

State of the State Address

Wednesday, January 21, 2015

Mr. Speaker, Mr. President, ladies and gentlemen of the General Assembly, constitutional officers and my fellow South Carolinians:

Tonight, we have come together to discuss the state of South Carolina – the success we have enjoyed and the challenges we face. But we must first acknowledge, as we do every year, that without the selfless sacrifice of our men and women in uniform who have dedicated their lives to protecting our freedoms, this night would not be possible.

So now, please join me as we pay tribute to those who gave the last full measure of devotion in the service of their state and country:

- Captain James E. Chaffin III, West Columbia
- Staff Sergeant Girard “Jerry” Gass, Jr., Huger
- Deputy Sheriff Joseph “Joe” Matuskovic, Summerville
- Investigator Holmes N. Smith, Jr., Sumter
- Patrolman First Class Robert Blajszczak, Summerville
- Laurent “Larry” Britton, Charleston
- Lieutenant John M. Burns, Myrtle Beach
- Firefighter Paramedic Kellen A. Fleming, Chesnee

On behalf of all South Carolinians, to their families, know we will never forget.

Many of you enjoyed the festivities of last week. We want to thank you for making it a special time for our family and the state. We are thankful that Michael has been home from deployment for over a year now. He continues to be very involved with Youth Challenge, advocating for adoptive children, and managing the mansion grounds, all while keeping a smile on his face. Please help me thank the coolest First Gentleman ever, Michael Haley.

And what would Haley Family Fun Night be without two really fun kids. Michael and I realized recently that four years from now, they will have spent half of their childhood in public life. Rena and Nalin continue to take it in stride and make us both proud. They are 16 and 13 years old now. Rena is starting to tour college campuses and Nalin continues to tour basketball courts. Please help me welcome two little ones that make me proud to be their mom, Rena and Nalin.

One of my favorite parts of giving this speech each year is being able to recognize some of the people who have helped make South Carolina the special place that it is.

When we started our administration four years ago, we thought it was very important to highlight people in our state that make us smile. We will always have challenges in government. But for all of those challenges we have selfless people who, in the name of service and out of love for our great state, give South Carolina a good name.

I know there's been a lot of chatter about who Charleston's next mayor will be, but before we get too far down that road, we should take a moment, stop, and appreciate what we have. Here tonight is a man who has built a legacy of service in the Lowcountry and across South Carolina. He has served as the Mayor of Charleston for nearly 40 years and he has helped transform that city into the most popular destination in America, a crown jewel of not just our state, but of our nation.

He has decided to step down as mayor, but he will forever be remembered as one of South Carolina's great gentlemen and devoted public servants. I ask that you join me in welcoming Mayor Joe Riley, and thanking him for his lifetime of service to South Carolina.

Just a few short weeks ago, we lost a great South Carolinian with the passing of Governor James Edwards. As governor, as Secretary of Energy, and later as the president of MUSC, he spent a huge part of his life serving others and cemented a place in our state's history as a man we can all look up to.

But as we all know, it is nearly impossible to be as strong and significant as he was without the support of a loving family.

Tonight, I have the great privilege of introducing to you his incredible wife, Mrs. Ann Edwards. Mrs. Edwards asked that I thank you, the Members of the General Assembly, as well as the people of South Carolina, for the tremendous support you gave Governor Edwards during his full life and that you've given her since his passing. Mrs. Edwards, thank you for your service and for sharing your wonderful husband with us. You and your family will forever be appreciated by the citizens of South Carolina.

Nobody has represented us with more dignity than Lance Corporal Kyle Carpenter. We were able to have his parents join us for this speech in 2012 when he was recovering from his injuries, but we are thankful to have him here today, safe and healthy.

Last year, Michael and I were so proud to attend the ceremony where Kyle was awarded the Medal of Honor for his acts of valor during his deployment in Afghanistan.

I would like to take a moment to read a passage from the official citation recognizing his heroic actions.

"Lance Corporal Carpenter and a fellow Marine were manning a rooftop security position on the perimeter of Patrol Base Dakota when the enemy initiated a daylight attack with hand grenades, one of which landed inside their sandbagged position. Without hesitation and with complete disregard for his own safety, Lance Corporal Carpenter moved toward the grenade in an attempt to shield his fellow Marine from the deadly blast. When the grenade detonated, his body absorbed the brunt of the blast, severely wounding him, but saving the life of his fellow Marine."

It is rare that you are able to be in the presence of a true American hero, but that is exactly what we have with us today in Kyle Carpenter.

