

June 27, 2007

The Honorable Robert W. Harrell, Jr., Speaker
South Carolina House of Representatives
508 Blatt Building
Columbia, South Carolina 29211

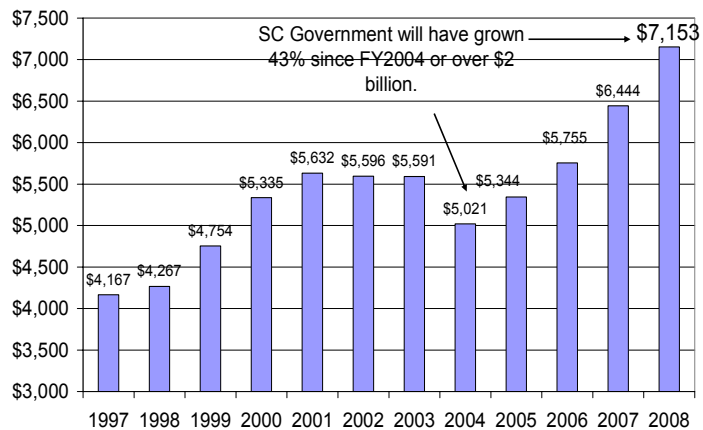
Dear Mr. Speaker and Members of the House:

I am returning H. 3620, R. 175, the Fiscal Year 2007-08 General Appropriations Act, with the line-item vetoes detailed below. If you have not done so, I would ask that you read the cover letter attached to each of these veto messages as it explains the larger rationale behind this year's vetoes. For those of you wanting more detail, you will find it on the following pages.

I would like to underscore my hope that we look at this exercise not as one about Executive Branch budget v. the Legislative Branch budget, but as a final opportunity to impact total spending.

The taxpayers of South Carolina sent an unprecedented \$1.5 billion in new money to state government, a 23 percent increase over last year. This Appropriations Act represents a 15.7 percent spending increase over what is called last year's "recurring base" of expenditures – though if you factor in non-recurring and recurring spending, spending increases at 11 percent. The fundamental premise of this veto message – regardless of which growth number is used – is the same as our previous messages: this rate of increase in state government spending is not sustainable in the long-run, and for the good of both taxpayers and programs that help people in South Carolina, it's important that we further limit spending.

State Spending in South Carolina (in millions)



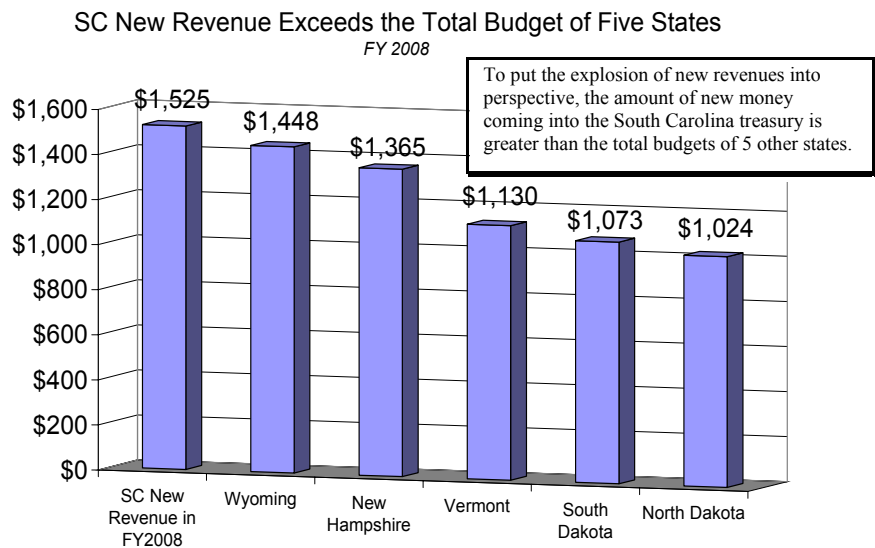
We believe state government should be limited to the rate of population growth plus inflation, which was roughly 5.5 percent in FY 2006-2007. Accordingly, our FY 2007-08 Executive Budget hit that mark. Even while limiting our spending at this growth rate, we prepared a balanced state budget that restored monies to outstanding liabilities and provided essential services to the citizens of South Carolina in the priority areas of education, health care, public safety, social services, economic development, and natural resources.

Holding government’s growth to population plus inflation growth is important because it ensures sustainability. In contrast, the practice of continuing to spend whatever comes in creates a fluctuating pattern of spending that overshoots spending in good times and cuts government to the bone in bad times. This feast or famine approach not only hurts the taxpayer, but some of the most vulnerable citizens who depend on government the most.

We also believe government should not grow faster than the incomes of the hard-working people of South Carolina, which grew at 6.2 percent last year. As mentioned earlier, depending on the numbers used, this budget reflects between an 11 percent and 15.7 percent increase in spending.

The spending difference between our Executive Budget and this budget is significant – about \$625 million. Although many colleagues in the House or Senate may not view it this way, we very strongly attempted to find middle ground in our vetoes as they do not reflect what we would like in an ideal world, that is, limiting spending to population plus inflation. Some of the spending items are buried so deeply that reasonable cuts cannot be made without taking significant portions of worthwhile expenditures.

Despite these realities, we still managed to identify 243 vetoes – representing \$167 million in savings. Our goal here was to offer legislators the chance to bring spending back near to what the House originally proposed. We think this is important given the vast amounts of new revenue expected to come into our state this year.



Positives

Before I expand on the philosophy behind these vetoes, I want to underscore the importance of what the General Assembly did in joining us in funding many of the crucial education and health care items identified within our Executive Budget, as well as adding 100 new state troopers, and

additional officers at SLED, the Department of Corrections, the Department of Juvenile Justice, and the Department of Natural Resources.

