

**STATE OF  
SOUTH CAROLINA**



**Governor's Veto Message  
FY 2005-06 Appropriations Act and  
Capital Reserve Fund Appropriations Act**

**May 17, 2005**

**Mark Sanford  
Governor**



# State of South Carolina

## Office of the Governor

MARK SANFORD  
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May 17, 2005

The Honorable David H. Wilkins, Speaker  
South Carolina House of Representatives  
508 Blatt Building  
Columbia, South Carolina 29211

Dear Mr. Speaker and Members of the House:

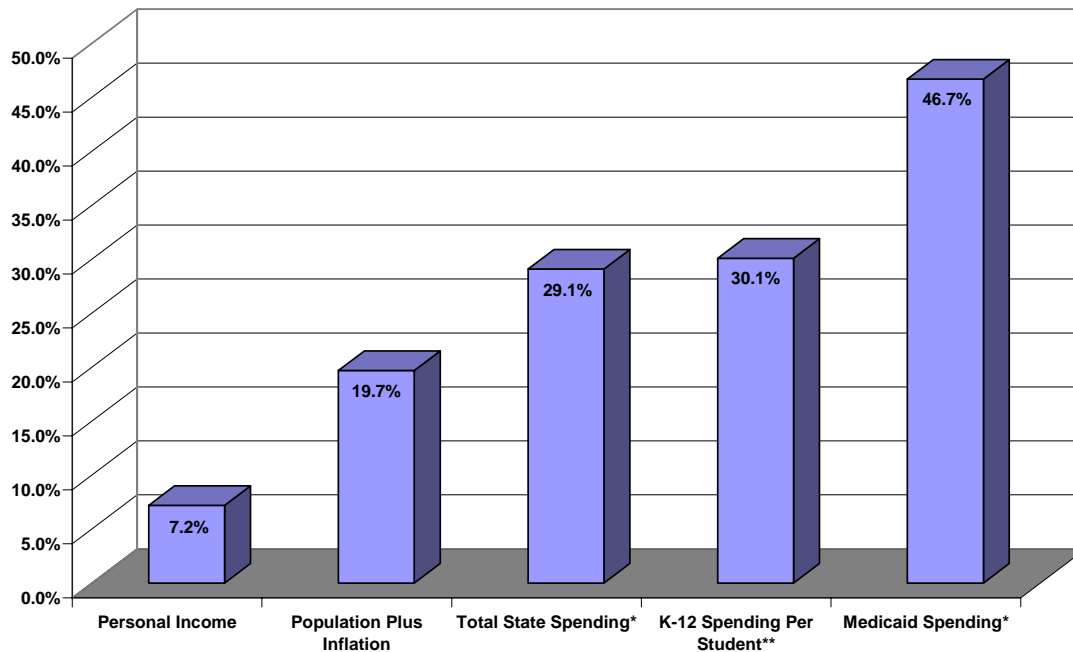
I am returning H. 3716, R. 73, the FY Year 2005-06 General Appropriations Act, with the line-item vetoes detailed below. This budget contains \$707 million in new revenue, an increase of 13.4 percent over last year. This bill represents over a 9.1 percent increase in the expenditure of state tax dollars over last year's budget.

Although there was much fanfare about last year's vetoes and pork, those vetoes were ultimately less about individual spending items than about the constitutional requirement of a balanced budget. As you remember, I saw those vetoes as the last available tool to help extinguish the remaining \$16 million on what had been a \$155 million unconstitutional deficit.

Given the amount of new money coming into our state government, the vetoes enumerated on the following pages are in the same vein – less about the underlying vetoes than two larger themes. First, our state's practice of simply spending whatever comes in creates an up and down pattern of spending that I think is harmful to agencies, the people who work there, and the citizens they serve. In years like the upcoming fiscal year, that pattern also grows government at a rate substantially higher than the growth in the incomes of the hard-working people who ultimately pay for state government, the taxpayers. I think in years like this one we ought to limit our spending, pay back trust funds, and allow for a modest, constant and sustainable rate of government growth.

## Personal Income vs. Spending

Cumulative Growth from FY 01 - FY 06

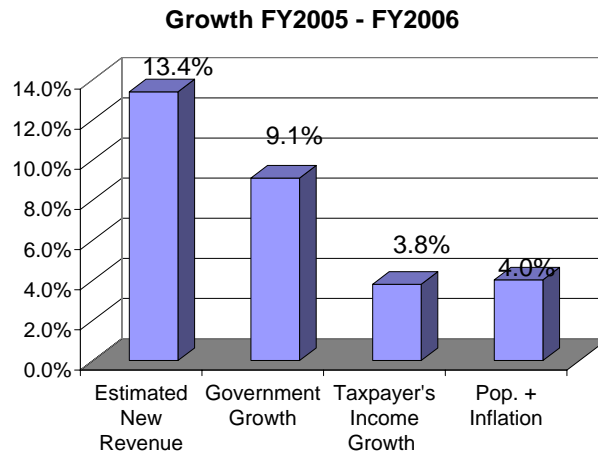


Second, these vetoes are about the principle of doing first things first. I believe we should pay back trust funds borrowed when times were tough before we begin new and additional spending. Families across our state live by this principle. When times are tough, they may borrow from the proverbial cookie jar. Small businesses do the same, and, in both cases, when times get better, the first order of business in families or businesses that manage their affairs prudently is to put that money back in the cookie jar. We should do the same in managing our financial affairs in Columbia.

These vetoes reflect an attempt to meet in the middle in replenishing trust funds. For that reason, we do not propose in these vetoes what I would like to do, which is completely repay all trust funds and reserve funds. Instead, we propose a combined total of approximately \$96 million in vetoes in this Appropriations Act and the Capital Reserve Fund Appropriations Act. These savings, which combined with the existing \$117 million of trust fund replenishment proposed by the General Assembly, brings us to over \$210 million in repayments in this budget cycle. This would pay down about half of trust fund borrowing and leave a trust and reserve fund balance of approximately \$226 million.

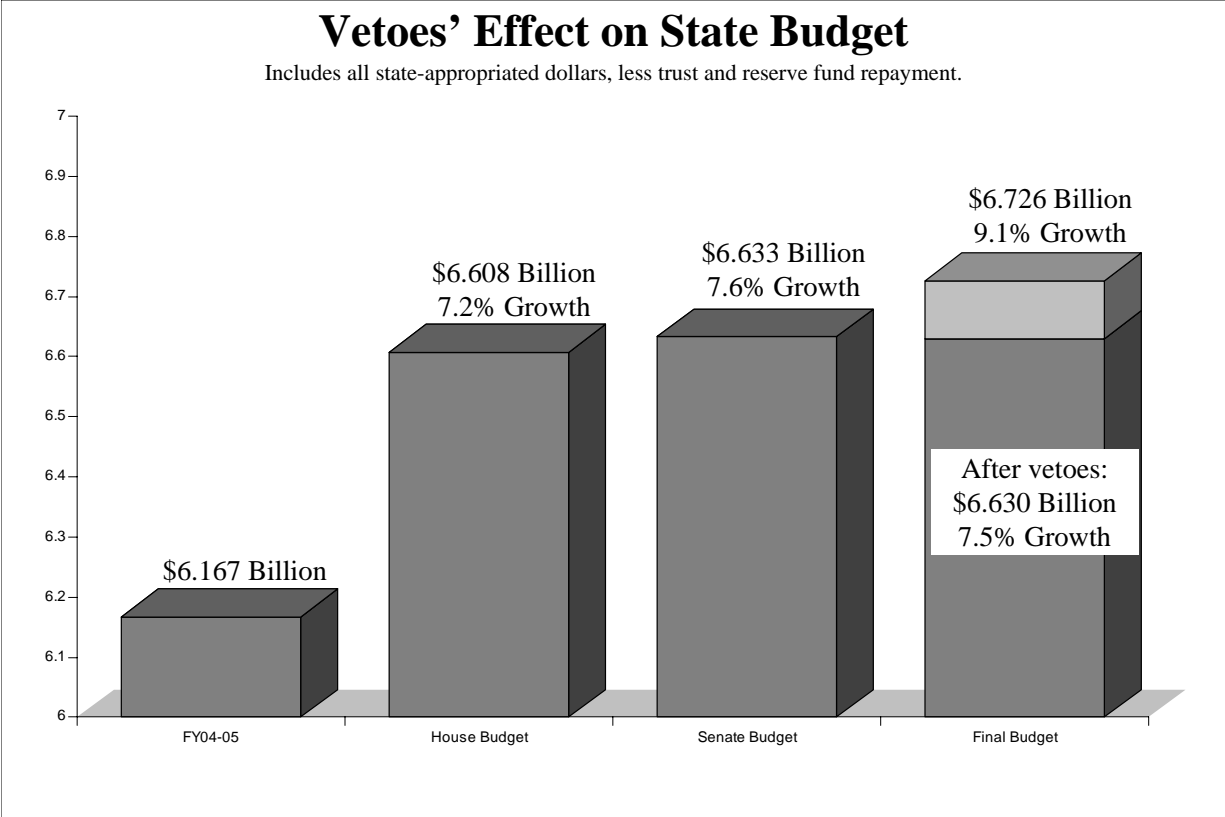
It goes without saying that after these balances have been extinguished, it is certainly within the General Assembly's prerogative to fund every one of the projects outlined in this Appropriations Act. Putting the repayment of trust funds before new spending is important not only because of the principle of first things first, but also because I very strongly believe it is necessary that we get our financial affairs in the best shape possible given the different threats to our national economy on which I will elaborate later in this veto message.

This administration's first goal when 707 million new dollars stream into Columbia is to give some back to the South Carolinians sending it. As you know, we pushed with Speaker Wilkins and many of you for the passage of a broad tax cut which we have long believed key to strengthening our economy and job prospects in South Carolina. Thank you again for your help in efforts to pass that tax cut, which certain members of the Senate unfortunately blocked this year. While state government has seen double digit revenue growth, taxpayers in South Carolina will see their personal incomes grow by only 3.8 percent. Using population plus inflation as a measure, annual growth has averaged only 3.6 percent over the past two years.