Please stand and join me in showing our deepest gratitude for his service to our country and his bravery that has made us all so proud.

South Carolina continues to be a major success story when it comes to recruiting jobs to our state. We make it very clear to the companies that choose to invest here that they are joining our South Carolina family. The businesses we are honoring tonight could have invested and moved anywhere in the country, and they chose to join Team South Carolina. We should never take that for granted.

Tonight, representatives of a few of those success stories, from all across the world, are here with us. As I introduce them, please hold your applause until the end – and then join me in giving them a warm South Carolina welcome.

Please stand when I call your name, and remain standing.

- Representing 151 jobs in Fairfield County, from Enor Corporation, Mr. Steven Udwin
- Representing 1700 jobs in Chester County, from Giti Tire, Dr. Enki Tan
- Representing 270 jobs in Lancaster County, from Haile Gold Mine, Inc., Ms. Diane Garrett
- Representing 175 jobs in Clarendon County, from Kent International, Mr. Scott Kamler
- Representing 40 jobs in Chesterfield County, from Nestle Waters North America, Mr. Lance Tully
- Representing 70 jobs in Greenwood County, from Portucel, S.A., Mr. Diogo da Silveira
- Representing 500 jobs in Florence County from Ruiz Food Products, Ms. Kim Ruiz Beck
- Representing 300 jobs in Dorchester County, from Scout Boats, Mrs. Sherrie Ferguson
- Representing 2400 jobs in York County, from The Lash Group, Ms. Tracy Foster
- Representing 65 jobs in Richland County, from The Ritedose Corporation, Dr. Umesh Dalvi
- Representing 615 jobs in Aiken County, from Medac Inc., Mr. Bijon Memar
- Representing 500 jobs in Spartanburg County, from Toray Carbon Fibers America, Mr. Toshiyuki Kondo

Thank you for making South Carolina your home.

Ladies and gentlemen, the state of our state is inspiring.

Over the last four years I have had the great privilege of travelling far and wide representing our state and her people. What I've learned is that we're not the only ones who love South Carolina.

Whether I'm in California or Connecticut, Montreal or Minnesota, the story of South Carolina's success is front and center. Everywhere we go there is excitement – and frankly, not a small amount of envy – over who we are and what we've been able to accomplish. It's a beautiful thing.

But last year I got to experience just how far that word is spreading.

In November, as many of you know, we travelled to India on a trade mission. India, of course, is the country of my parents' birth. I hadn't been there since I was two years old, so the trip was a special one for me – there are few things more impactful than seeing firsthand, for the first time, your own history.

But what was even more amazing to me was the connections I found between South Carolina and that far-off land.

I visited a workforce training center at Rayat-Bahra University in Mohali. Hundreds of students turned out for a talk I gave, and they had so many questions about South Carolina. But they didn't just know about South Carolina because we have an Indian-American governor. The skill development center at their university is modeled after ICAR in Greenville. Their school has signed an agreement with Clemson University to expand cooperation and allow their students to share in our educational opportunities, and vice-versa.

Everywhere I went in India – from students to business leaders to government officials – they knew what was going on in South Carolina.

Our state is getting noticed across the country and the world, and we're getting noticed for our triumphs, not our controversies. I couldn't be more excited. Or more proud.

Together we have built an environment where businesses can and will and want to grow. It is an environment that has enabled Michelin, Bridgestone, Continental and now Giti to manufacture tires in our state, with our workers. It has led international giants like GE and BMW and Toray to say yes, we want to call South Carolina home. It has created a better life for our people, a brighter future for our children.

We've worked hard to build a world-class, world-renowned business climate. And we must fight to keep it.

Any truly objective review of South Carolina's business landscape notes the benefit we get from the minimal role unions play in our state. In 2013 we had the third lowest percentage of union workers in America, with just 3.7 percent of South Carolina workers choosing to join a union.

I cannot express to you the extent to which this is a game-changer when we are trying to bring new businesses to our state. We have a reputation – internationally – for being a state that doesn't want unions because we don't need unions. And it is a reputation that matters.

Now, that reputation, and even more importantly, a South Carolina company, are under attack. And they are under attack by an organization that has proven it cares nothing for South Carolina or our workers.

Boeing's story – how they came here, their magnificent progress in Charleston since 2009, their commitment to their workers and to our communities – is one that certainly need not be told here. We all know it. We're all proud of it.

But in light of the fact that the International Association of Machinists and Aerospace Workers, one of the largest labor unions in the world, is gearing up to try and unionize the Charleston plant, their South Carolina story bears repeating.