This budget also meets our goal of fully funding the increase in health care costs for state employees so they may continue to enjoy a reprieve from the significant increases in premiums that were seen prior to this administration. Additionally, while I agree with the idea of pay raises for deserving state employees, we disagree with the idea of across-the-board pay raises that do not recognize the distinct contributions of some employees versus others.

Finally, I want to thank the Legislature for setting aside \$220 million for income and grocery tax relief and an \$83 million installment for addressing the state's unfunded liabilities, including state retiree health care and pension programs and our college savings program.

Shortfalls

Unfortunately, this budget also falls short on several fronts.

First, the level of new agency operational spending is unsustainable. The first evidence of this is the increase in “annualizations,” a practice of using one-time money to pay for recurring obligations that ill positions the state for rough times in the event of a future downturn. They do this because of the way that they “borrow from Peter to pay Paul.” I believe we must prepare for what will eventually be a slower economy, and this budget does not do this.

Secondly, many of the items that we veto do not go through the normal legislative channels, but instead are “pass throughs” to local governments, special purpose districts, and non-profit organizations. The aggregate “pass throughs” this year total approximately \$135 million and often constitute expenditures without true accountability on how the money is spent. Many of these items are projects that are perfectly legitimate – but are the role of local, not state government.

Third, in a year of unparalleled revenue growth, I am troubled that certain important priorities defined within this year's Executive Budget, such as land fund acquisition, were not more fully funded.

Fourth, despite extraordinary revenue growth, the bill misses an opportunity to devote even more to the unfunded liabilities which could impact the state's financial future and bond credit ratings. Whether we were addressing the leftover unconstitutional deficits, or contributing sizable funds to the Other Post Employment Benefit (OPEB) Trust Fund, this administration believes it is very important we tackle the state's unfunded liabilities.

Fifth, the General Assembly also misses an opportunity to be more targeted in returning money to the taxpayers, who are the producers of our state's soaring revenues. On this I will say again, though it was not targeted as I would have liked to have seen, I am pleased that the General Assembly devoted over \$220 million to tax relief, including an \$86 million income tax reduction and a \$130 million grocery tax reduction. I specifically want to praise the House and its leader, Bobby Harrell, for the way they focused on this issue. While any tax relief is a victory for the

taxpayers, the Appropriations Act missed the mark in improving our business climate by not devoting any dollars to reducing the state's top marginal rates. I again thank the House for their attempts here. Study after study shows that reducing top marginal rates is a key driver of sustained economic growth.

Let me go into each of these items in greater detail:

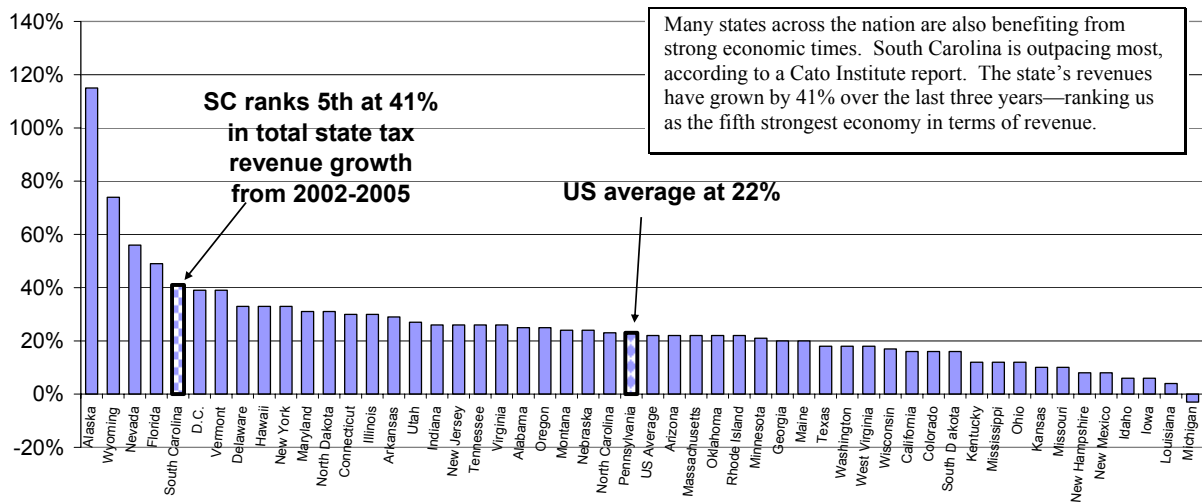
1. Unsustainable Government Spending:

"The preservation of freedom is the protective reason for limiting and decentralizing governmental power. But there is also a constructive reason. The great advances of civilization, whether in architecture or painting, in science or in literature, in industry or agriculture, have never come from centralized government."

— *Milton Friedman*

Strong revenue growth is a sign that an economy is on the rise. Consumers spend more, incomes increase, and businesses flourish – which was clearly the story when our state's books closed at the end of the last fiscal year. In fact, the three primary revenue streams saw significant growth: sales tax revenue was up by 8.1 percent, individual income tax revenue was up 11.3 percent, and corporate income revenue went up by 33.0 percent. Looking at the big picture, the state closed the fiscal year ending June 30, 2006, with total general fund revenues up \$581 million from the previous year.

**State Tax Revenue Increase (2002-2005)
from January 2006 Cato Institute Report**



The Board of Economic Advisors is again predicting that future revenue growth will be strong, estimating the FY 2007-08 general fund revenue will be \$1.3 billion, over a 22 percent increase from the previous year. Of this number, there will be \$713 million in recurring dollars and \$603

million in non-recurring dollars – for a total of \$1,316 million in new money.¹ When adding several other non-recurring revenue sources, this amount grows to over \$1.5 billion.

While this estimate proves that the state economy is growing, I am again urging the General Assembly to display fiscal responsibility by using these vetoes to move expenditures closer to the growth of population plus inflation.

