



State of South Carolina Office of the Governor

MARK SANFORD
GOVERNOR

POST OFFICE BOX 12267
COLUMBIA 29211

May 12, 2010

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

Dear Mr. Speaker and Members of the House:

I am hereby vetoing and returning without my approval H. 4347, R. 200, which transfers the responsibility for giving final approval of legislative fiscal impact statements from the Board of Economic Advisors to the Chief Economist.

This administration has consistently advocated financial accountability, and on this front we believe H. 4347 is a step in the wrong direction. Currently, South Carolina law requires that the four-member Board of Economic Advisors (BEA) certify revenue impact statements. The BEA's membership consists of the Director of the Department of Revenue and three appointed members – one member appointed each by the Chairman of the Senate Finance Committee, the Chairman of House Ways and Means Committee, and the Governor.

In contrast to the BEA, the Chief Economist is merely an employee selected by the Director of the Budget and Control Board (Board), which is effectively controlled by the legislative body. Aside from the financial pitfalls that could come in time with the future legislative bodies "creating" greater revenue by way of rationales at critical budget points, we cannot support the idea of giving a single person, especially this Chief Economist, responsibility for certifying fiscal impact statements on state legislation. This is particularly the case when that employee is insulated from taxpayer accountability by at least two layers of government bureaucracy.

Time after time the current Chief Economist, Mr. Gillespie, makes incorrect revenue projections – misleading not only the General Assembly but the citizens of South Carolina. In late 2007, near the beginning of the housing market decline, the Chief Economist was shockingly optimistic about our state's economic future despite national economists' expectations to the contrary. As early as February 2008, I publicly expressed our administration's disagreement with the Chief Economist's predictions of the depth and severity of the housing crisis and the effect it would have on South Carolina. Nonetheless, several times in 2008 the Chief Economist made statements like "[the economic] slump will be short-lived" and that the economic indicators at

The Honorable Robert W. Harrell, Jr.

Page 2

May 12, 2010

the time “do not say we’re falling into a hole.” Time has proven these statements to be disastrously wrong.

Since then, the Chief Economist has continued to report wildly inaccurate revenue projections that have necessitated additional expense to the state in the form of an emergency legislative session. Within a month of the end of last year’s legislative session, the faulty economic projections caused the state’s budget to be \$320 million dollars out of balance. Even with a correct understanding of the state’s resources, it is difficult to create a comprehensive state spending plan. We believe that giving the Chief Economist sole responsibility for estimating a bill’s fiscal impact will further complicate an already difficult process given the Chief Economist’s historically poor performance. It also once again moves us further from the goal of checks and balances within state government.

For these reasons, I am vetoing and returning without my approval H. 4347, R. 200.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Sanford', with a stylized, cursive script.

Mark Sanford