In stark contrast to Boeing, which has invested billions of dollars and the future of what may be their most important project in the people of South Carolina, the IAM has never believed in us.

First, they flatly, publicly stated that South Carolina workers do not have the necessary skills to build airplanes. Our workers have proven them wrong, but no matter what the IAM says today or tomorrow, we should never forget what they really think about our state.

And then they sued us. They tried to shut us down.

So every time you hear a Seattle-union boss carry on about how he has the best interests of the Boeing workers in Charleston at heart, remember this: if it was up to that same union boss, there would be no Boeing workers in Charleston.

The truth is the IAM cares about one thing and one thing only – its own power. And the successes of Boeing in South Carolina, and more so, the successes of the non-union workers who populate its ranks, are a threat to the IAM.

Like bullies do, the union bosses will try to cover-up those truths and crush those threats. But we have beaten back the IAM before, and with the support of those of us in this room, and the good people all across South Carolina, I have every confidence that the Boeing workers in Charleston will see this play for exactly what it is and reject this union power grab.

While Boeing and the 787 Dreamliners rolling off the Charleston assembly line are an example of what real workforce training success can look like, we don't have those same stories everywhere in South Carolina.

I have challenged my entire Cabinet to get creative about how we put people back to work.

Whether placing employment offices in our prisons, as we did in Manning last year, so that offenders come out from behind the fence with a job, or moving families from welfare-to-work – we are about workforce programs that meet the real needs of real people.

Think about the single mom struggling to make ends meet that can't afford to pay for the training she needs. Think about the young man who just graduated college in liberal arts and can't seem to find a job. Think about the father of four whose ability to move up in his company is capped out. They all need opportunities. They all deserve a better life.

We are going to help them get there through a new initiative called SUCCEED South Carolina.

We have always offered training programs through readySC to train people who want to work in places like BMW, Boeing, and Continental. It's been tremendously successful, but we're going to expand it.

We will now begin working with other companies, companies of different sizes and in different industries, companies already in South Carolina, to create programs that will lead to a job.

The best part? If that single mom wants to get started, we'll pay for her training. And when she gets the job we've trained her for, which she will, she'll pay us back and pay it forward.

This new initiative will not only help those citizens who want to be retrained but also assist our smaller companies, those that represent 97 percent of our employers, by helping them get the workers they need to keep moving, and keep growing.

The economic gains we have made since the end of the Great Recession are no secret to anyone in this room, but it is not enough for us to simply celebrate them. We must keep driving on. The tens of thousands of new jobs announced in South Carolina don't mean anything if it's not our people who are filling them. The massive drop in our unemployment rate over the last five years is amazing, but we must recognize there are still thousands out of work.

We can address these issues. We can make sure that, as a state, we are serving the single mom, the twenty-two year old graduate, the capped-out father – and that we are serving them well. We can make sure that any business – small, medium, or large – has a willing and well-trained stable of South Carolinians ready to fill all the jobs they can create. And we can make sure that South Carolina is a state not just of tremendous growth, but of real, true opportunity, for each and every one of our citizens.

The journey to that place of opportunity doesn't start with any of the three people just mentioned. No, like most things, it starts with their children. It starts with how we educate all our children.

Last year, I stood at this podium and asked a very simple question: are we willing to look South Carolina's children in the eye and tell them that their future will be largely determined by the circumstances of their birth and not the endeavors of their life.

And by your actions, you answered, resoundingly, "no."

I thank you for that. And, more importantly, years from now, the children of South Carolina will thank you for it. For the changes we made are real.

We invested in teachers. We invested in technology. We invested in reading. And, for the first time in our history, we acknowledged that it costs more to teach those children mired in poverty than those born into a secure economic situation.

We changed the face of South Carolina.

But as we said last year, this was not a silver bullet. The investment we made must be ongoing, it must continue, and it must touch every school district.

So in our budget we have doubled down on our investment in technology. We have expanded our commitment to reading coaches. We have devoted more to professional development, so our teachers are better equipped to teach in today's world.

And we've proposed a new initiative that will help our rural schools get, and keep, the kind of highly qualified teachers their students deserve.

First, if a student graduating high school is willing to spend eight years teaching in their underserved home district after college, we will pay for up to four years of tuition at a state school.

Second, if a teacher who has graduated from college and is burdened by student loans commits to teach in a rural district, we will contribute to their student loan repayment.

Third, if a teacher has less than five years' experience and begins teaching in an eligible district, he or she will receive a pay bump, advancing his or her salary to the level of a teacher five years further down the road.