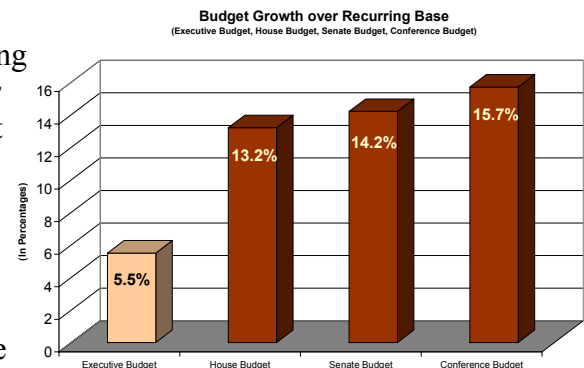
First Things First

More than anything, my vetoes reflect the principle of doing first things first. We believe we should better address the unfunded liabilities facing the state before we begin new and additional spending. Families across our state live by this principle. When times are tough, they may need to borrow from their savings in order to make ends meet, but when times get better those who manage their affairs prudently repay the borrowed money first. We should do the same in managing our financial affairs in Columbia given the fact today we owe payment for \$18 billion worth of unfunded political promises.

Working with a spending cap, we proposed a balanced budget that did not raise taxes, addressed unfunded liabilities, permanently cut the top income tax bracket, provided for the Contingency Reserve Fund, and fully funded essential services in the priority areas of education, health care, public safety, social services, economic development, and natural resources.

Fiscal Discipline

Our Executive Budget holds FY 2007-08 spending growth to roughly the state's *population plus inflation* growth. As mentioned earlier, we do not believe state spending should grow faster than the income of the people asked to pay for it. A budget that outpaces the taxpayers' paying abilities is simply not sustainable.²



According to the BEA at the time the Executive Budget was prepared, the population plus inflation growth for FY 2007-08 was 5.5 percent, which equals \$336 million above the FY 2006-07 recurring base of \$6.108 billion. The **Conference budget grows annual agency operational spending 8.6 percent** – or \$524 million – above last year's recurring base.³ In contrast, my recurring and non-recurring general fund spending plan limits growth to \$336 million, the population plus inflation growth rate.

¹ This figure does not include Education Improvement Act (EIA), lottery, Contingency Reserve Fund, or Capital Reserve Fund dollars. Nor does it include the massive infusion of Federal and other fund sources which push the state's overall budget to around \$20 billion.

² While current state law provides for a liberal spending limitation, it allows unsustainable government growth. Under the current limit, state spending could have grown by \$4.2 billion over FY 2006-07 levels. Revenues (i.e., taxes, fees) could be increased dramatically and still fall short of the current limit.

³ This growth excludes tax relief, statutory funding requirements, and permanent funding for the OPEB Trust Fund.

The General Assembly’s figure is 56 percent higher than the population plus inflation rate, but it does not represent all of the General Assembly’s spending as their budget “**spends**” **\$437 million in non-recurring dollars**. The Conference budget “spends” non-recurring funds on pass throughs, capital items, and agency operational spending, while our Executive Budget appropriated non-recurring funds for “fiscal house in order” items, such as the Tuition Prepayment Program deficit and the OPEB Trust Fund.

Total Growth

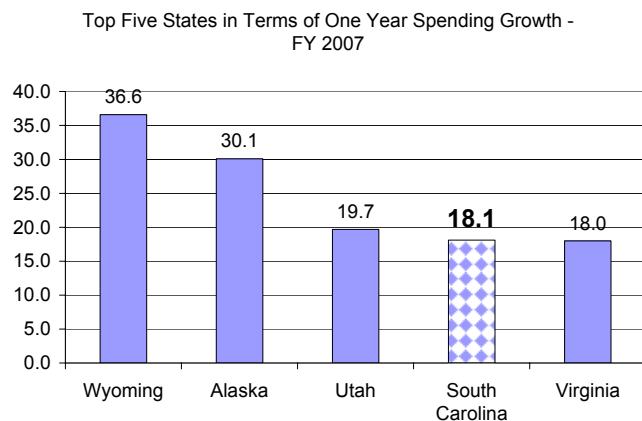
Last year, the General Assembly had around \$427 million in one-time money. Taking out reasonable one-time expenses, the General Assembly spent around \$260 million in non-recurring dollars. **This year’s Conference budget spends around 68 percent (\$437 million total) more in non-recurring funds this year than last on pass through items, capital items, and agency operational costs.**⁴ Again, bear in mind that our Executive Budget constrained spending to population plus inflation and did not use any of the non-recurring funds for these items.

If new recurring spending (\$524 million) and new non-recurring spending (\$437 million) are added to last year’s recurring base (\$6.108 billion), **Conference budget growth would be 15.7 percent.**

People may, in good faith, differ over the precise rate of growth in state government spending that is “reasonable and sustainable” – 5.5 percent, 6.5 percent or 7 percent. However, few would contend that a 15.7 or 11 percent growth rate is sustainable. We disagree with the idea of increasing state government spending at a rate that – whatever benchmark is used – is significantly greater than the people’s ability to sustain it.

A report recently issued by the National Governor’s Association shows that South Carolina’s one-year spending growth was the fourth fastest in the nation. This figure should cause some concern.