Since only \$2.5 million of the \$707 million in new money is being used to reduce taxes in this budget year, our belief is that we ought to take as much of that money as possible and repay trust funds before we begin new and additional spending. Since the economic downturn of 2001, roughly \$500 million was borrowed and diverted from trust and reserve funds to avoid deeper budget cuts. Over the last two years, total state spending has increased by \$1 billion, yet \$321 million remains to be repaid to trust and reserve accounts.

On this front, the core difficulty I have with this budget is that out of the \$707 million in new taxes coming to Columbia, only 16.7 percent is dedicated to trust fund replenishment, while 83.3 percent is allocated to spending. Committing nearly \$96 million to additional trust and reserve fund repayment still leaves us with enough money to fund the higher spending commitments contemplated in this Appropriations Act for core government services in education, health and law enforcement. It would leave us with \$190 million more for education, \$80 million more for Medicaid, and \$37 million more for law enforcement than last year. Even after subtracting ALL trust and reserve fund repayment, there is an additional \$185 million for any other items the General Assembly wanted to fund.



With these priorities in mind, my vetoes are based on three simple ideas: (1) over time government shouldn't grow faster than the growth in our population plus inflation; (2) tax dollars returned to the private sector stimulate economic growth; and (3) money taken from trust and reserve accounts should be quickly restored.

Before I expand on the application of these three principles to this budget, I want to first acknowledge many of the positive actions the members of the General Assembly have taken in this Appropriations Act and thank you for joining me in prioritizing the areas of education, health care, and law enforcement.

We are pleased to see several significant improvements in education funding. Because of lower revenue forecasts at the beginning of the year when I wrote my Executive Budget, I had \$293 million less in revenue than is spent in this Appropriations Act. Our \$134 million in new funding for the classroom was enhanced by the General Assembly through backpacked and additional funds which enabled the Base Student Cost to be fully funded for the first time in five years. We are also pleased that the goal of paying teachers \$300 above the Southeastern average was met.

This budget also meets our goal of fully funding the increase in health care costs so state employees are given a reprieve from the tremendous increases in premiums over the past several years. Additionally, we are pleased to see a partially targeted pay raise for state employees, but would hope that we can go further in the future in tying pay increases to performance instead of across-the-board increases.

Early on we pledged to work diligently to restore the severe personnel cuts endured by our law enforcement agencies over the previous years. We are pleased to see the Legislature join us in that effort by adding 100 new state troopers, as well as additional officers at SLED, Corrections, Department of Juvenile Justice, and the Department of Natural Resources.

While there are other areas that we are pleased to see funded in this year's budget, two worth singling out are the restoration of critical funding at the Department of Social Services and first time funding of a system to allow for electronic campaign filing for candidates for public office.

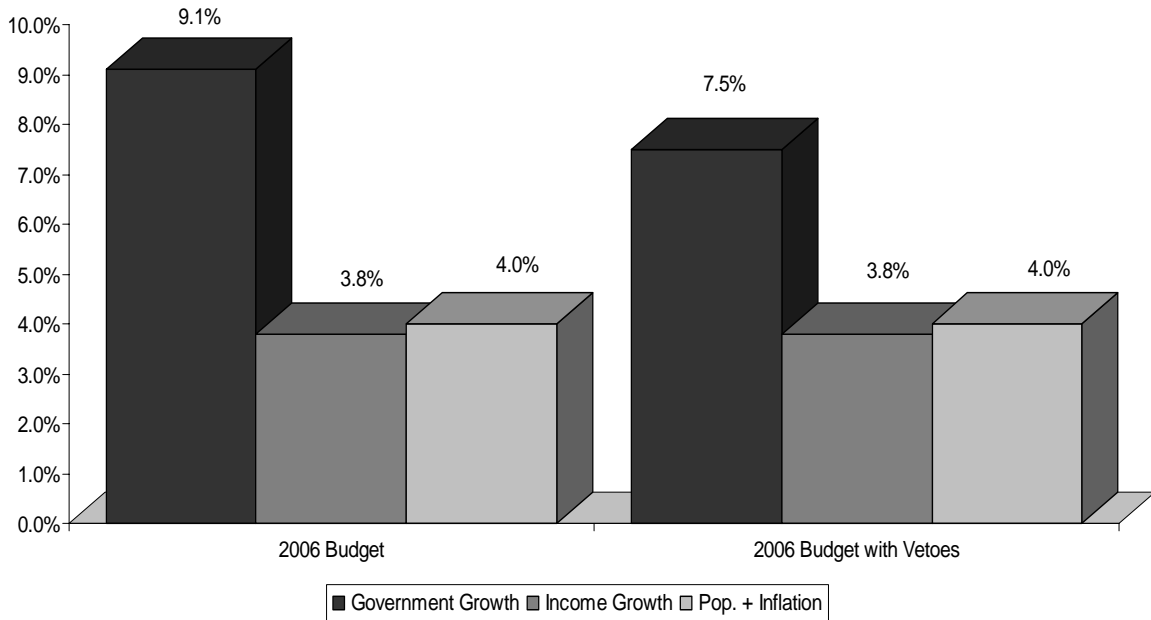
This year's budget process started with my office creating a comprehensive inventory of over 1,500 separate and distinct activities of government, which we then prioritized and ranked. In fact, our activity-based process actually follows the path laid out by the legislative leadership when they announced their budget reform package in January 2001. We embraced several of their proposed changes including zero-based budgeting, sunset provisions, limiting growth in government spending, and curtailing the use of "one-time money" for recurring needs. While we are appreciative of the general comments regarding the budget process we followed in putting forth our spending plan, we are disappointed that the General Assembly did not adopt what we think is an improved method of budgeting. We hope that legislators will consider alternatives to incremental budgeting in future years.

In contrast to our activity approach, much of the supplemental spending in this budget is based on the whims of individual legislators. For instance, in the Senate floor debate on this budget, one senator requested \$15,000 to help restore General Francis Marion's Tomb, which lies in his senatorial district. Senator Leatherman responded that the amount should be increased to \$50,000 just to make sure it was done right. Of course, the higher amount was adopted. This sort of budget writing results in increased spending without any weighing of the relative need for a particular activity. Our activity-based approach would have weighed the relative need to restore the tomb against the other 1,500 activities the state purchases.

## **1. Limiting Government Growth**

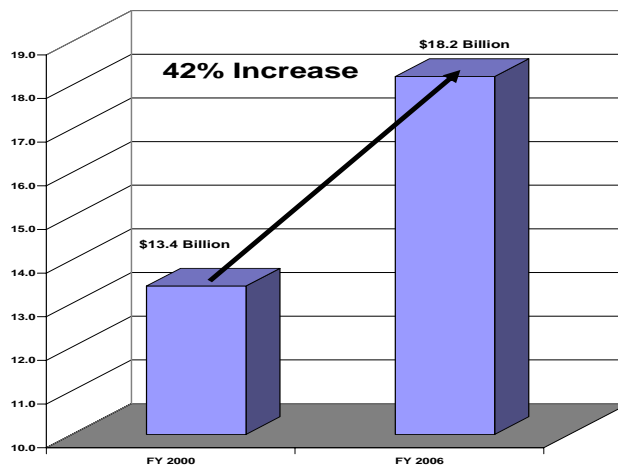
One of the fundamental problems with this budget is that it allows government to grow at 9.1 percent after payments to trust funds are deducted from the \$707 million in new revenue. Some could even argue that this budget grows government over 13 percent since the trust fund money was spent on government programs in previous years. This sort of growth in government takes vital capital out of the private sector, which in turn hampers job creation and expansion of our economy. While members of the General Assembly are able to spend 9.1 percent more than last year, taxpayers in South Carolina will see their personal incomes grow by only 3.8 percent. In other words, this year in our state some are proposing government grow at more than twice the rate of the incomes of the people who pay taxes to fund this budget!

## Government Growth Still Outpacing Economy



In FY 2000, our strong economy was producing significant tax revenues for our state’s total budget of \$13.4 billion. In spite of our recent economic downturn, the recent Appropriations Act would increase total spending to \$18.2 billion – more than 40 percent higher than that benchmark. This \$4.8 billion increase in spending in just six years averages out to a state government growth of 6.7 percent a year.

**Total State Spending**  
FY 2000 - FY 2006



The three percent growth limitation in the Fiscal Discipline Act of 2004 helped us eliminate last year's \$155 million deficit. A similar spending limit is permanently needed. One possible approach would be to limit government growth to population plus inflation, which over the past two years has averaged about four percent annually. As our population increases, this would allow additional funding for core areas like education and health care, while at the same time allowing dollars to be returned to the private sector to grow our economy.

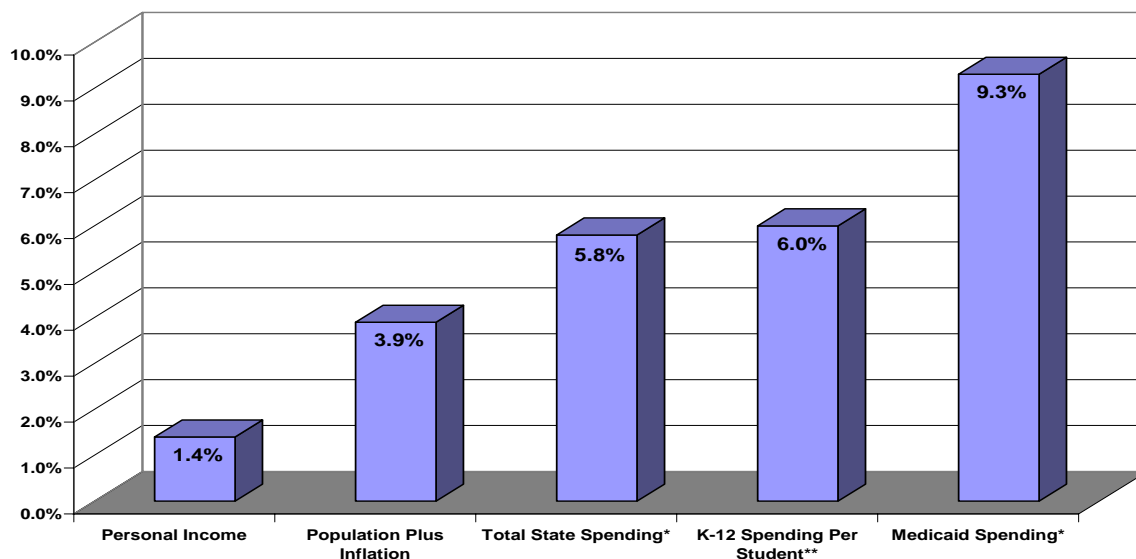
## 2. Stimulating Economic Growth

A primary focus of this Administration will always be to give the taxpayers of this state tax relief that will create jobs and improve our economy. Currently, our state has effectively the highest income tax rate in the Southeast, and it places us at a severe disadvantage in the global competition for high-paying jobs. Unfortunately, this year's budget resulted in a tremendous amount of growth in spending, but, as was mentioned earlier, only \$2.5 million in income tax relief came from a pot of \$707 million in new money. I am greatly disappointed that the Senate refused to pass a larger tax cut, but I'd give credit to the House and its leadership for the way they supported us in our efforts to give relief to all taxpayers of this state.