Finally, if a teacher wants to attend graduate school at a state college or university, we will cover the cost of that education, again in exchange for a commitment to teach in a rural or underserved district.

And all of this will be done without spending a single new tax dollar.

These options aren't just available to new teachers. They are available to all teachers. We want that shining star teaching in Lexington to decide it's time to take on a new challenge and teach in Denmark. Because nothing can ignite a child's desire to learn quite like a great teacher. We need those great teachers going to our rural schools, touching our most at risk students, and we need them staying there. Now, we've given them an added incentive to do just that.

Last session you joined our call for reform, recognizing that the education of our children transcended the normal, sometimes foolish, constraints of politics and partisanship. I ask that you do the same this year, that you continue to raise the ceiling of opportunity for every child in South Carolina.

The spirit of cooperation, the commitment to moving our state forward that defined our shared efforts on education sadly did not extend to the reform of our ethics laws that South Carolina so desperately needs.

Many words have been spoken on this issue and much time wasted in these Chambers with no result. I believe I have said all I need to. You all know exactly where I stand. Reform our ethics laws, restore the public's faith in our government. Let's do it right, and let's do it now.

We have also seen our challenges over the last four years, in many cases due to the long-term neglect of some of our agencies. And so we went after that neglect.

We strengthened our mental health and drug abuse services. We focused not on dollars spent but services given to our most vulnerable, like those with disabilities. And we strengthened agencies that had been heavily burdened by changing and increasing populations. In every case, we have focused on results for those in greatest need.

One agency has been more challenging than most, the Department of Social Services. There is no question there were changes that needed to be made, and to understand just what those changes should look like, we went right to the source: our caseworkers.

They told us how painful, how difficult it can be to protect children from their own parents. Their frustrations became my frustrations, and their passion for children fueled our efforts to improve DSS.

We have since added caseworkers, changed processes, added second shifts, improved technology, forged partnerships with law enforcement, created new career paths for caseworkers, and so much more.

We have changed DSS for the better. It is in a far different place than it was a year ago, but there is also still work to do. We have found the person to lead that charge.

Susan Alford was recently quoted as saying "It's always challenging but we have to do it with openness, with integrity, with humility, and with a lot of determination." I couldn't have said it better. I have no doubt that for the Department of Social Services, its dedicated employees, and most importantly, the children they serve, there are brighter days ahead.

There is an important economic convergence going on in South Carolina today.

On one side, we have a growing economy, with more of our people working than ever before, with unemployment down to rates we haven't seen in many years, with people moving from welfare-to-work by the tens of thousands, and with new companies moving in or starting up all the time. It is indeed a great day in South Carolina.

How did we get here? There are several factors, including our business-friendly regulatory approach, our right-to-work laws, and our strong economic development and recruitment efforts. But there's also no question that our tax system plays an important part in our economy too.

Our economic competitiveness as a state is in really good shape, but the nature of competition is that just when you think you're doing well, your competitors are gaining on you. In order to continue our state's remarkable progress, we must take further steps to improve our standing.

We are competing for jobs internationally, nationally, and regionally. Where we stand compared to our neighboring states matters.

Some southeastern and southwestern states – Tennessee, Florida, and Texas – have no income tax at all. Georgia's tax is a full percent lower than ours, and just last year North Carolina cut theirs by two full points, to below even that.

In that competitive environment, our state's 7% income tax rate stands out and puts us at a disadvantage. In order to keep the ball rolling in our economy, we must bring down our income tax.

At the same time, it is widely recognized that we have major infrastructure needs in our state.

We have a very real problem with the way our transportation dollars are spent. Our system screams out for reform and restructuring. The condition of our roads and bridges is a statewide concern and yet our dollars are being spent with zero statewide perspective.

The current system, with commissioners representing Congressional Districts and selected by local delegations, is the ultimate exercise in parochialism. Instead of fighting for the needs of South Carolina at large, they fight for the needs of their districts, which means they fight each other. I don't necessarily blame them – until we make wholesale changes to the system, doing so is in their best interests.

The problem is it is not in South Carolina's best interest. So I will not support more revenue for our roads and bridges until we restructure the Department of Transportation. Simply shipping more money into the current bureaucracy would be like blasting water through a leaky hose. Some of it would reach the right destination, but too much of it would end up in a mess on the ground. I won't do it.