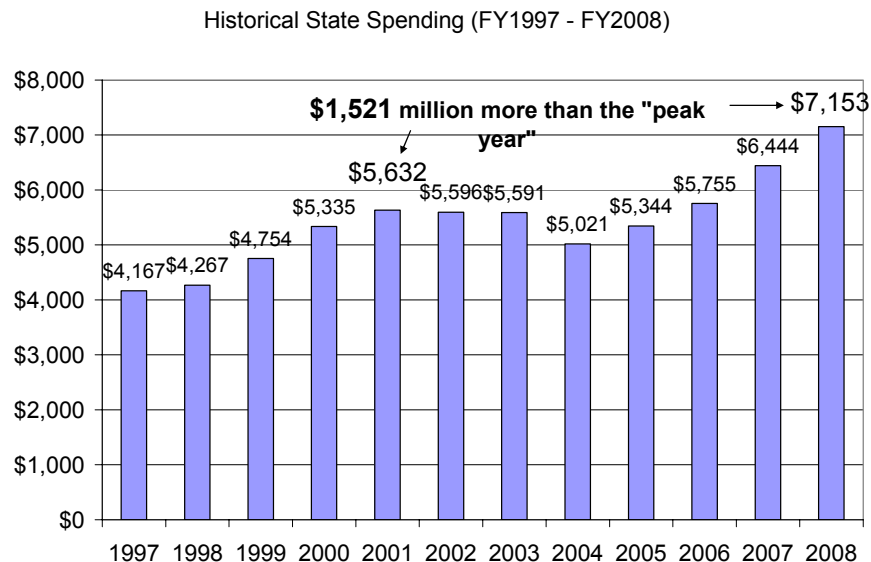
South Carolina has overspent before and paid the price. In 1999 and 2000, spending grew by 11.4 percent and 12.2 percent, respectively – an almost 25 percent increase in two years. The economy slowed, as it inevitably does, and revenues could not keep pace with spending – particularly with annualizations. Consequently, the Budget and Control Board had to make painful and incredibly disruptive mid-year budget cuts.



⁴ The above growth numbers discount Capital Reserve Fund proceeds for this year (\$112 million) as well as the Contingency Reserve Fund (\$171 million). These items are discounted because both the Executive and the Legislative budgets utilize these funds during FY 2007-08.

The last point bears special emphasis: across-the-board mid-year budget cuts are extremely disruptive and poor stewardship of taxpayer dollars in that the most effective state programs are cut at the same rate as the most marginal programs.

The budget is \$1,521 million *above* the previous budget high-water mark that some legislators often talk of “getting back to,” as shown by the following chart:⁵



The rate of spending increases is probably the best indicator of unsustainability, but unsustainability may also be shown in total dollars spent. The budget contains over \$625 million more in spending than our Executive Budget.

Compromise

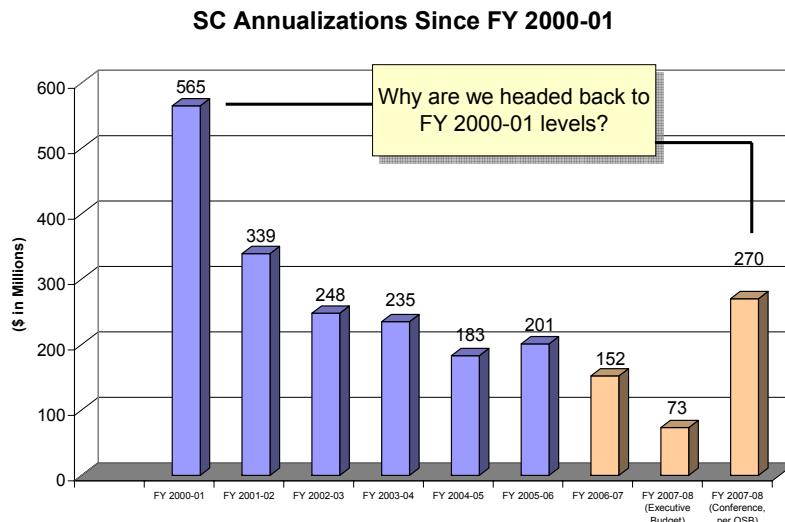
I would like to veto all spending above that proposed in our Executive Budget, but in the end, my vetoes reflect a desire to meet in the middle by devoting \$84 million more in non-recurring dollars to the OPEB trust fund, \$21 million to fully eliminate the Tuition Prepayment Deficit, and \$36 million more in recurring dollars of tax relief. My proposal combines \$141 million in vetoes in this Appropriations bill with \$26 million in vetoes in the Capital Reserve Fund Appropriations Act. Though the General Assembly did dedicate \$20 million to eliminating the Tuition Prepayment Program, we would encourage it to take \$21 million in savings through these vetoes and fully eliminate that deficit. The remaining \$84 million in non-recurring vetoes, when combined with the existing \$63 million of OPEB Trust Fund replenishment proposed by the General Assembly, brings us to over \$147 million in set-aside for an OPEB Trust Fund in this budget cycle.

⁵ It is also worth noting that the total state budget has increased from \$15 billion to \$20 billion since that previous “high-water mark,” as a result of more money from the federal government and an increase in state government fees.

Finally, the \$26 million in non-recurring savings from the Capital Reserve Fund, when combined with the existing \$5 million set aside for the purchase of divested timber land proposed by the General Assembly, brings us to over \$31 million to provide for enhancing quality of life opportunities to future generations of South Carolinians.

Annualizations

Annualizations, the use of one-time money for recurring needs, continue to pose a problem for the General Assembly, and represent poor fiscal management. In the FY 2007-08 Appropriations Act, the General Assembly relied on \$270 million in annualizations to balance their budget. Unfortunately, this year’s annualizations are the highest they have been since Fiscal Year 2001-02, the same year the state ran an unconstitutional \$155 million deficit.⁶



2. “Pass through” Spending Accountability:

“A popular government without popular information or the means of acquiring it, is but a prologue to a farce or a tragedy or perhaps both.”

– *James Madison, The Writings of James Madison 103 (1910)*

For the third year in a row, we used an “activity-based” approach whereby agencies were asked to break state government programs and processes down into roughly 1,600 separate and distinct activities. This process actually follows the path laid out by the legislative leadership when they announced their budget reform package in January 2001. Our administration 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.

An intensive, activity-based budget method provides decision-makers – our administration, legislators, and public officials – with valuable information and data. The detailed cost data provided by the activity-based format gives decision-makers the opportunity to make optimal choices about how to allocate limited resources.

