the change – or

change simply happens to us. For the sake of future generations I think it's important we be as deliberate as possible in making changes I believe will accrue to the people of this state.

I ask for the people of South Carolina to make loud, but respectful, noise for change. And I need to be a better messenger because if the people push for these changes, and we're not too tone deaf in hearing, they will happen – if the people don't, they won't.

As the people need to do their part, we need to do ours. Not only in my conversations with the public, but in my work with you, I need to be a humble messenger, and take joy in the fact that our Maker can use imperfect people in all walks of life. This very imperfection underscores the importance of both the grace of God and the grace of others.

Though at times we may try to cover it or forget it, the imperfections of any of us underscore the degree to which we really are of the people, and by the people – and my simple hope this year is that we be for the people in the results we produce.

So it is with that spirit that I hope we can come together.

It doesn't mean we won't have our differences. We always will as we come from differing political ideologies, parties, parts of this state and more, but we can bridge them

by committing to work alongside each other to make meaningful changes in this legislative session.

Toward that end, this year we decided to narrow our focus to that which we believed was specific, measurable and achievable in this term. I still have strong opinions on the need to do something about unfunded liabilities at the state level, on the need for school choice, on capping higher education costs and more, but this final year we want to suggest just a few things in the hope this focus by you, me and the people more greatly insures their passage.

Accordingly, could we make this the year that we add just a couple of tools to the tool kit of economic development and jobs, that we put in place spending limits so that we avoid otherwise inevitable harm to both those who pay for government and those served by it – and finally could we make just three changes to the structure of our government that will pay tremendous dividends over time in both the efficiency and the effectiveness of South Carolina state government?

Boeing's announcement this fall was indeed great news for the 3800 permanent jobs, 2000 construction jobs – and supplier and support jobs that will come with it.

It is the single largest economic development announcement in the history of the state – and it has been named the economic deal of the year in the country. It is again an

example of the success that can come our way when we work together – as so many at all levels of government, and the private sector, worked collaboratively on this project.

But as great as those efforts were, if our soil conditions for the germination of the business that they would plant here in South Carolina were not better than other choices available to them, they wouldn't have come here.

It's a reminder of how every one of us need to work to improve the business soil conditions of this state each year, and the item most immediately before us on this front is long overdue reform to the Employment Security Commission. This change is the tool we could add this year to the tool kit of job growth in South Carolina.

The Employment Security Commission is yet another separate island of government in South Carolina, and it in some ways seemed accountable to no one as their trust fund was bled from a positive of \$500 million to a negative of \$800 million. If nothing is done here, taxes will go up on every small, mid-sized, and large business in our state – and I believe that tax increases would hurt job creation in South Carolina. I am joined in that belief by Kenny Bingham and Greg Ryberg – and I thank both of them for leading the charge this year on ESC Reform.

Separate islands of government are not only bad for the taxpayer and harmful to the business soil conditions of our state – they also in this case hurt those searching for a job. By linking the Employment Security Commission to the efforts of the Department of

Commerce in the creation of a Department of Workforce, the ESC would move from in too many ways simply processing claims for those unemployed to more actively coordinating with the Department of Commerce and others to connect those seeking jobs with job opportunities.

We continue to believe that there are other things we could do to improve the economy like raising our lowest-in-the-nation cigarette tax and swapping this with an equal dollar cut to the corporate income tax. The net effect of the change we have proposed here is that South Carolina's ranking on the state business tax climate index would move from 25th to the 6th most competitive state in the country – and changes like this would produce jobs.

But regardless of these merits, in picking just one legislative change that would maximize economic prospects this year – it is ESC reform, and I ask for its passage.

Concurrent with these legislative efforts, I am committed to working with each of you, those spearheading local economic development efforts – and the Department of Commerce – to maximize every possibility in recruiting jobs and investment to our state. The success that came in Boeing's landing in Charleston is a reminder of how South Carolina can win in these economic development contests.

Secondly, can we make this the year we get off the spending and budget roller coaster? To do so, we ask that the General Assembly enact spending limits. In fairness, measures

aimed in this direction have passed the House several times, and once looked to come close in the Senate. Senator McConnell has committed to constitutional change as the most lasting way to make this concrete, and I applaud those efforts.