Numerous items in this budget have exceptional merit; however, since more of the new money was not returned to the taxpayers, our second highest priority is to hold the line on spending to protect the financial security of the state. The question then must be asked – should we grow government by 13 percent in this budget when state revenues are expected to grow at an annual average rate of only 3.6 percent over the next ten years? The answer to me is simple. We must keep our spending in line with our revenue projections and population plus inflation. Out of control spending today will hinder our ability to grow our economy in the future.

### Personal Income vs. Spending

Average Annual Growth from FY 01 - FY 06





My frustration and concern for the taxpayer does not stop here. I also feel compelled to express my deep concerns about the proposed increase of seven cents on the gas tax recently passed by the Senate Finance Committee, before the ink on this budget was even dry. I question why certain members of the Senate, during a year of enormous revenue growth, feel the need to ask for even more money from the taxpayers of this state – in fact, 42 percent more than is currently being paid in gas taxes. As with any policy decision, the merits must always be considered. I am, however, unable to find any merit in a policy decision that is expecting taxpayers to grow government to an even higher level of 14 percent next year and almost \$200 million when fully implemented. Looking out for the taxpayer will always be important to me, which is why I continue to disagree with any stand-alone tax increase, especially on a purchase that is already creating such a burden and drag on our economic engine.

### **3. Repaying Trust and Reserve Accounts**

As you know, during the budget debate and as new monies have come into the state's coffers, I advocated for more new dollars towards replenishing trust funds. Both bodies took a step in the right direction on this front – dedicating about \$117 million to these accounts. However, this still leaves the state with a \$321 million trust fund obligation. On my recent visit to New York, credit rating agencies also expressed the same concerns that I have regarding trust funds in addition to a problematic accounting practice known as the GAAP Fund Deficit. To this end, I want to commend the House – and specifically Representative Bobby Harrell – for following the lead of Treasurer Patterson, Comptroller Eckstrom, and myself in setting the stage to deal with the GAAP problem in this year's budget. While the stage is set, we must also be wary that the GAAP problem is not completely resolved as future fiscal years will continue to carry a negative unreserved balance unless we remain committed to paying off the initial negative balance of \$105 million as outlined in Comptroller Eckstrom's recent letter to the Board of Economic Advisors (BEA).

State revenues are directly tied to how well our economy performs. With any budget process, it is vital to be conscious of the surrounding economic environment. As I noted in my State of the State address earlier this year, I believe our economy is still at risk and we must continue to prepare ourselves for the next financial storm. I believe we must be mindful of some key economic areas now and in the future when preparing our state's spending plan.

#### *National Trade Deficit*

First, South Carolina's economy is about more than just the financial and industrial situation within our borders, it is also about the effects from changing events at the national and international level. To this end, the U.S. trade deficit is a concern – hitting a record level of over \$60 billion in one month earlier this year, or an annual rate of almost \$700 billion.

Let me use China as an example. This country's exports to the United States have grown by 1,600 percent over the past 15 years. However, U.S. exports to China have grown by only 415 percent. Even more to the point, the world's largest corporation, Wal-Mart, currently does business with 6,000 worldwide suppliers and 5,000 of them (or over 80 percent) are located in China. My point is our country and many hard-working folks in this state are feeling the impact

of a nation like China. Any textile worker in the Upstate can tell you this as our manufacturing sector has been hit hard with the loss of 82,000 jobs in the past 10 years.

### *A Weak Dollar*

Second, our effort on the war front has rapidly increased U.S. spending. The federal deficit is expected to be over \$350 billion for fiscal year 2005. On top of that, the national account deficit is remaining at a record level – currently at almost six percent of the country's Gross Domestic Product. These two economic components are leading us towards an increasingly weak dollar.

### *Rising Gas Prices and Increased Consumer Debt*

Lastly, consumer spending accounts for about two-thirds of all economic activity in this country. There are currently two significant burdens on the consumer that are having a negative impact in our state and nation – the price of gasoline and rising consumer debt.

All South Carolinians have felt the effects of paying an all-time high of over \$2 a gallon for gasoline as a core result of the price of oil remaining above \$50 a barrel. Unfortunately, it doesn't look like the situation is going to get much better. The U.S. Energy Information Administration estimates the national average for a gallon of gas will be \$2.17 for this summer – and during a time in which the Senate is considering increasing the gas tax by 42 percent. As a consequence, consumers will become increasingly careful where each dollar is being spent.

I also believe the economy is on shaky ground because of rising consumer debt, which ranges anywhere from outstanding mortgages to balances on credit cards. In fact, mortgage debt increased \$1 trillion last year alone and overall household debt now totals about \$10 trillion – or roughly 115 percent of personal income. Moreover, rising interest rates will increase monthly payments on this debt. As rates continue to rise, consumers are recognizing the increasing need to tackle this burden immediately by repaying mortgages and paying down credit card debt. Unfortunately, this means less money to spend on everything from clothing to appliances.

So the bottom line is that I am concerned with the future of our economy. Throw into the mix a volatile stock market, a state unemployment rate that is the third worst in the nation, and a state income that is only 83 percent of the national average, and we have even more of a reason to be cautious of what the future brings. These economic pressures will likely slow consumer spending and could produce a dramatic drag on the state's economy. I believe we may be seeing the beginning stages of this drag. In fact, the BEA touched on this very subject in its last meeting stating sales tax revenue was \$25 million behind schedule just for the month of April – a true sign that consumers are spending less.

If the economy does not rebound and we don't prepare ourselves for the future with the proper measures, we are bound to face the dreadful events of the past few years – an under funded Base Student Cost, Medicaid services taken away from citizens, and not enough police officers to protect our citizens. For this reason, I believe holding the line on spending in government and making sure that we are prepared with the proper reserves are both vitally important. I also believe now is the time to start this preparation.

To this end, any vetoed dollar that is sustained by you will be a dollar that is available to put our fiscal house in order. I ask you to carefully deliberate each veto so that we may have an open and healthy debate on the merits of strengthening the fiscal integrity of this state. All programs have some degree of merit; however, I'd ask each of you to consider every veto with my belief that these items should be invested first in replenishing trust funds. Keeping with this approach would still allow state government to grow at nearly seven percent and to spend over \$500 million in new money.

## Targeted Earmarks

<b>Targeted Earmarks</b>			
<i>Spending Targeted to Specific Counties</i>			
<u>County</u>	<u>Dollars</u>	<u>Percent of Total</u>	
Aiken	\$ 350,000	0.8%	
Allendale	\$ 200,460	0.5%	
Anderson	\$ 100,000	0.2%	
Bamberg	\$ 100,000	0.2%	
Beaufort	\$ 1,100,000	2.6%	
<b>Charleston</b>	<b>\$ 15,242,300</b>	<b>35.8%</b>	
Cheraw	\$ 100,000	0.2%	
Cherokee	\$ 2,000,000	4.7%	
<b>Colleton</b>	<b>\$ 5,000,000</b>	<b>11.7%</b>	
Dorchester	\$ 700,000	1.6%	
<b>Florence</b>	<b>\$ 5,035,000</b>	<b>11.8%</b>	
Greenville	\$ 2,704,389	6.3%	
Greenwood	\$ 1,100,000	2.6%	
Horry	\$ 600,000	1.4%	
Kershaw	\$ 375,738	0.9%	
Lancaster	\$ 100,000	0.2%	
Marlboro	\$ 250,000	0.6%	
Oconee	\$ 250,000	0.6%	
Orangeburg	\$ 3,500,000	8.2%	
Richland	\$ 100,000	0.2%	
Spartanburg	\$ 1,100,000	2.6%	
Sumter	\$ 350,000	0.8%	
Union	\$ 100,000	0.2%	
Williamsburg	\$ 550,000	1.3%	
York	\$ 1,622,000	3.8%	
<b>Total "Targeted" Spending</b>	<b>\$ 42,629,887</b>		

### FINAL THOUGHT

I want to be perfectly clear. In all the sections that follow, while the vetoes listed in this message obviously impact specific projects, they are ultimately not about the merits of those projects. They are about getting to a sum that enables us to repay half of the outstanding balance on trust and reserve funds.

Families make these sorts of decisions every day in South Carolina. They might like to buy everything in Wal-Mart, Home Depot or Sears, but they don't because they don't have the money. Not purchasing a good or service doesn't mean the shopper views the item as bad. They just view it as something they can't purchase at the moment. We believe these vetoes represent spending that can come at a later date – after we have paid back money borrowed during tough times. We also think prudent families don't grow their expenditures at nine percent when their income is growing at less than half that amount.

## **I. Vetos of Part IA**

**Veto 1** Part IA; Section 1; page 5; Department of Education; Education Improvement Act; Standard, Teaching, Learning, Account.; Student Testing; Other Operating Expenses; \$1,000,559.

In our FY 2005-06 Executive Budget, we identified several ways to lower the cost of testing students. Specifically, we identified a potential \$2.6 million in savings by simply finding an assessment that is less expensive to administer. While we continue to encourage the State Department of Education to pursue a more efficient assessment, one short-term improvement can be made by simply eliminating the writing response portion of the PACT. According to the Education Oversight Committee's "Final Report of the South Carolina Task Force on Testing," potential costs savings well in excess of \$1 million per year could be realized by phasing out the constructed response items on PACT. For these reasons, I am vetoing this item amounting to roughly \$1 million which the department can absorb by adopting the Education Oversight Committee's proposal to eliminate the writing response portion of the PACT.