⁶ In contrast to the General Assembly’s annualizations level, the Executive Budget proposed using \$73 million in one-time monies to fund recurring needs. This proposal represented the lowest annualizations level in well over a decade.

While I prefer an activity-based model, we are open to any process that causes policy makers and the public at large to scrutinize spending in government.

By providing state funds in the form of special projects to the tune of \$135 million, the Legislature is unfortunately circumventing the limited accountability process that does exist in Columbia via the budget office. We believe this is a problem. Because of this prevalent practice of funding projects that have not been subjected to the full legislative vetting process, I signed Executive Order 2004-29 directing all Cabinet-level agencies to stop the practice of pass through funding. Unfortunately, legislatively-initiated “pass through” projects have continued without outcome or effectiveness requirements or any mechanism to show where there is a failure to link financial input to performance. In many cases, these projects could be funded at the local level, by user fees, competitive grant programs, or private contributions.

3. Prioritization of Budget Items

In a year of unparalleled revenue growth, I am troubled that certain important priorities defined within this year’s Executive Budget were underfunded or ignored completely. For example, we requested \$20 million to purchase large tracts of divested timber land – a rare opportunity – that would provide quality of life opportunities to future generations. This appropriations bill funds that item at the reduced level of \$5 million. Instead of more fully funding this item, the General Assembly devotes \$2.5 million to the Department of Natural Resources for information technology upgrades. We respectfully disagree with this, given potential cost savings if the Department of Natural Resources merged its registration system with the DMV’s Phoenix information technology system. Had this merger taken place, the savings may have prevented the need for the upgrades. At the same time, the Department of Agriculture is receiving \$15 million in additional funding for what are essentially poor planning decisions related to the State Farmer’s Market. These two items will affect relatively few South Carolinians but are funded at the expense of a purchase that would have provided quality of life opportunities for many more South Carolinians.

Beyond these examples, the budget not only continues the controversial Competitive Grants Program, but actually provides an additional \$9 million.⁷ Similarly, the budget underfunds the administrative costs for the Statewide Charter School District

4. Unfunded Liabilities

Regarding unfunded liabilities, serious challenges remain. Beginning next fiscal year, the Government Accounting Standards Board will require all states to account for unfunded liabilities. The Budget and Control Board recently approved a Cost of Living Adjustment for the state’s retirees, which will add \$250 million to our unfunded liabilities. The Other Post Employment Benefit Trust Fund (OPEB) has an outstanding unfunded liability of \$9 billion, and the General Assembly only mustered \$63 million for OPEB. All told our liabilities are approximately \$18 billion in this category. In our Executive Budget, we appropriated \$439 million to lower the outstanding OPEB debt, nearly seven times what the General Assembly

⁷ \$34 million as a lapsed revenue source and \$26 million currently available for grants

allocated — and that was before the Board of Economic Advisors (BEA) certified an additional \$245 million in non-recurring revenue.

A recent audit highlighted a sizable deficit in the Tuition Prepayment Program, whose funds will be exhausted by 2017. Our Executive Budget eliminated the program’s \$41 million deficit. Though the General Assembly devoted \$20 million to eliminate this deficit, the unfortunate reality is that it neither covered the full liability nor established a tuition cap for existing participants in order keep costs down, simple must-do items in a year of plenty. Unfortunately, these problems are but a microcosm of higher education spending as a whole – much of which is as well on an uncontrollable and unsustainable spending course.

The \$83 million used to cover some of our unfunded liabilities represents 5.5 percent of the \$1.5 billion in “new” funds available in the appropriations and CRF bills. In contrast, our Executive Budget dedicated 43 percent of the new funds to this purpose.⁸ As additional new monies have come into the state’s coffers, we have consistently advocated for more funds to go to the unfunded liabilities. Both bodies took a step in the right direction – dedicating about \$83 million. However, that is only a fraction of our outstanding unfunded liabilities. Obviously, more needs to be done to address these looming problems.

5. Tax Relief

With \$1.5 billion in new revenue streaming into Columbia, a primary goal of this administration is to give something significant back to the South Carolinians, the folks who sent in this money in the first place. Within this veto message, the \$36 million in proposed recurring savings from the Appropriations bill, when combined with the existing \$220 million set aside for the elimination of the grocery tax and the reduction of the income tax proposed by the General Assembly, brings us to over \$256 million in tax relief.

Speaker Harrell and others in the House in particular are to be commended for the way that they helped break the log jam in raising to \$220 million the \$24 million the Senate had originally proposed in tax relief to what now amounts to the largest recurring tax cut in our state’s history.

6. Economic Indicators suggest a need for restraint in governmental spending

Trees don’t grow to the sky and gravity always works. We believe that the national economy is poised for a slow down and, for this reason alone, that it makes no sense to get ahead of ourselves on spending. The risks associated with a downturn in the economy are very real, and it makes no sense to plan as if budgets will continue to grow by ten percent indefinitely.

National Trade Deficit

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 level of over \$62.4 billion in March, or an annual rate of almost \$722.6 billion.

⁸ The new funds are certified by the Board of Economic Advisors, and were not available during the Executive Budget preparation.

A Weak Dollar

Some say this comes as a consequence of federal spending, others the national debt, and still others say trade deficits and monetary policy. Whatever the reason, our dollar continues to weaken to the point that inflation may well become a problem in this economy. The federal deficit alone was over \$765.3 billion for fiscal year 2006.

Rising Gas Prices and Increased Consumer Debt

Consumer spending accounts for about two-thirds of all economic activity in this country. Two significant burdens on the consumer are having a negative impact — price of gasoline and the rising cost of consumer debt.

Mortgage debt increased \$333 billion last year alone and overall household debt now totals about \$2.17 trillion – or roughly 108.4 percent of personal income. Obviously, rising interest rates could increase monthly payments on this debt.