I would ask for your passage of a bill that limits government's growth to population plus inflation, and then allocates everything beyond this to first paying down our state's huge unfunded liabilities – which now amount to more than \$20 billion – and when this is done, to then either set money aside for a rainy day or return it to the taxpayer.

The importance of addressing spending and our unfunded liabilities can't be underscored enough. It is the reason I got into politics, and I realize my convictions on these things can get old, but history has consistently shown how governments spend their way into oblivion – and pain for the people they supposedly represent. As a starting point I would simply ask you look at what we proposed in our budget in addressing unfunded liabilities.

On spending limits, if your political persuasion is from the right, then they make sense for the way that they protect the taxpayer in the good times. They help to avoid money going into wants and wishes rather than core needs – as when an additional \$1.5 billion comes into our state government as it did just three years ago. If your political persuasion is from the left, spending limits make sense for the way that they avoid us cutting past muscle and right into bone when times aren't so good.

Financial restraint is in many ways impossible without them, because as I've said repeatedly this fall at Rotary Club talks across the state, it's as if over the last seven years' worth of budgets we've been having parallel universe conversations, much like that described in the book, *Men Are from Mars, Women Are from Venus*. On the one hand I was over here pointing out that our spending was in no way sustainable. I pointed that out in each of the previous States of the State and literally a thousand other places as well.

Just last year, I noted I didn't have a crystal ball on economic trends; I simply heard from a lot of South Carolinians on common sense principles that they believed ought to apply to government. Trees don't grow to the sky, winter follows summer, and economies go through cycles – these things represent thinking that has been around for a very long time. Unfortunately as a nation, and as a state government, this idea had been forgotten by too many for too long.

The unsustainable debt march we were on has now come to an end, and so as a nation, and again by extension as a state, we will face a tremendous de-leveraging. I said then, and still believe, there is no way to avoid this reality.

In last year's State of the State I said that anybody who said that this economic slowdown would be short-lived was missing what I was hearing across the state – and that I believed that anyone who suggested that things wouldn't get a whole lot worse before they got

better had missed how high the forest of debt and spending had indeed grown over these 20 years.

Unfortunately, I've been proven right – but in fairness to every one of you as legislators that was not the decision most immediately before you as each budget year approached. I say this because the reality that we all know of any dollar that comes into the political system is not whether or not it will be spent, but where it will be spent. Whether the spending of that dollar was sustainable or not becomes a purely intellectual exercise for you at budget time when the question before each one of you was at that point, “Do I fight for my district – and some of that money coming to the people that I serve – or do I simply let others spend it?”

I don't begrudge any one of you for doing that which you were elected to do in trying to watch out for the people of your district, and so if we do nothing we will be left at the impasse that we have found ourselves at for seven years. This means future governors – if they choose to try and hold the line on spending will simply burn bridges and large amounts of political capital with less than commensurate results – or they may punt on the issue as many have done with consequential results to the taxpayer.

Doing nothing will leave every one of you in the less than ideal position of voting for spending that you know is unsustainable as the only way of getting a portion of that money back to your district and the people you represent.

Doing nothing would perpetuate the peaks and valleys approach to government spending that we have seen for far too long.

Doing nothing locks in a spending track that can almost guarantee future tax increases.

People are hurting in our state, and they rightly expect action to be taken. But what we do in addressing the jobs and spending issue is very important for the way unsustainable spending can bring even greater harm to the economy and job prospects. Spending money we don't have will never be the key to economic prosperity – this is true of bailouts from Washington just as it is true of our own approach to spending in this state.

So we have a second opportunity in these trying economic times – and that is to pass spending limits. I don't know when it will ever happen if it doesn't happen in this kind of budget year – and so I join thousands across our state in asking that you pass meaningful and real spending limits this year.

While on this topic of spending there is one other thing we need to do – make our voices heard in Washington. Everyone well knows my opinions on the fallacy of stimulus money – and my belief that lasting jobs and economic growth can never come from a government bailout. I won't restate my beliefs on how damaging those efforts are to future generations, the American dollar and the long term viability of the American and South Carolina economies. But there is a new threat to each one of us, the dollar and the financial stability of this country as debts are spiraling in Washington.

So-called healthcare reform will bring immediate damages to our state and nation, as for instance in South Carolina alone it would expand South Carolina Medicaid roles by over 500,000 people – costing our state’s taxpayers more than \$1 billion over the next ten years. It would also mean Medicaid would grow to almost 40 percent of the state budget in five years, and in so doing effectively place about one-third of the state’s population on Medicaid.