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**Veto 2** Part IA; Section 5A; page 25; Commission on Higher Education; Administration; Think TEC/Fastrac – Entrepreneurial Ed/Mento; \$250,000.

**Veto 3** Part IA; Section 5B; page 29; Higher Education Tuition Grants Commission; Administration; SC Student Legislature; \$17,780.

**Veto 4** Part IA; Section 5D; page 32; Clemson University; Education & General; Unrestricted; Engineering Research Centers; \$791,272.

**Veto 5** Part IA; Section 5E; page 35; University of Charleston; Education & General; Business – Economic Partnership Initiative; \$591,550.

**Veto 6** Part IA; Section 5E; page 35; University of Charleston; Education & General; Education – Effective Teaching and Learning; \$501,800.

While perhaps worthy initiatives, I am vetoing these higher education items because they either fall outside the respective core missions of their agencies, represent duplicative programs, or are a low-priority for base budget increases when compared to other, more pertinent financial goals for higher education and for the state. Furthermore, under the flexibility proviso in this act, we believe these agencies can identify currently available earmarked, restricted or federal funds elsewhere in their budget to fund this item.

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**Veto 7** Part IA; Section 5G; page 39; Francis Marion University; Education & General; Unrestricted; Small and Minority Business Assistance; \$500,000.

I am vetoing this item because it creates a duplicative business assistance program at Francis Marion University. The Department of Commerce currently staffs a small business ombudsman office to provide entrepreneurs with assistance and support from business experts. I also believe that this is an example of mission creep at a teaching college. With a tuition increase of 31 percent since 2001, university resources should be focused on classroom instruction and affordability.

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**Veto 8** Part IA; Section 5G; page 39; Francis Marion University; Education & General; Unrestricted; Omega Project; \$56,147.

I am vetoing this item because the funds appropriated are used for voter registration efforts in the region and this is unrelated to the core mission of the university. This veto is consistent with our Executive Budget which proposed no funding for this program in FY 2005-06. Additionally, I believe that this type of mission expansion, particularly outside the core higher education area, stretches our resources and ultimately weakens the overall higher education mission.

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**Veto 9** Part IA; Section 5KC; page 49; USC - Upstate; Education & General; Unrestricted; Other Operating Expenses; \$1,000,000.

I am vetoing this item because the \$1 million increase to the school's \$10.7 million base budget equates to a 9.7 percent increase in spending at USC-Upstate. This far exceeds the most recent Higher Education Price Index (HEPI) inflation number of 4.6 percent. I am also hopeful that in the future the General Assembly will reconsider our proposal to limit tuition increases to a HEPI-based index to protect our students and their families from further double-digit increases in tuition.

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**Veto 10** Part IA; Section 5KD; page 51; USC – Beaufort Campus; Education & General; Unrestricted; Other Operating Expenses; \$500,000.

I am vetoing this item because the \$500,000 increase to the school's \$2 million base budget equates to nearly a 25 percent increase in spending at USC–Beaufort, which is five times the current 5 percent increase in HEPI. I remain hopeful that the General Assembly will reconsider our proposal to protect our students from double-digit tuition increases.

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**Veto 11** Part IA; Section 5KF; page 55; USC – Salkehatchie Campus; Education & General; Unrestricted; Salkehatchie Leadership Center; \$100,460.

I am vetoing this item which increases USC-Salkehatchie's budget by \$100,460 for the purpose of funding its Leadership Center. The program director is a wonderful South Carolinian, and as well-intentioned as this program is, we think that it has a marginal sustained impact, and for that reason, we vetoed it in last year's budget and for two consecutive years have not proposed funding it in our Executive Budgets.

**Veto 12** Part IA; Section 5MA; page 63; Medical University of South Carolina; Education & General; Unrestricted; Rural Dentists Incentive; \$250,000.

This item is a new pass-through from the Medical University of South Carolina to the Area Health Education Consortium. This program, requested by neither MUSC nor AHEC, seeks to provide funding to increase the number of dentists serving the rural populations of South Carolina. I recognize that a challenge exists in attracting dentists to practice in rural areas of the state, but in contemplating any new program, the important question we must always ask in public policy is whether or not new monies will materially impact the problem we are attempting to address. This money amounts to a little more than \$5,000 per county, and this administration's view is that this figure is not enough to drive the location decisions of a young student leaving dental school. For these reasons, I am vetoing this item.

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**Veto 13** Part IA: Section 5N; page 67; Technical & Comprehensive Education Bd; Instructional Programs; Technical Colleges; Trident Tech-Culinary Arts; \$775,000.

The need to expand this program has been well debated in the Charleston area, and it is not this administration's intent to suggest to the General Assembly that it is wrong in its objective to expand the culinary school. Our objection is simply related to its timing. If we expand this program by 105 percent at a time when we have an outstanding trust fund balance of \$438 million, this administration believes it will be difficult to ask other communities around our state to hold the line in expanding programs that they believe have similar merit.

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**Veto 14** Part IA; Section 6; page 71; Educational Television Commission; Program and Services; Public Education; School Services; Other Operating Expenses; \$20,000.

**Veto 15** Part IA; Section 6; page 71; Educational Television Commission; Program and Services; Public Education; General Support and Services; Other Personal Services; \$75,000.

**Veto 16** Part IA; Section 6; page 72; Educational Television Commission; Program and Services; Agency Services; Local Government and Business Services; Other Operating Expenses; \$9,626.

Our Executive Budget identified a potential costs savings of \$132,089 that ETV could realize by simply improving its use of technology. Though the House and Senate budgets adopted these cost savings, the Conference Committee allowed the funds to remain in the ETV budget. I am vetoing the above three sections to account for the cost-savings the agency could adopt.

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**Veto 17** Part IA; Section 6; page 72; Educational Television Commission; Program and Services; General Support and Services; Other Operating Expenses; \$759,000.



As I identified in our Executive Budget, by increasing the fundraising efforts of the ETV endowment, improving the use of technology and requiring higher education to pay the actual costs of ETV services, ETV could realize a cost savings of \$1,053,469. For this reason, I am vetoing this item amounting to just under \$1 million, approximately three percent of the agency's total budget, which the agency can absorb if it adopts our cost savings proposals.

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**Veto 18** Part IA; Section 8; page 79; Department of Health and Human Services; Programs and Services; Other Entities Assistance; ReGenesis Community Health Center; \$100,000.

This health care center has not been singled out for line-item funding in the past. While we believe this to be a worthy organization, we have consistently expressed concerns about the practice of funding individual organizations through budget line-items as this practice limits the ability of agency officials to make funding decisions for their agencies. Additionally, line items lend themselves to political influence, and we do not believe the decision to choose to fund one health care center over another should be driven by the political process.

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**Veto 19** Part IA; Section 9; page 85; Department of Health and Environmental Control; Programs and Services; Family Health; Access to Care; Lancaster Kershaw Health Center; \$175,738.

**Veto 20** Part IA; Section 9; page 85; Department of Health and Environmental Control; Programs and Services; Family Health; Access to Care; Family Health Centers; \$444,603.

While we also believe these to be worthy organizations, we have consistently expressed concerns about the practice of funding individual organizations through budget line-items as this practice limits the ability of agency officials to make funding decisions for their agencies. Additionally, line items lend themselves to political influence and we do not believe the decision to choose to fund one health center over another should be driven by the political process.

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**Veto 21** Part IA; Section 10; page 94; Department of Mental Health; Programs and Services; Support Services; Other Personal Services; \$452,395.

I am vetoing this item because, as mentioned in our Executive Budget, the Department of Mental Health has already implemented an agency-wide accounting system resulting in nearly \$600,000 in savings. This savings offers us the opportunity to use \$452,395 for restoring trust funds while the rest can be used for other more direct services at the agency.

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**Veto 22** Part IA; Section 11; page 98; Department of Disabilities and Special Needs; Programs & Services; Mental Retardation Family Support Program; Children's Services; Special Olympics; \$174,175.

In our FY 2005-06 Executive Budget, we proposed diverting these funds to address reducing waiting lists to move patients to Community Training Homes. Though we appreciate the efforts of both the competitors and the families who participate, this organization raises money from individuals and corporations to support many of its activities. We again propose reducing this sum to encourage total private sector support for the operations. While this program certainly has merit, ultimately we believe putting more funds towards replenishing the trust and reserve funds raided during the economic downturn must be the highest priority.

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**Veto 23** Part IA; Section 13; page 111; Department of Social Services; Programs and Services; Employment and Training Services; Case Management; Greenville Urban League; \$18,389.

I am vetoing this item because it is a special pass through item for the Greenville Urban League which has been appropriated a total of \$104,389 in both H. 3717 (Capital Reserve Fund appropriates \$86,000) and H. 3716 (appropriates \$18,389). We do not believe we should single out one entity when numerous other non-profit organizations which support minority and disadvantaged communities do not receive any state funds.

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**Veto 24** Part IA; Section 15; page 119; Department of Archives and History; Historical Services; Old Exchange Building; \$150,000.

I am vetoing this item which provides funding for renovations of the Old Exchange Building. While renovating this historic building is a worthy undertaking, we believe we should get our budget on more solid ground before undertaking funding projects such as this.

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**Veto 25** Part IA; Section 18; page 122; Arts Commission; Statewide Arts Service; Other Operating Expenses; \$125,500.

In this proposed budget, the Arts Commission administration is increased by \$200,000 over FY 2004-05, a 27 percent increase. This type of administrative increase while we are trying to put the state on firmer financial setting is not appropriate. In addition, it is this type of increase that shows why we need to restructure state government, particularly merging the cultural agencies.

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**Veto 26** Part IA; Section 21; page 131; Forestry Commission; Administration; Other Operating Expenses; \$128,520.

This Appropriations Act annualizes \$1.3 million in new spending for the Forestry Commission. We believe the agency can offset this amount by the upcoming sale of over \$100,000 worth of surplus property owned by the agency.

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**Veto 27** Part IA; Section 23; page 137; Clemson University (Public Service Activities); Agricultural Research; Other Operating Expenses; \$1,798,539.