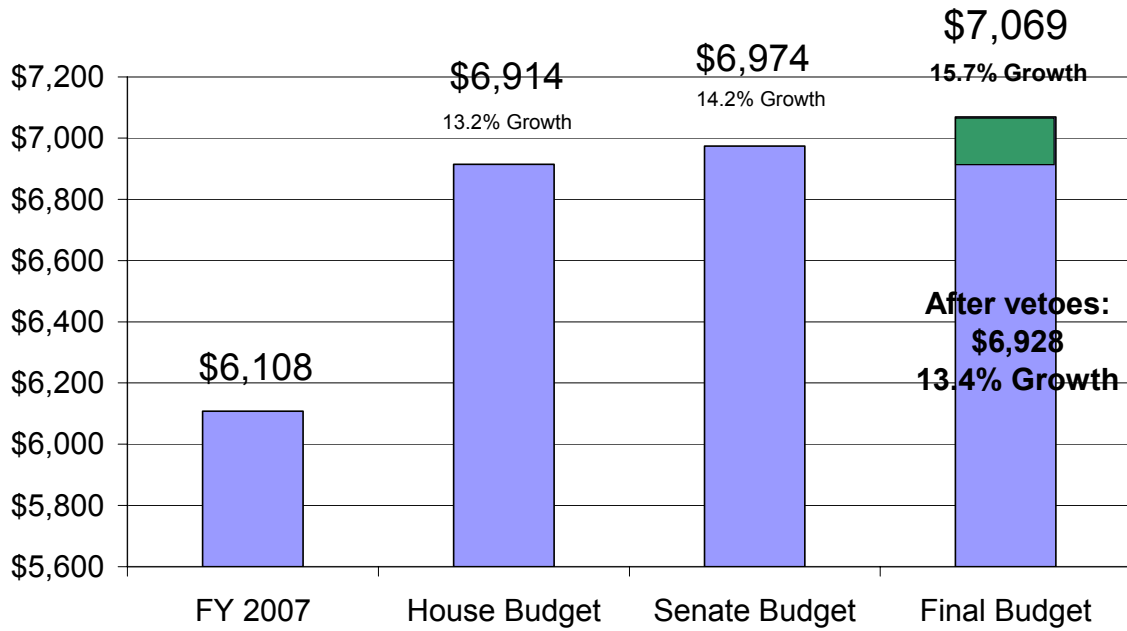
The bottom line is that we are concerned about the future of our economy. These economic pressures will likely slow consumer spending, produce a dramatic drag on the state's economy and, consequently, negatively affect the amount of money that comes into fund our state budget. Leadership means looking down the road at indicators like these when contemplating the appropriateness of this year's spending.

If we don't prepare ourselves for these sorts of possibilities, there is more than a reasonable chance that we will face events similar to what we saw less than ten years ago – dramatic cuts to the programs most important to the very people who need government's help the most in tough times. Therefore, holding the line on government spending and making sure that we have properly reserved funds for bad financial times is vitally important for both the taxpayer and those most in need of government's help. We also believe now is the time to start this preparation.

With these thoughts in mind, my vetoes are based on three simple ideas: (1) over time government shouldn't grow faster than the growth of people's wallets and pocketbooks; (2) tax dollars returned to the private sector stimulate economic growth; and (3) during years of strong revenue growth, we should do first things first and pay for the political promises on the table before we make new and additional ones.

Veotes' Effect on State Budget (in millions)

does not include CRF and CRF Vetoes



I. Veto of Part IA

- Governor's Vetoes of Part 1A: \$36,014,086

Budget

Title Department of Education; Star Academy

Veto 1 - Removed From:
Part IA; Section 1; Page 14; Department of Education; XVIII. Non-Recurring Appropriations; Star Academy Dropout Prevention Program; \$1,200,000.

We are vetoing this line for two reasons. This would be the first time state funds would go to support a Star Academy.

Two, this duplicates the efforts of the Education and Economic Development Act signed by this administration in 2005. We believe this funding will have the unintended effect of diluting the original intent of the Education and Economic Development Act, which is in part dedicated to increasing graduation rates, and will ultimately undermine the effectiveness of this program.

While we support the mission of the Star Academy, we believe we should focus our efforts on the broader Education and Economic Development Act.

Budget

Title Commission on Higher Education; Charleston Transition Connection

Veto 2 - Removed From:
Part IA; Section 5A; Page 27; Commission on Higher Education; II. Service Programs; Special Items; Charleston Transition College; \$300,000.

Budget

Title Higher Education Tuition and Grants; S.C. Student Legislature

Veto 3 - Removed From:
Part IA; Section 5B; Page 30; Higher Education Tuition and Grants; I. Administration; Special Items; SC Student Legislature; \$25,000.

Budget

Title University of Charleston; Marine Genomic

Veto 4 - Removed From:
Part IA; Section 5E; Page 38; University of Charleston; I. Education & General; Special Items; Marine Genomics; \$603,000.

Budget Title University of Charleston; Hospitality, Tourism, Management

Veto 5 - Removed From:
Part IA; Section 5E; Page 38; University of Charleston; I. Education & General; Special Items; Hospitality, Tourism, and Management Program; \$545,000.

Budget Title University of Charleston; Effective Teaching & Learning

Veto 6 - Removed From:
Part IA; Section 5E; Page 39; University of Charleston; Education & General; Special Items; Effective Teaching & Learning; \$901,800.

Budget Title South Carolina State University; Obesity Awareness & Prevention Initiative

Veto 7 - Removed From:
Part IA; Section KJ; Page 48; South Carolina State University; IV. Nonrecurring Appropriations; Obesity Prevention & Awareness Project; \$400,000.

Budget Title University of South Carolina; Palmetto Poison Center

Veto 8 - Removed From:
Part IA; Section 5KA; Page 50; University of South Carolina; A. Unrestricted Education & General; Special Items; Palmetto Poison Center; \$250,000.