All this means is that unless people across this state really make their voices heard, significant cuts to other parts of state government – or substantial raises in taxes – are coming our way. If you take but one pearl from this talk it is that now is the time to make your voice heard – whether in correcting the path Washington is now on, or in bettering our state.

Finally, in this last year of office I backed away from some of our more ambitious proposals in changing our government structure – and by extension the way things are done in Columbia – and instead we’re just asking for three changes that we, again, believe will be specific, measurable and achievable in moving us toward a more balanced – and thereby more efficient and effective state government.

It is important to remember that government in South Carolina costs about 140 percent the national average. Our governmental structure leads in mighty ways to this cost and this is something that hurts business and job prospects – as well as the taxpayer.

Three things that we believe would move us in a different direction are a Department of Administration, having the Governor and Lt. Governor run together on a ticket and allowing the people to decide whether a host of constitutional officers should be elected or appointed.

Last year, a Department of Administration bill passed the House unanimously before stalling in the Senate. Its premise is that we don't need to continue to be the only state in the country that does not allow its Governor to administer the laws administered by the other 49 Governors in the United States. You would not be giving this power to me, I'm gone in 11 months – but for the sake of good government please give this power to whoever follows me, whether they are Republican or Democrat – male or female – please give them the tools by which they may succeed or fail, and then hold them accountable.

Two, put the Governor and Lt. Governor together as a team. To me it makes no sense to have a governor elected by the people, and yet have his first check on delivering promises made by, not the legislative or judicial branches of government – but the Lieutenant Governor, who in our state could be of opposite political persuasion and party. Would it make any sense to have the president and vice president in Washington elected with opposing agendas and wanting to go in opposition directions? I don't believe it would, and I respectfully ask we make this change.

Finally, can we let the people of South Carolina decide on whether a host of constitutional officers should be appointed rather than elected. We are for instance the

only state in the country where the Adjutant General is elected. We are not asking that any of you take a position for or against change in any of these changes, just that you let the people of South Carolina decide.

We are asking you do what was done at the time of the lottery when many in this chamber said they were against a lottery – but felt it was such an important issue that they would vote to allow the people to decide. If this reasoning can be good enough for a lottery, can it be good enough for the taxpayers chance to make decisions on our constitutional framework?

This is the case particularly in South Carolina when that framework was handed to us in the 1800's based on fears of black men in politics that are wrong and long outdated.

These truths on the need for change have been recognized by Democrats like Anton Gunn or Vincent Sheheen along with Republicans like Garry Smith or Tom Young – and I think it is vital we all do something *this year* about these truths.

So these are our simple requests for this legislative term. I ask for your work in their passage, and hope that you will call on me as I am committed to doing anything in your respective districts that might help toward that end.

I am tempted to end here, but as this is my last State of the State let me add a few other words of thanks, as together we have effected some changes over these last seven years that have made, and will continue to make, a difference in people's lives.

In fact when I ran for this office eight years ago, I pledged to work to make South Carolina a better place to call home. While this work is never done, and never complete in today's global competition for jobs, capital and way of life, we have made changes in each of the areas talked about in that now distant campaign.

We talked about the need to improve the chance for a job, the chance to better what we brought home in building a life or a family, how even a job was key to using one's talents, and therefore how important it was that we do things each year to make our business climate more competitive.

That's why I thank you for passing the first cut to the marginal income tax rate in South Carolina's history. As a result of this change, \$292 million have already stayed in the hands of small business people that would have gone to government. It has made a difference in how many of those small businesses could add a job to their payroll – or even survive in these economic times.

I thank you for passing the largest recurring tax cut in South Carolina history. Already \$260 million have stayed in the hands of taxpayers and for the difference this will make in their lives – I again thank you.

I thank you for passing the first tort reform bill of its kind. That bill took us off the list of “judicial hell holes” and is the kind of change instrumental to bettering our state's business climate and the prospect of jobs.

I thank you for passing our state's first reform to the workers' compensation system. A change like that one is also just the kind of thing that a business from afar looking at South Carolina takes into consideration. And I thank you for passing things like the small business healthcare bill.