This Appropriations Act annualizes \$3,553,047 in new spending for Clemson PSA, which is already larger than that of the DNR and Forestry budgets combined. For this reason, I am vetoing this item.

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**Veto 28** Part IA, Section 26, page 150; Department of Parks, Recreation and Tourism, Administration, Tourism Sales and Marketing, Contributions; \$377,586.

The Contributions line has been included in the Appropriations Act for many years to be a flow-through line for specific entities, projects and special events. I believe that any public-private endeavor should employ an open and objective competitive process so that the most worthy projects receive public investments. Because of this belief, I signed Executive Order 2004-29 directing all Cabinet level agencies to stop the practice of pass-through funding; therefore, I am vetoing this item.

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**Veto 29** Part IA; Section 26; page 150; Department of Parks, Recreation & Tourism; Administration; Tourism Sales & Marketing; Canadian Promotions; \$85,000.

**Veto 30** Part IA; Section 26; page 151; Department of Parks, Recreation & Tourism; Administration; Tourism Sales & Marketing; Wildlife Expo; \$175,000.

**Veto 31** Part IA; Section 26; page 151; Department of Parks, Recreation & Tourism; Administration; Tourism Sales & Marketing; US Youth Games; \$25,000.

**Veto 32** Part IA; Section 26; page 151; Department of Parks, Recreation & Tourism; Administration; Recreation Planning, Eng.; Palmetto Conservation Foundation; \$109,180.

**Veto 33** Part IA; Section 26; page 151; Department of Parks, Recreation & Tourism; Administration; Recreation Planning, Eng.; Palmetto Trails; \$90,820.

**Veto 34** Part IA; Section 26; page 151; Department of Parks, Recreation & Tourism; Administration; Tourism Sales & Marketing; Spoleto; \$246,000.

**Veto 35** Part IA; Section 27; page 155; Department of Commerce; Administration & Support; Business Solutions; SC Technology Alliance; \$300,000.

**Veto 36** Part IA; Section 27; page 155; Department of Commerce; Administration & Support; Business Development; SC World Trade Park and Education Center; \$197,688.

While I believe that these regional events and projects are worthy and may deserve state support, I believe that they should be funded using a competitive grants process as opposed to political earmarks. For this reason, I am vetoing these items.

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**Veto 37** Part IA, Section 26, page 150; Department of Parks, Recreation and Tourism, Administration, Executive Offices, Other Personal Services; \$105,700.

**Veto 38** Part IA, Section 26, page 151; Department of Parks, Recreation and Tourism, Community and Economic Development, Other Operating Expenses; \$285,341.

The Department of Parks, Recreation and Tourism volunteered a savings of \$400,000 by reducing their media placement and production rate from 14 percent to 9.5 percent. These savings were not taken in the agency's budget. Because I do not object to the entire advertising line item, I am vetoing the above lines within the agency's budget to account for the savings they are willing to take. Under the flexibility proviso in this act, the agency may identify available funds elsewhere in the budget so these particular items can be paid.

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**Veto 39** Part IA; Section 61; page 257; Adjutant General's Office; Administration; Funeral Caisson; \$98,260.

I am vetoing this item because the Director of the Department of Corrections has offered to house the eight member caisson team at the Wateree Correctional Institute Prison Farm outside of Camden. This facility can absorb a great deal, if not all, of the expenses associated with the care of the horses. I am hopeful that through this type of creative thinking, state funding for the caisson can be shifted to other pressing priorities without diminishing the benefits of this special program.

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**Veto 40** Part IA; Section 63; page 264; Budget and Control Board; Operations and Executive Training; Internal Operations; Other Operating Expenses; \$1,266,255.

**Veto 41** Part IA; Section 63; page 264; Budget & Control Board; Operations and Executive Training; Executive Institute; Other Operating Expenses; \$109,833.

**Veto 42** Part IA; Section 63; page 266; Budget & Control Board; Budget and Analyses Division; Office of Research and Statistics; Geodetic and Mapping Survey; Other Operating Expenses; \$81,467.

- Veto 43** Part IA; Section 63; page 267; Budget & Control Board; Budget and Analyses Division; Office of Human Resources; Administration; Other Operating Expenses; \$139,289.
- Veto 44** Part IA; Section 63; page 267; Budget & Control Board; Budget and Analyses Division; Office of Human Resources; Administration; SC Leadership; \$53,833.
- Veto 45** Part IA; Section 63; page 268; Budget & Control Board; Budget and Analyses Division; Office of Human Resources; Human Resource Consulting; Other Operating Expenses: \$683,803.
- Veto 46** Part IA; Section 63; page 268; Budget and Control Board; Budget and Analyses Division; Office of Human Resources; Human Resource Development; Other Operating Expenses; \$152,769.

I am vetoing these items because an extensive list of our Executive Budget cost-savings ideas proposed for the Budget and Control Board was not adopted by the General Assembly in this act. These ideas included reductions in custodial services for state offices (a cost-cutting technique proven in the private sector and at the Department of Revenue); eliminating general fund dollars for ancillary human resources functions that should be required to justify their existence by charging fees for services; better utilization of state-owned and leased real estate; and savings from reduced cost of email and internet services. In total, the Executive Budget proposed close to \$5 million in cost savings at the Budget and Control Board that were not adopted in this act. The items above total \$2,446,249 in funding cuts to the Board, or less than two percent of the total funds available to the Board under this Act. While the lines vetoed above do not directly correlate to the proposed cost-savings in the Executive Budget, the flexibility proviso in this act gives the Budget and Control Board adequate flexibility to identify available funds elsewhere in their budget for critical activities.

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- Veto 47** Part IA; Section 63; page 276; Budget & Control Board; State CIO Division; IT Planning & Management; Other Operating Expenses; \$1,872,500.

In our Executive Budget, we clearly indicated our concerns that the South Carolina Enterprise Information System (SCEIS) was too difficult and risky a project to undertake without a reformed structure for the CIO office. It appears the General Assembly will not restructure the CIO office in a meaningful way in this session. In addition, the Comptroller General's office has learned that BearingPoint, the primary contractor for the SCEIS project, has filed documents with the Securities and Exchange Commission explaining that they are in serious financial difficulties because of problems implementing their own company's enterprise information system. While this project offers a potential of up to \$120 million dollars in annual work process savings after five years of implementation, it also brings the potential for uncontrolled expansion, cost overruns, and failure if it is not managed properly. Given the risk inherent in this project, the lack of meaningful restructuring in the CIO office, and the financial problems at BearingPoint, we feel it would be imprudent to carry forward with this project in the coming year. Therefore, I am vetoing this item.

**Veto 48**      Part IA; Section 64; page 281; Department of Revenue; Programs and Services;  
Other Operating Expenses; \$2,696,538.

The Department of Revenue was appropriated \$3 million in funding in FY 2004-05 for one-time technology expenses associated with enhanced collections. Because these dollars were intended for a one-time expense, we believe the funding can be removed from their recurring budget for FY 2005-06.

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## **II. Vetoes of Part 1B Temporary Provisions**

**Veto 49** Part 1B, Section 1.21, Department of Education, page 298; SDE: Mathematics and Science Unit of the Office of Curriculum and Standards.

I am vetoing this section because it reduces the percentage of our educational dollars that actually make it to the classroom. It also limits the flexibility of the State Department of Education's Office of Curriculum and Standards to determine the best use of curriculum development dollars by forcing the State Department of Education to allot funds for curriculum to support a particular facility. The South Carolina Aquarium is self-supporting and should find funds in its budget to support curriculum development that specifically promotes the use of its facility.

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**Veto 50** Part 1B, Section 5M.3, Medical University of South Carolina, page 328; MUSC: Rural Dentist Program.

Because I am line-item vetoing the funding for the Rural Dentists Initiative in Part IA, this section, setting up a new board for the purpose of dispensing the grants, is not necessary.

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**Veto 51** Part 1B, Section 5N.5, State Board for Technical & Comprehensive Education, page 329; TEC: Professionally Licensed Training.

This section unnecessarily restricts competition in the market for cosmetology training. If there is sufficient demand for cosmetology training in a county, and schools in the Technical Education system are willing to provide that training at a competitive price, they should be allowed to do so. Competition should lower costs and increase options for students, making it easier for our citizens to get training in cosmetology to improve their career options and economic status.

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**Veto 52** Part 1B, Section 8.16, Department of Health and Human Services, page 333; DHHS: Chiropractic Services.

I am vetoing this section because it unduly restricts the administrative flexibility of the Department of Health and Human Services. Due to federal Medicaid regulations and this proviso, DHHS last year had to spend \$90,000 to provide chiropractic services to children under the age of six.

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**Veto 53** Part 1B, Section 8.26, Department of Health and Human Services, page 334; DHHS: Prescription Reimbursement Payment Methodology.

I am vetoing this section because it reduces the administrative flexibility of the Department of Health and Human Services. The State Health Plan and other commercial plans in South Carolina pay a considerably more economical reimbursement and the State Medicaid Director should be free to explore options to save money for the taxpayers.

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**Veto 54** Part 1B, Section 8.32, Department of Health and Human Services, page 335; DHHS: Medicaid Quarterly Fiscal Impact Statements.

I am vetoing this section because it imposes an undue labor-intensive administrative burden on DHHS. The department already provides Medicaid bulletins that announce benefit or rate changes to the House of Representatives and the Senate. In addition, Executive Order 2002-23 requires that DHHS prepare an annual report with the same information as required in this section. As of this date, the Director of DHHS has submitted three quarterly fiscal impact statements without response. If these statements are not being reviewed, I would respectfully question whether the numerous man-hours DHHS spends preparing them could be better spent elsewhere.

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**Veto 55** Part 1B, Section 8.41, Department of Health and Human Services, page 336; DHHS: Commission on Healthcare Access Recommendations.

I am vetoing this section because the condition that each DHHS grant must be approved by the Budget and Control Board is a gross encroachment on the powers of the executive branch and an unhealthy concentration of power in the hands of two legislators.

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**Veto 56** Part 1B, Section 9.28, Department of Health and Environmental Control, page 341; DHEC: Beach Restoration Projects.

Excess funds from capital projects such as this should not be retained by the agency; rather these funds should return to the general fund to be re-appropriated based on the most current priorities of the state as determined by the General Assembly. As a result, I am vetoing this section.