Budget Title University of South Carolina-National Hydrogen Association Convention

Veto 9 - Removed From:
Part IA; Section KA; Page 50; University of South Carolina; A. Unrestricted Education & General; Special Items; National Hydrogen Association Convention - Engenuity; \$100,000.

Budget Title University of Charleston; Business – Economic Partnership Initiative

Veto 10 - *Removed From:*
Part IA; Section 5E; Page 38; University of Charleston; I. Education & General; Special Items; Business - Economic Partnership Initiative; \$1,204,314.

Budget Title University of Charleston; Global Trade and Resource Center

Veto 11 - *Removed From:*
Part IA; Section 5E; Page 39; University of Charleston; I. Education & General; Special Items; Global Trade & Resource Center; \$350,000.

Budget Title Francis Marion University; Rural Assistance Initiative

Veto 12 - *Removed From:*
Part IA; Section 5G; Page 43; Francis Marion University; I. Education and General; A. Unrestricted; Special Items; Rural Assistance Initiative; \$600,000.

South Carolina's higher education system is to be commended for its efforts to better prepare our young people for a brighter future. That being said, we question these specific items for two reasons: first, they fall way outside the core mission of educating students; and second, we believe following this path of haphazard higher education earmarking will have long-term repercussions – including continued tuition increases – for the state.

Higher education currently receives 19 percent of the total state budget, ranking us second in the Southeast in such spending as a percentage of the budget. Nationwide, only six states dedicate a greater percentage of their budget to higher education than South Carolina. Consider also that state universities are seeing an average 10 percent growth in state funding in this budget alone. If particular institutions believe that the individual programs we target have merit, there is more often than not a way to fund them through their existing budgets.

We are also concerned that these type of provisos may ultimately lead to increasing the tuition burden for students. Since 1990, South Carolina's in-state tuition at public schools has increased 244 percent. Last year, the Higher Education Pricing Index increased only 3.5 percent, while the average tuition for public four-year universities increased 12 percent – making us the highest among all Southeastern states for in-state tuition. Also, South Carolina's in-state tuition is double that of Florida, Georgia, and North Carolina – three states that dedicate a smaller portion of their budgets to higher education.

Since taking office, we have advocated for a more coordinated higher education system to better utilize the money in our education system – and therefore make it more affordable. Our concern has proven timely given a recent study of state higher education systems that gave South Carolina an “F” regarding affordability.

Having a post-secondary program will serve little purpose if our children cannot afford to participate.

Budget

Title Francis Marion University; Omega Project

Veto 13 - Removed From:
Part IA; Section 5G; Page 43; Francis Marion University; I. Education & General; A. Unrestricted; Special Items; Omega Project; \$75,000.

We believe the core mission of higher education – including Francis Marion University – should be the education of students. While voter registration is a noble goal, it is not a core function of Francis Marion or any other higher education institution to increase political participation. Dollars in higher education are not unlimited, and we think designating funds to this program would stretch valuable resources and ultimately detract from the university’s core educational function.

Budget

Title Department of Health and Human Services; Children’s Health Insurance Program (SCHIP)

Veto 14 - Removed From:
Part IA; Section 8; Page 84; Department of Health and Human Services; II. Programs and Services; A. Health Services; 1. Medical Administration; New Positions; Coordinator I; \$22,149; (.64 FTE).

Veto 15 - Removed From:
Part IA; Section 8; Page 84; Department of Health and Human Services; II. Programs and Services; A. Health Services; 1. Medical Administration; New Positions; Administrative Specialist I; \$14,962; (.64 FTE).

Veto 16 - Removed From:
Part IA; Section 8; Page 84; Department of Health and Human Services; II. Programs and Services; A. Health Services; 1. Medical Administration; New Positions; Human Services Specialist II; \$169,907; (5.96 FTE).

Veto 17 - Removed From:
Part IA; Section 8; Page 84; Department of Health and Human Services; II. Programs and Services; A. Health Services; 1. Medical Administration; New Positions; Accountant/Fiscal Analyst I; \$12,136; (.43 FTE).

- Veto 18** - Removed From:
Part IA; Section 8; Page 84; Department of Health and Human Services; II. Programs and Services; A. Health Services; 1. Medical Administration; New Positions; Accountant/Fiscal Analyst II; \$14,767; (.43 FTE).
- Veto 19** - Removed From:
Part IA; Section 8; Page 84; Department of Health and Human Services; II. Programs and Services; A. Health Services; 1. Medical Administration; New Positions; Program Coordinator I; \$29,533; (.85 FTE).
- Veto 20** - Removed From:
Part IA; Section 8; Page 85; Department of Health and Human Services; II. Programs and Services; A. Health Services; 1. Medical Administration; New Positions; Program Coordinator II; \$17,970; (.43 FTE).
- Veto 21** - Removed From:
Part IA; Section 8; Page 86; Department of Health and Human Services; II. Programs and Services; A. Health Services; 3. Medical Assistance Payment; Z. Children's Health Insurance Program; \$21,279,557.

I am vetoing this funding because, while well-intended, it could have both long-term consequences on our ability to fund health care and to participate in private markets.

First, the change will increase the eligibility from 150 percent of poverty to 200 percent of poverty. We believe that the state should move cautiously in expanding this type of entitlement program. It was just a few short years ago that the General Assembly funded \$500 million in the Medicaid program with one-time funds. In 2000, the Medicaid program comprised \$1 out of every \$7 in state funding; now the ratio is approximately \$1 out of every \$5. Even without this expansion in the State Child Health Insurance Program, projections show that the state could spend as much as \$1 out of every \$3 in the state budget.

We certainly understand the desire of some to expand this program, but our current program already covers a significant number of children relative to other states. For instance, the South Carolina program covers approximately 40 percent of all children ages 0-18; only Arkansas, Louisiana, Mississippi, New Mexico, Vermont and the District of Columbia cover a higher percentage. Regionally, South Carolina covers a higher percentage of children than Georgia, Florida, or North Carolina. Expanding this system would put us even further towards the top.