The byproduct of these changes is in part evident in the record setting more than \$4 billion in capital investment brought to our state last year, which followed the year before in record setting investment. It is borne in the more than \$19 billion invested in our state over the last seven years, or the 64,000 *more* people working today than in 2003.

These job numbers are not where we would like them to be, but it is important to remember that we rank 14th in the nation in employment growth – and 9th in labor force growth – which means a lot of people are voting with their feet in leaving the Northeast or Upper Midwest and coming to South Carolina to seek opportunity.

It is evident in the decision of companies like Boeing, Google, Starbucks or Adidas to put down roots in South Carolina.

It is evident in the expansions of companies like BMW, GE Aviation or Husqvarna.

It is evident in the efforts of unsung heroes out working to grow and sustain small business like Southern Aluminum in Clinton, JVS Roofing in Simpsonville, or Elliott Sawmilling in Estill.

We talked about changing the way Columbia works, and once again we haven't reached the promised land on where we would like to end, but we have made real changes and for your efforts I thank you.

For too long too many votes were never recorded in these chambers and there can be no accountability without transparency. Thank you for what all of you did to change this.

We now have on-line transparency to allow a taxpayer to see more directly how their money is spent in state government.

We ended the Competitive Grants program.

We ended pass throughs and bobtailing – and I thank you here too.

When even the ethics committee said it couldn't be done back in 2005, we found a way to begin on-line disclosure so that citizens could better see where money was coming from and going to in campaigns.

We passed campaign finance reform. It had been vetoed twice during the previous administration, and its passage ended the Wild West practice that had prevailed in South Carolina that allowed unlimited and undisclosed amounts to go to a political party or caucus.

Thank you for passing steps toward improving governmental structure that in turn yields better results. The Department of Transportation had not been changed since 1919, and changes there mean more money will go to the place where congestion and need exist rather than to the places of few cars but greater political power.

You know the DMV story and its impact in people's lives. We only have so much time here on earth and you can spend it doing something you love or instead wait in a DMV line. The change you made has meant that wait times have on average gone from 66 minutes to 16. That kind of time matters, and so accordingly I'd thank the staff at DMV that has been remarkable in the way they have embraced and fostered change.

We talked about improving quality of life.

For me and so many others this is in part measured in the look and feel of this state, and that is why I am particularly proud of the fact that more land has been set aside during this governorship than any other in state history. These 153,000 acres will pay dividends economically in attracting and retaining people in our state, and in giving them a glimpse of the splendor that keeps so many of us here.

Quality of life begins with life itself, and so I want to thank each of you for your work in passing DUI reforms. Over the course of this administration fatalities due to drinking and driving have decreased by about one-third, and this means over 100 people each year continue in this gift called life. That would not have been the case without these changes.

Did you know we passed one of the toughest immigration reform bills in the country? It was based on the simple notion that if you are going to have rules we all ought to play by those rules, and has made a real difference for families across this state.

If you live on, or near, the coast, some would define quality of life as being able to get insurance for your home. The Coastal Insurance Bill protected taxpayers in the Midlands and Upstate from paying the bill for storm damages as is now the case in the state government-run Florida program.

Just as when we walk into Walmart they never give us the exact price we would love – we still get a better price than if there was no competition. This bill has allowed the private sector and the marketplace to work.

We talked about improving education. As a result of all that back and forth on this administration's core belief that parents ought to have every opportunity to decide what school works best for their child – for a choice – more have been offered.

We now have virtual schools and classrooms that allow someone in rural South Carolina to be taught by an expert in a different corner of the state.

We passed a statewide charter school bill that was the first of its kind in the nation. I don't believe we would have gotten that bill through – or other choices that now come in education – without the larger debate on full-scale choice in education.

Whether in the additional \$2.7 billion that has gone to education above and beyond the level of funding that came at this administration's start in 2003 – or with the Education and Economic Development Act that offered a tech-prep choice to students – or in physical fitness programs offered as a result of the South Carolina Health and Fitness Act – or even in outright full choice in education now offered in early childhood education, I know that a long list of people deserve credit for work here that is making a difference in the minds of students across our state.

Finally, I said I'd watch out for the taxpayer. I have always believed that money was a close proxy for freedom – and freedom at the end of the day is what the American political system was designed to perpetuate. It is economic freedom that unleashes the very initiative that drives our economy. It is freedom that empowers us to strive toward our respective dreams that individually define what “the pursuit of happiness” means to each one of us.