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**Veto 57** Part 1B, Section 13.20, Department of Social Services, page 351; DSS: C.R. Neal Learning Center.

I am vetoing this section because it directs the Department of Social Services to provide funding to C.R. Neal Learning Center, a school district adult learning program *which no longer exists*. Even though this program has been discontinued, this proviso continues to require DSS to provide up to \$100,000 in TANF funding to the center. The proviso is effectively moot and unenforceable since the program specified in this proviso no longer exists.

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**Veto 58** Part 1B, Section 24.1, Department of Natural Resources, page 357; DNR: County Funds.

**Veto 59** Part 1B, Section 24.2, Department of Natural Resources, page 358; DNR: County Game Funds/Equipment Purchase.

I am vetoing the above two provisos because in my view they violate the separation of powers doctrine, and at the very least, hamstringing the Department of Natural Resource's ability to manage its own affairs in the best interest of the taxpayer. The responsibility to enact laws and appropriate funds rightfully rests with the legislative branch while the management and execution of laws rests with the executive branch. However, these sections strip the executive entity, the Department of Natural Resources, of the power to manage its own affairs and in pre-home rule fashion gives the local delegation the ability to both enact and execute law by requiring the delegation approval for the operation of County Funds. In *Knotts v. SCDNR*, the Supreme Court found legislative execution of a nearly identical fund to be unconstitutional – citing that the Legislature "may not undertake both to pass laws and to execute them by bestowing upon its own members functions belonging to other branches of government."

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**Veto 60** Part 1B, Section 24.23, Department of Natural Resources, page 360; DNR: County Offices.

In the interest of performing more like a business, the Department of Natural Resources has done an exceptional job of restructuring offices and prioritizing locations. As an executive agency, DNR has been able to manage these changes very effectively; however, forcing DNR's hand in matters such as this threatens to unravel that progress. By introducing legislative management of an executive function, this type of interference effectively prohibits DNR from streamlining operations and efficiently dedicating resources toward core agency missions. As such, I am vetoing this section to protect the integrity of the department's management tools.

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**Veto 61** Part 1B, Section 26.1, Department of Parks, Recreation and Tourism, page 361; PRT: Canadian Day.

Because I am vetoing the line-item funding for Canadian Promotions, this section is unnecessary. Again, marketing promotion such as Canadian Day should be awarded competitive grant dollars based solely on their merit.

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**Veto 62** Part 1B, Section 26.7, Department of Parks, Recreation and Tourism, page 361; PRT: Litter Control.

PalmettoPride evolved from the Governor's Task Force on Litter which was established by Executive Order 1999-20. It operated within the Governor's Office of Executive Policy and Programs until the General Assembly transferred the program to another agency, wrote a charter, and established criteria for a board of directors in part 1B of the FY 2004-05 budget. I take issue

with these actions on two grounds. First, I believe this is a clear encroachment by the General Assembly into an executive branch program. PalmettoPride was established by executive order and prior to the transfer, existed in the Governor's Office for five years.

Second, this section perpetuates a nonprofit agency, dictates the composition of a board of directors, and sets multi-year terms. This would not appear to be a one-year, temporary proviso as Part IB items are intended to be. The General Assembly has taken admirable steps over the past several years to curb the use of budget provisos to enact permanent laws. I am vetoing this section because I believe that the budget should not be a vehicle for these types of permanent laws.

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- Veto 63** Part 1B, Section 9.55, Department of Health and Environmental Control, page 344; DHEC: Competitive Grants.
- Veto 64** Part 1B, Section 26.8, Department of Parks, Recreation and Tourism, page 362; PRT: Competitive Grants.
- Veto 65** Part 1B, Section 27.26, Department of Commerce, page 365; CMRC: Competitive Grants.
- Veto 66** Part 1B, Section 63.42, Budget and Control Board; page 416; BCB: Competitive Grants.
- Veto 67** Part 1B, Section 63.49, Budget and Control Board; page 417; BCB: Grants Review Committee.

I am vetoing the above sections because I believe they further "destructure" state government by requiring a legislatively-controlled Grants Review Committee to perform executive functions which is inconsistent with the principles of separation of powers and is constitutionally suspect. In our Executive Budget, we proposed creating a structured and merit-based grants review process to be administered by executive agencies rather than award special projects through special line items or pass-through funding in the Appropriations Act without consideration of their merits to the state as a whole. The Department of Parks, Recreation and Tourism currently uses this type of competitive process. However, while the General Assembly chose to adopt our proposal to create a one-stop shop and appropriate over \$3 million in competitive grants, they also chose to execute these laws by creating a legislatively-controlled committee to award the grants.

I certainly agree that the General Assembly can appropriate funds and establish criteria for awarding competitive grants; however, in these provisos, the General Assembly is usurping powers belonging to the executive branch and creating a process that will still be influenced by special legislative interests and ultimately be less competitive.

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**Veto 68** Part 1B, Section 26.9, Department of Parks, Recreation and Tourism, page 362;  
PRT: SC Wildlife Exposition.

Because I am vetoing the line-item funding for Wildlife Exposition, this section is unnecessary. In FY 2004-05, the Southeastern Wildlife Exposition applied for a competitive grant from PRT and was successful in receiving TMPP grant funding. Competitive grants allow funding based on merit as determined through a competitive grants process as opposed to political earmarks.

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**Veto 69** Part 1B, Section 26.10, Department of Parks, Recreation and Tourism, page 362;  
PRT: State Park Privatization Approval.

This section unnecessarily limits the administrative flexibility of a cabinet agency. Administration of park operations is clearly an executive function, and executive decisions on possible outsourcing of activities should be made on the basis of competitive proposals, not preemptive legislation. This proviso was introduced in reaction to PRT's recent Request for Proposal to explore the feasibility of private operation of the golf course at Cheraw State Park to save money. In reaction to that one proposal, this proviso would tie the hands of the agency from pursuing any kind of competitive sourcing arrangement for any activity, no matter how minor, at any of its parks. PRT recently outsourced the Cheraw State Park golf course reservation system to a private contractor who provides that service for many other park systems around the country. The reaction from most of the park's customers has been positive as the change to a private contractor has led to vastly improved services, lower costs, and higher revenue. I strongly believe that officials at PRT should be free to pursue other similar arrangements to provide better services at lower costs. For these reasons, I am vetoing this section.

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**Veto 70** Part 1B, Section 27.18, Department of Commerce, page 364; CMRC: SC World Trade Center.

This section directs the Department of Commerce to pass-through \$100,000 to the World Trade Center out of its operating budget. Although this project may be worthy of state funds, I believe the WTC should participate in the competitive grants program to receive those funds, and therefore I am vetoing this item.

This administration has long supported concepts like the World Trade Center that help foster further connections to the global marketplace. For South Carolina to succeed, we must be more competitive in the global arena. This veto is very specifically aimed at the process at how we fund rather than the need to fund.

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**Veto 71** Part 1B, Section 27.30, Department of Commerce, page 365; CMRC: Business Development Marketing.

Marketing funds should remain with the Department of Commerce and spent on statewide efforts. This section directs the agency to transfer funding to specific regional marketing alliances rather than rely on Commerce to direct use of marketing funds. For this reason, I am vetoing this section.

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**Veto 72** Part 1B, Section 27.31, Department of Commerce, page 365; CMRC: World Trade Center.

Because I am vetoing the line-item funding for the World Trade Center, this section is unnecessary. Again, I believe a competitive grants program offers a more open and merit based process than political earmarks.

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**Veto 73** Part 1B, Section 63.4, Budget and Control Board, page 409; BCB: Southern Maritime Collection.

Because I am vetoing the line-item funding for the Southern Maritime Collection, this section is unnecessary.

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**Veto 74** Part 1B, Section 63.40, Budget and Control Board; page 416; BCB: Sale of Surplus Property

I am vetoing this section because I believe that any state-owned real estate is owned by the taxpayers as a whole rather than by any individual agency. Allowing an agency to keep half of the proceeds from the sale of surplus real estate would perpetuate a system that allows some agencies to hoard our state's finite resources when others may have greater unaddressed needs. I believe that the proceeds from any real estate sale should accrue to the general fund so that the Legislature has full access to the state's resources when allocating them through the annual budget process.

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**Veto 75** Part 1B, Section 72.83, Budget and Control Board; page 443; GP: SC Enterprise Information System.

**Veto 76** Part 1B, Section 72.103, Budget and Control Board; page 447; GP: SCEIS.

In the Executive Budget, we clearly indicated our concerns that the South Carolina Enterprise Information System (SCEIS) was too difficult and risky a project to undertake without a reformed structure for the State Chief Information Office. It appears the General Assembly will not restructure the CIO Office in a meaningful way in this session. In addition, the Comptroller General's office has learned that BearingPoint, the primary contractor for the SCEIS project, has

filed documents with the Securities and Exchange Commission explaining that they are in serious financial difficulties because of problems implementing their own company's enterprise information system. While this project offers significant potential savings if properly implemented, it also brings the potential for uncontrollable expansion, cost overruns, and failure if it is not managed properly. Given the risk inherent in this project, the lack of meaningful restructuring in the CIO Office, and the financial problems at BearingPoint, we feel it would be imprudent to pursue this project in the coming year.

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**Veto 77**      Part 1B, Section 72.107, Budget and Control Board; page 447; GP: S.C. Research Center Innovation Centers.

This section requires the South Carolina Research Authority to transfer \$3,000,000 immediately and \$12,000,000 over four years to create and operate at least three "innovation centers". If the innovation centers are ever created, they will become multimillion dollar unfunded annualizations in future budgets. This section and the pending enabling legislation, as drafted currently, fail to coordinate the use of the money to meet our state's economic development strategy, and I am therefore vetoing this section.

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### **III. Vetoes of Part 1B – Increased Enforcement Collections Section 73.17**

In the section that follows, while the vetoes listed below obviously impact specific projects, they are ultimately not about the merits of those projects. They are about getting to a sum that enables us to repay ½ of the outstanding balance on trust and reserve funds.

Families make these sorts of decisions every day in South Carolina. They might like to buy everything in Wal-Mart, Home Depot or Sears, but they don't because they don't have the money. Not purchasing a good or service doesn't mean the shopper views the item as bad. They just view it as something they can't purchase at the moment. We believe these vetoes represent spending that can come at a later date – after we have paid back money borrowed during tough times. We also think prudent families don't grow their expenditures at nine percent when their income is growing at less than ½ that amount.