That said, deficient roads and highways are an economic issue. That's why we supported \$1 billion in new road funds last year, which was the biggest infrastructure investment in a generation. It's why we proposed in our Executive Budget dedicating an additional \$61 million in auto sales tax funds entirely to roads. But we know that's not enough. We still have very substantial infrastructure revenue needs that have to be addressed.

We have studied every option.

Some have advocated raising the state gas tax. Yes, we do have the third-lowest gas tax in America. Gas prices are now down to their lowest level since 2009. Non-South Carolinians who visit our state would

pay a portion of the tax. And we would boost the revenue stream that is dedicated to improving our roads and highways.

But there are also major problems with it. We have not gotten to where we are as a state, with our strengthening and growing economy, by raising taxes. Quite the opposite. If all we do is increase taxes, whether it's the gas tax, or some other tax, we will hurt our citizens, we will discourage job creators, and we will dampen our economy. As I've said many times, I will veto any straight-up increase in the gas tax. That's just not going to happen while I'm governor. It's the wrong thing for South Carolina.

So here's the deal. Let's do three things at once that will be a win-win-win for South Carolina.

Let's cut our state income tax rate from 7% to 5% over the next decade. That's a nearly 30% reduction in state income taxes. Nationally, it will take us from 38th in income tax competitiveness to 13th. Regionally, it will put our rate back below those of North Carolina and Georgia. It will be a massive draw for jobs and investment to come to our state.

And it will put more money in the pockets of every South Carolinian, letting them keep more of what they earn. It will reward work, savings, and investment – all the things we need to do to make our state stronger and our people more prosperous.

Next, let's change the way we spend our infrastructure dollars and get rid of the legislatively elected transportation commission so the condition of South Carolina's roads is no longer driven by short-sighted regionalism and political horse trading, and we stop wasting our tax money.

Finally, let's increase the gas tax by ten cents over the next three years, and let's dedicate that money entirely toward improving our roads. That will keep our gas tax below both Georgia and North Carolina, and we can do it without harming our economy, because when coupled with the 30% income tax cut, it still represents one of the largest tax cuts in South Carolina history.

Now, I hope everyone listened carefully to what I said. This is a three-part package deal. In order to get my signature on any gas tax increase, we need to restructure the DOT, and we need to cut our state income tax by two percent. If we do all of those things, we will have better roads and a stronger economic engine for our people. That's a win-win.

I'd like to personally say thank you to Speaker Jay Lucas for his leadership and his commitment to working with us on this and many other issues going forward. And I'd like to thank Chairman Brian White, Representative Gary Simrill and the other dedicated members of the House Transportation Committee, who have worked for months to find a solution to our crumbling road system.

I appreciate the House taking a formative, thorough lead on this issue. We can all agree that our state's Department of Transportation must be reformed in order to bring more jobs to South Carolina, and I look forward to working with both the House and Senate to solve this very real problem this year.

Between August of 2013 and this past November I spent my days and nights travelling South Carolina and talking with her people.

Campaigns are a lot of things, but above all they are an opportunity. An opportunity to hear from our citizens, who act as our state's conscience. An opportunity to look backwards, at where we were and what we've accomplished. And an opportunity to share a vision for where we want to go.

I have heard it said that the election results have given me a mandate. I have thought long and hard about what that might mean.

Webster's Dictionary defines the word mandate as "a command or authorization to act in a particular way on a public issue given by the electorate to its representative." The way the word has been used since November suggests to me that many think I have been given the authorization to act, effectively given permission to push through the agenda I desire.

That is not how I see it. I never saw the election as a referendum on me, but on all of us, on the direction we have taken South Carolina over the last four years. Likewise, I don't view the results as anything but a command, a command by the people of our state to continue along the path we have travelled together since I first took the oath of office as their governor.

That path has been one of complete commitment to the economic future of our state, where every action we take is one that makes it easier for our companies to do business, expand, and hire our people.

It has been one where we jump at every opportunity to restructure our archaic government so as to better serve our citizens.

It has been one where we opened our borders to new businesses and kept them shut to job-killing unions.

It has been one where we fight, every day, to give South Carolinians the honest, open government they deserve.

It has been one where bickering for bickering's sake between branches of government became a thing of the past.

It has been one where we placed the education of our children above our parochial and political self-interests.

And it has been one where we put South Carolina back on the map – for all the right reasons.

That is the path I believe in. It is the path the people of South Carolina overwhelmingly embraced ten weeks ago. And it is the path I will continue to follow, for if we do, there is no telling the heights to which we can take the state we all love.

Thank you, God Bless you, and may He continue to bless the state of South Carolina.