Yet when you spend a third, or half, your year working just to pay taxes, you are, in essence, indentured to government part of that time. And we ought to always get to the heart of what drives taxes – what we spend in government.

As mentioned earlier, this conviction is to the core. At times I wasn't as diplomatic as I should have been in expressing my thoughts on this – but the good news is that as a result of all that fussing and fighting – the taxpayer was recognized at the table of our government in ways that would have not been the case.

Though the pigs are still remembered, what is forgotten about that chapter was the way we faced a \$155 million unconstitutional deficit. We set precedent back then for the next 100 years on the sanctity of our balanced budget in this state – and for your work I thank you.

Did you know we are the second state in the nation to offer Health Savings Accounts for all state workers and retirees, and with this health and budget initiative millions will be saved?

Did you know those changes we instituted at the front end of this administration with Corrections producing their own eggs and growing their own corn for grits, Commerce selling jets, PRT consolidating programs – millions more have been saved – and will continue to be saved?

Did you know \$110 million has been saved with the proviso you put into the budget with the preferred drug list, or that we have saved \$1.8 billion over the last six years with our first in the nation Community Long-Term Care Program?

I could go down a lot of “did you knows” on taxpayer savings, but I’ll spare you that laundry list of savings, and simply thank you for your part in all those little, and at times unseen, efforts to save the taxpayer money. I have always believed in the notion that the ultimate measure of government was found in what it spends – and that all too often it spends at a rate that surpasses the taxpayer’s ability to keep up with it.

All those conversations, and even consternations, have been worthwhile for the way they served to force people in government to follow the lead of the people paying for government in looking for ways to do more with less.

Lest the length of this talk of mine lead you to the conclusion that I will ask for legislative change beyond the three things I mentioned, I will call it quits. But I will leave you with two parting thoughts.

The first is from our family minister Greg Surratt. In the prayer service before my second inaugural he encouraged me to live Micah 6:8 which simply asks that we love mercy, do justice and walk humbly. I never got that charge quite right over the following four years, I don't know that I ever will – but I do know that I will be trying and would pass his charge to each of you who bear the pressures and responsibilities of elected leadership.

Under the category of life beyond politics, I'd ask you to focus on the things that matter most. Many of you are far ahead of me on this journey, but I heard a story a few months ago that has helped me in refocusing – and in the hope it might help you too, I offer it.

In early December I was at the grand opening of Red Ventures in Lancaster, where I ended up in an amazing conversation with its CEO, Ric Elias, who had found himself in seat 1A of the plane that went down in the Hudson River.

The plane lifted off from LaGuardia, and a short time after takeoff the captain came on mentioning a bird strike and matter-of-factly said that they would have to be heading back to the airport to re-land. Ric's position was interesting because he sat catty-corner to the flight attendant and saw no fear in her eyes as the captain said what he said.

Another couple minutes go by and the captain comes back on announcing just three words, "prepare for impact." At that point, he could see the absolute sheer horror in the flight attendant's eyes as she knew what that meant. They were fully loaded with fuel and you don't put down a jet of that size on a street in Queens, Brooklyn or Manhattan.

Ric did the mental calculation and figured he would be dying in about 40 to 45 seconds and his whole life went rolling by. He said though he had previously had the natural fears of death, he was not afraid of death as it was so near. What he did think about was the time he had wasted – the time he had spent arguing about petty things, about things that didn't matter with people who did, the times he had let little things get to him. He said it was the most amazing process of letting go of all these things in those 45 seconds. In essence, he died to himself and to those previous aggravations in the short window of time that he had left on earth.

But he didn't die, and he now likened life to playing on bonus time in a video game – that he shouldn't be here, but he was, and therefore he was going to fully live each day. In profoundly positive ways he would try and make a difference in the lives of those around him and the world at large. He would invest in things that truly matter – those things that

you can't see, you can't touch, you can't feel – but are the things that will have lasting value.

I don't know if I will ever see Ric again, but I do know I'll be trying to follow his lead. As we work together over the next 11 months and as we go different ways after that, I hope you will too. If we all strive in this direction I suspect it will make a difference in bringing all of us – Republicans and Democrats, as representatives from the Coast, Midlands, and Upstate – as South Carolinians – together to better the lives of people in our state. That's my prayer.

Thank you and good night.