- Veto 78** Part 1B, Section 73.17, Statewide Revenue, page 453, SR: Increased Enforcement Collections, J02 Department of Health and Human Services, Health Care Information and Referral Network, \$104,142.
- Veto 79** Part 1B, Section 73.17, Statewide Revenue, page 453, SR: Increased Enforcement Collections, H15 University of Charleston, School of Business: Office of Tourism Analysis, \$129,000.
- Veto 80** Part 1B, Section 73.17, Statewide Revenue, page 453, SR: Increased Enforcement Collections, H15 University of Charleston, Avery Research Center, \$100,000.
- Veto 81** Part 1B, Section 73.17, Statewide Revenue, page 453, SR: Increased Enforcement Collections, H18 Francis Marion University, Omega Project, \$18,853.
- Veto 82** Part 1B, Section 73.17, Statewide Revenue, page 453, SR: Increased Enforcement Collections, H18 Francis Marion University, Francis Marion Trail, \$110,000.
- Veto 83** Part 1B, Section 73.17, Statewide Revenue, page 453, SR: Increased Enforcement Collections, H27 University of South Carolina – Columbia, Poison Control Center, \$200,000.
- Veto 84** Part 1B, Section 73.17, Statewide Revenue, page 453, SR: Increased Enforcement Collections, H27 University of South Carolina – Columbia, Augusta Baker Chair for Childhood Literacy, \$1,500,000.
- Veto 85** Part 1B, Section 73.17, Statewide Revenue, page 453, SR: Increased Enforcement Collections, H12 Clemson University, Call Me Mister, \$1,300,000.
- Veto 86** Part 1B, Section 73.17, Statewide Revenue, page 453, SR: Increased Enforcement Collections, H47 Winthrop University, Thurmond College of Business Administration, \$1,000,000.

- Veto 87** Part 1B, Section 73.17, Statewide Revenue, page 453, SR: Increased Enforcement Collections, E24 Adjutant General's Office, Air Guard, \$100,000.
- Veto 88** Part 1B, Section 73.17, Statewide Revenue, page 453, SR: Increased Enforcement Collections, U12 Department of Transportation, Mass Transit, \$1,300,000.
- Veto 89** Part 1B, Section 73.17, Statewide Revenue, page 453, SR: Increased Enforcement Collections, F03 Budget and Control Board, Geodetic Mapping, \$250,000.
- Veto 90** Part 1B, Section 73.17, Statewide Revenue, page 453, SR: Increased Enforcement Collections, F03 Budget and Control Board, Maritime Collection Maintenance and Security, \$100,000.
- Veto 91** Part 1B, Section 73.17, Statewide Revenue, page 453, SR: Increased Enforcement Collections, P28 Dept. of Parks, Recreation and Tourism, Competitive Grants Program, \$56,727.
- Veto 92** Part 1B, Section 73.17, Statewide Revenue, page 453, SR: Increased Enforcement Collections, P28 Dept. of Parks, Recreation and Tourism, European Advertising, \$1,000,000.

#### **IV. Veto of Part IB-Supplemental Section 73.18**

In the section that follows, while the vetoes listed below obviously impact specific projects, they are ultimately not about the merits of those projects. They are about getting to a sum that enables us to repay half of the outstanding balance on trust and reserve funds.

Families make these sorts of decisions every day in South Carolina. They might like to buy everything in Wal-Mart, Home Depot or Sears, but they don't because they don't have the money. Not purchasing a good or service doesn't mean the shopper views the item as bad. They just view it as something they can't purchase at the moment. We believe these vetoes represent spending that can come at a later date – after we have paid back money borrowed during tough times. We also think prudent families don't grow their expenditures at nine percent when their income is growing at less than half that amount.

- Veto 93** Part IB; Section 73; Section 73.18; page 455; Line 6; H03; Commission Higher Education; Greenville University Center; \$800,000.
- Veto 94** Part IB; Section 73; Section 73.18; page 455; Line 8; J04; Department of Health and Environmental Control; Beach Renourishment Trust Fund; \$5,000,000.
- Veto 95** Part IB; Section 73; Section 73.18; page 455; Line 9; H51; Medical University of South Carolina; Nursing Clinical Teaching Lab; \$1,500,000.
- Veto 96** Part IB; Section 73; Section 73.18; page 455; Line 11; H63; Department of Education; SC Alliance of Boys & Girls Clubs, Inc.; \$1,000,000.
- Veto 97** Part 1B, Section 73; Section 73.18; page 455; Line 12; J04; Department of Health and Environmental Control; Competitive Grants; 2,800,000.
- Veto 98** Part IB; Section 73; Section 73.18; page 455; Line 13; P28; Department of Parks, Recreation & Tourism; Competitive Grants; \$3,000,000.
- Veto 99** Part 1B, Section 73, Section 73.18, page 455; Line 14; Department of Commerce; a) Competitive Grants; \$500,000.
- Veto 100** Part IB; Section 73; Section 73.18; page 455; Line 16; F03; Budget and Control Board; a) Competitive Grants; \$3,000,000.
- Veto 101** Part IB; Section 73; Section 73.18; page 455; Line 16; F03; Budget and Control Board; b) Morris Island Lighthouse; \$500,000.
- Veto 102** Part IB; Section 73; Section 73.18; page 455; Line 16; F03; Budget and Control Board; d) Expansion of Heritage Corridor; \$500,000.
- Veto 103** Part IB; Section 73; Section 73.18; page 455; Line 18; L04; Department of Social Services; b) The Lacy House, \$200,000.



- Veto 104** Part IB; Section 73; Section 73.18; page 455; Line 18; L04; Department of Social Services; a) Children in Crisis; \$500,000.
- Veto 105** Part IB; Section 73; Section 73.18; page 455; Line 19; Budget and Control Board; City of Florence Downtown Redevelopment; \$1,000,000.
- Veto 106** Part IB; Section 73; Section 73.18; page 456; Line 21; J02; Department of Health and Human Services; Health Care Information & Referral Network; \$111,858.
- Veto 107** Part IB; Section 73; Section 73.18; page 456; Line 22; H18; Francis Marion University; Center for the Child, Construction; \$2,000,000.
- Veto 108** Part IB; Section 73; Section 73.18; page 456; Line 23; H59; State Board for Technical and Comprehensive Education; Spartanburg Technical College – Cherokee Expansion; \$2,000,000.
- Veto 109** Part IB; Section 73; Section 73.18; page 456; Line 24; E24; Adjutant General; State Guard Other Operating Expenses; \$200,000.
- Veto 110** Part IB; Section 73; Section 73.18; page 456; Line 26; F03; Budget and Control Board; Maritime Collection Maintenance & Security; \$75,000.
- Veto 111** Part IB; Section 73; Section 73.18; page 456; Line 30; J02; Department of Health & Human Services; Rural Hospital Grants; \$3,000,000.
- Veto 112** Part IB; Section 73; Section 73.18; page 456; Line 31; F03; Commission on Higher Education; Statewide Electronic Library; \$2,000,000.
- Veto 113** Part IB; Section 73; Section 73.18; page 456; Line 32; P28; Department of Parks, Recreation & Tourism; Heritage Corridor/Willington on the Way; \$350,000.
- Veto 114** Part IB; Section 73; Section 73.18; page 456; Line 35; P32; Department of Commerce; I-26/I-95 Corridor Project; \$950,000.
- Veto 115** Part IB; Section 73; Section 73.18; page 456; Line 36; R36; Department of Labor, Licensing, and Regulation; Fire Academy – Local Needs Equipment; \$50,000.
- Veto 116** Part IB; Section 73; Section 73.18; page 456; Line 37; H87; State Library; Williamsburg County Children’s Library; \$450,000.
- Veto 117** Part IB; Section 73; Section 73.18; page 456; Line 39; H36; University of South Carolina – Beaufort; Penn Center; \$500,000.

- Veto 118** Part IB; Section 73; Section 73.18; page 456; Line 40; H59; State Board for Technical and Comprehensive Education; Florence-Darlington Technical College – Mullins Satellite Campus; \$350,000.
- Veto 119** Part IB; Section 73; Section 73.18; page 456; Line 41; P28; Department of Parks, Recreation & Tourism; Repair and Maintenance to the Francis Marion Tomb; \$50,000.
- Veto 120** Part IB; Section 73; Section 73.18; page 456; Line 42; D10; Governor’s Office-State Law Enforcement Division; Marlboro County Sheriff’s Department Building; \$250,000.
- Veto 121** Part IB; Section 73; Section 73.18; page 456; Line 53; H37; University of South Carolina – Lancaster; Deferred Maintenance; \$100,000.
- Veto 122** Part IB; Section 73; Section 73.18; page 457; Line 43; P28; Department of Parks, Recreation & Tourism; Walhalla Civic Auditorium; \$250,000.
- Veto 123** Part IB; Section 73; Section 73.18; page 457; Line 44; P28; Department of Parks, Recreation & Tourism; Battle of Camden Land Acquisition; \$200,000.
- Veto 124** Part IB; Section 73; Section 73.18; page 457; Line 45; H24; South Carolina State University; Program Enhancement and Deferred Maintenance; \$1,500,000.
- Veto 125** Part IB; Section 73; Section 73.18; page 457; Line 46; H09; The Citadel; Deferred Maintenance; \$500,000.
- Veto 126** Part IB; Section 73; Section 73.18; page 457; Line 47; H12; Clemson University; Engineering Research Centers; \$408,728.
- Veto 127** Part I B; Section 73; Section 73.18; page 457; Line 48; H12; Clemson University; Deferred Maintenance; \$400,000.
- Veto 128** Part IB; Section 73; Section 73.18; page 457; Line 49; H17; Coastal Carolina University; Science Building Support; \$500,000.
- Veto 129** Part IB; Section 73; Section 73.18; page 457; Line 50; H21; Lander University; Deferred Maintenance; \$1,000,000.
- Veto 130** Part IB; Section 73; Section 73.18; page 457; Line 51; H27; University of South Carolina; Deferred Maintenance; \$475,000.
- Veto 131** Part IB; Section 73; Section 73.18; page 457; Line 52; H29; University of South Carolina – Aiken; Deferred Maintenance; \$250,000.

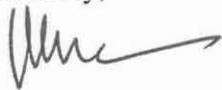
- Veto 132** Part IB; Section 73; Section 73.18; page 457; Line 54; H38; University of South Carolina – Salkehatchie; Deferred Maintenance; \$100,000.
- Veto 133** Part IB; Section 73; Section 73.18; page 457; Line 55; H39; University of South Carolina – Sumter; Deferred Maintenance; \$250,000.
- Veto 134** Part IB; Section 73; Section 73.18; page 457; Line 56; H40; University of South Carolina– Union; Deferred Maintenance; \$100,000.
- Veto 135** Part IB; Section 73; Section 73.18; page 457; Line 57; H59; State Board for Technical and Comprehensive Education; Deferred Maintenance a) Aiken Technical College; \$100,000.
- Veto 136** Part IB; Section 73; Section 73.18; page 457; Line 57; H59; State Board for Technical and Comprehensive Education; Deferred Maintenance b) Central Carolina Technical College; \$100,000.
- Veto 137** Part IB; Section 73; Section 73.18; page 457; Line 57; H59; State Board for Technical and Comprehensive Education; Deferred Maintenance c) Denmark Technical College; \$100,000.
- Veto 138** Part IB; Section 73; Section 73.18; page 457; Line 57; H59; State Board for Technical and Comprehensive Education; Deferred Maintenance d) Florence-Darlington Technical College; \$100,000.
- Veto 139** Part IB; Section 73; Section 73.18; page 457; Line 57; H59; State Board for Technical and Comprehensive Education; Deferred Maintenance e) Greenville Technical College; \$100,000.
- Veto 140** Part IB; Section 73; Section 73.18; page 457; Line 57; H59; State Board for Technical and Comprehensive Education; Deferred Maintenance f) Horry-Georgetown Technical College; \$100,000.
- Veto 141** Part IB; Section 73; Section 73.18; page 457; Line 57; H59; State Board for Technical and Comprehensive Education; Deferred Maintenance g) Midlands Technical College; \$100,000.
- Veto 142** Part IB; Section 73; Section 73.18; page 457; Line 57; H59; State Board for Technical and Comprehensive Education; Deferred Maintenance h) Northeastern Technical College; \$100,000.
- Veto 143** Part IB; Section 73; Section 73.18; page 457; Line 57; H59; State Board for Technical and Comprehensive Education; Deferred Maintenance i) Piedmont Technical College; \$100,000.

- Veto 144** Part IB; Section 73; Section 73.18; page 457; Line 57; H59; State Board for Technical and Comprehensive Education; Deferred Maintenance j) Technical College of the Lowcountry; \$100,000.
- Veto 145** Part IB; Section 73; Section 73.18; page 457; Line 57; H59; State Board for Technical and Comprehensive Education; Deferred Maintenance k) Tri-County Technical College; \$100,000.
- Veto 146** Part IB; Section 73; Section 73.18; page 457; Line 57; H59; State Board for Technical and Comprehensive Education; Deferred Maintenance l) Trident Technical College; \$100,000.
- Veto 147** Part IB; Section 73; Section 73.18; page 457; Line 57; H59; State Board for Technical and Comprehensive Education; Deferred Maintenance m) Williamsburg Technical College; \$100,000.
- Veto 148** Part IB; Section 73; Section 73.18; page 457; Line 57; H59; State Board for Technical and Comprehensive Education; Deferred Maintenance n) York Technical College; \$100,000.
- Veto 149** Part IB; Section 73; Section 73.18; page 457; Line 58; H59; State Board for Technical and Comprehensive Education; Special Schools; \$3,000,000.

**V. Conclusion**

For the reasons stated above, and pursuant to the authority granted to the governor by Article IV, Section 21 of the South Carolina Constitution, I am vetoing the specific sections and items of H. 3716, R. 73, the fiscal year 2005-2006 General Appropriations Act, as indicated. I look forward to working together in a spirit of cooperation and mutual respect toward the goal of disciplined budgetary practices and cooperative service to the citizens of South Carolina.

Sincerely,



Mark Sanford



# State of South Carolina

## Office of the Governor

MARK SANFORD  
GOVERNOR

POST OFFICE BOX 12267  
COLUMBIA 29211

May 17, 2005

The Honorable David H. Wilkins, Speaker  
South Carolina House of Representatives  
508 Blatt Building  
Columbia, South Carolina 29211

Dear Mr. Speaker and Members of the House:

I am returning H. 3717, R.74, the Fiscal Year 2005-2006 Capital Reserve Fund Appropriations Act, with the line-item vetoes detailed below. Of the \$99,356,026 devoted to capital reserve fund spending, I believe that there are a significant number of items of lower priority than replenishing trust and reserve funds. In my view, the trust fund balance represents a considerable budgetary shortfall of over \$400 million that must be repaid. This outstanding balance is a visible reminder of prior year spending that exceeded corresponding revenue. Basically, our government spent more than it took in, and we have an obligation to the taxpayers to repay what was borrowed.

Trust and reserve funds are collected and used by the state for carrying out specific purposes and programs in accordance with the terms and conditions of a trust agreement or statute. As a state, we chose to borrow from these restricted accounts to maintain program funding during the most recent economic downturn. I believe, now that economic conditions have improved, we are compelled to replenish the amounts borrowed in tough times. As an extension of that belief, we proposed in our Executive Budget that the Fiscal Discipline Act of 2004 be amended to limit the increase in recurring expenditures to 3 percent until all trust and reserve funds are repaid.

I appreciate the commitment both bodies displayed towards fiscal responsibility by dedicating \$117 million to these accounts; but I believe we can go further. Although I would like to see the full balance of \$438 million be repaid – particularly with \$707 million in estimated new revenue headed for state coffers – I believe we must address approximately half of this amount by applying another \$95 million to trust and reserve fund repayment. In the eyes of taxpayers, a commitment to repay these past debts over the next two years will go a long way toward achieving the fiscal discipline we advanced just last year. That discipline is especially important

to putting our fiscal house in order before the next economic crisis – to do otherwise reveals that we've learned little as a state from our last crisis.

In the spirit of the Fiscal Discipline Act, I have set forth below the specific vetoes that, in the aggregate, eliminate spending of \$25,608,000 in capital reserve funds.

- Veto 1**      Section 1; page 1; Item 4(B); State Department of Education; Governor's School for the Arts; Deferred Maintenance; \$775,000.
- Veto 2**      Section 1; page 1; Item 4(C); State Department of Education; Governor's School – Math and Science; Deferred Maintenance; \$775,000.
- Veto 3**      Section 1; page 2; Item 9; Board of Technical and Comprehensive Education; Orangeburg Technical College; \$2,000,000.
- Veto 4**      Section 1; page 2; Item 13; State Museum; Imagine Nation: Children's Museum of the Upstate; \$1,200,000.
- Veto 5**      Section 1; page 2; Item 14(A); Department of Parks, Recreation & Tourism; Charlestown Landing; \$7,000,000.
- Veto 6**      Section 1; page 2; Item 14(B); Department of Parks, Recreation & Tourism; Reedy River-Bike and Walking Trail; \$500,000.
- Veto 7**      Section 1; page 2; Item 15; Department of Archives & History; Old Exchange Building; \$850,000.
- Veto 8**      Section 1; page 2; Item 19; Clemson-PSA; Baruch Institute; \$5,000,000.
- Veto 9**      Section 1; page 3; Item 29(A); University of South Carolina-Columbia; Gambrell Hall Repairs; \$500,000.
- Veto 10**     Section 1; page 3; Item 29(B); University of South Carolina-Columbia; West-Campus Safety Improvements; \$400,000.
- Veto 11**     Section 1; page 3; Item 29(C); University of South Carolina-Columbia; Steamline Replacement-Repair; \$500,000.
- Veto 12**     Section 1; page 3; Item 30, State Board for Technical and Comprehensive Education; York-Technical College – Infrastructure Project; \$522,000.

Although the items listed above may be worthy projects, I am vetoing them because of my strong belief that outstanding debts to trust and reserve funds must be satisfied before funding these new projects. To be clear, while these items refer to specific projects, the vetoes are ultimately not about the merits of the individual projects. Each veto is a means to an end – repaying half of the outstanding balance on trust funds.

**Veto 13**      Section 1; page 3; Item 28(A); Budget & Control Board; SCEIS; \$5,500,000.

In our Executive Budget, we clearly indicated our concerns that the South Carolina Enterprise Information System (SCEIS) was too difficult and risky a project to undertake without a reformed structure for the CIO office. It appears the General Assembly will not restructure the CIO office in a meaningful way in this session. In addition, the Comptroller General's office has learned that BearingPoint, the primary contractor for the SCEIS project, has filed documents with the Securities and Exchange Commission explaining that they are in serious financial difficulties because of problems implementing their own company's enterprise information system. While this project offers a potential of up to \$120 million dollars in annual work process savings after five years of implementation, it also brings the potential for uncontrolled expansion, cost over-runs, and failure if it is not managed properly. Given the risk inherent in this project, the lack of meaningful restructuring in the CIO office, and the financial problems at BearingPoint, we feel it would be imprudent to carry forward with this project in the coming year. Therefore, I am vetoing this item.

**Veto 14**      Section 1; page 2; Item 5(B); Department of Social Services; Greenville Urban League; \$86,000.

I am vetoing this section because it is a special pass through item for the Greenville Urban League which has been appropriated a total of \$104,389 in both H. 3717 (capital reserve fund appropriates \$86,000) and H. 3716 (appropriates \$18,389). We do not believe we should single out one Urban League when numerous other non-profit organizations which support minority and disadvantaged communities do not receive any state funds.

For the reasons stated above, and pursuant to the authority granted to the governor by Article IV, Section 21 of the South Carolina Constitution, I am vetoing the specific sections and items of H. 3717, R. 74, the Fiscal Year 2005-2006 Capital Reserve Fund Appropriations Act, as indicated. I look forward to working together in a spirit of cooperation and mutual respect toward the goal of disciplined budgetary practices and cooperative service to the citizens of South Carolina.

Sincerely,



Mark Sanford