The House budget included a logical provision that required co-payments based on income for participants in the system in an effort to make the cost of this expansion more affordable. However, the final version of the Conference budget has no requirement for such payments, thus eliminating an important check on the growth of the program.

There is a certain crowd-out effect that is happening nationally as a result of SCHIP expansions. The Congressional Budget Office (CBO) has noted a reduction of children participating in

private health insurance and that 50 percent of the children now enrolled in the State Child Health Insurance Program (SCHIP) were covered by private health insurance the prior year.

Finally, national trends are starting to raise concerns about the cost of the SCHIP in the halls of Congress. For the first four years of this program, there was more money for the program than cost of the enrolled children. However, starting in 2002, a deficit started to occur that was funded by dollar shifts from state to state. By the end of 2005, Congress was forced to spend more than \$200 million to keep the program afloat. As the reauthorization of the legislation is being debated, we should take into consideration that national policymakers tend to cut programs in order to manage costs. Ultimately, that could leave South Carolina financing an even higher portion of the costs. We should monitor closely what Congress will ultimately do in terms of changes to the program before we make this sort of expansion.

Budget

Title Department of Health and Environmental Control; Stormwater Permitting

Veto 22 - *Removed From:*
Part IA; Section 8; Page 89; Department of Health and Environmental Control; II. Programs & Services; A. Water Quality Improvement; 2. Water Management; Personal Service; New Positions; Environmental Engineer Associate; \$234,608; (4.0 FTEs)

Veto 23 - *Removed From:*
Part IA; Section 8; Page 90; Department of Health and Environmental Control; II. Programs & Services; B. Coastal Resource Improvement; Personal Service; New Positions; Environmental Engineer Associate; \$140,764; (3.0 FTEs)

I am vetoing this item for two primary reasons. First, the impact to DHEC is negligible in that its total general fund budget is in excess \$144 million; from these funds, the agency has the capacity to absorb the additional staff. For example, the agency will carry forward \$550,425 of its existing budget, slightly more than the previous year.

In addition, while we agree that the stormwater permitting process should be expedited, we believe that the burden should be carried by those who benefit most directly from the service. At the Department of Motor Vehicles, we implemented a policy to expedite registration and titling documents, but instead of using taxpayer funds, we used fees to cover the costs of the additional benefit. DHEC should consider implementing a similar policy so that those looking for expedited permitting could pay for the enhanced service.

Budget**Title** Department of Disabilities and Special Needs; Special Olympics

- Veto 24** - Removed From
Part IA; Section 11; Page 106; Department of Disabilities and Special Needs; II. Programs & Services; B. Mental Retardation Family Support Programs; 1. Children's Services; Special Items; \$200,000.

The Special Olympics is an admirable program that provides tremendous value to those who participate in their events. Much of the same can be said, however, for many of the charitable organizations that help children or the disabled; many of which do not receive state funding. The Special Olympics organizations have a significant fundraising apparatus and receive a good deal of support from individual and corporate donations. Voluntary donations, in lieu of compulsory taxpayer funding, are to be encouraged, and increased funding does not promote that end.

Budget**Title** Arts Commission; McClellanville Arts Council

- Veto 25** - Removed From
Part IA; Section 18; Page 132; Art Commission; II. Statewide Arts Services; Special Items; \$12,500.

I am vetoing this item because it is unique in the case of local arts councils. It is the only local arts council that receives a separate and recurring line in the state budget. In addition, we believe that this type of funding should be competitively awarded.

Budget**Title** Forestry Commission; Fuel and Other Operating Costs

- Veto 26** - Removed From
Part IA; Section 21; Page 141; Forestry Commission; I. Administration; Other Operating Expenses; \$128,520

Given that gas prices remain high, we are sympathetic to the Forestry Commission's desire for additional fuel funding. However, by providing this special allowance, the increased fuel costs are not being evenly distributed across state government. We believe this special allowance not provided to other state agencies is particularly inappropriate since the Forestry Commission's general fund budget has increased by 40 percent over the past three years.

These types of administrative costs further highlight the need to restructure state government. According to estimates, taxpayers would have saved \$932,000 if we had brought Forestry Commission together with the Department of Natural Resources, which would have more than covered additional administrative costs like these.

Budget Title Sea Grant Consortium; Partnership for a Hazard Resilient South Carolina

Veto 27 - Removed From
Part IA; Section 25; Page 160; Sea Grant Consortium; I. Administration; Personal Service; New Positions; Extension Specialist; \$35,000

Veto 28 - Removed From
Part IA; Section 25; Page 160; Sea Grant Consortium; I. Administration; Other Operating Expenses; Allocation to Other State Agencies; \$43,750

This Appropriations bill provides for \$134,000 in new recurring spending for the Sea Grant Consortium – a 24 percent increase over FY 2006-07 levels.

I'm vetoing this item because we don't believe this is a wise use of limited state dollars given the extraordinary amount of resources already dedicated for storm-proofing by the public and private sectors. Between the National Hurricane Program, FEMA and NOAA, more than \$1 billion in grants and other assistance is already available. But a far more important driver toward this goal is ultimately the power of the marketplace. The fact that homebuilders, the insurance industry, homeowners, and businesses are compelled by their bottom lines to consistently seek ever-improving hurricane-resistant building methods and practices makes this expenditure, at best, one of minimal impact.

Budget Title Judicial Department; S.C. Center for Fathers & Families

Veto 29 - Removed From
Part IA; Section 30; Page 177; Judicial Department; V. Administration; C. Information Technology; Special Items; \$500,000

I'm vetoing this item because while this non-profit organization's stated goals are laudable, we do not believe that state government should be in the business of picking winners and losers by funding one non-profit over another. We also believe any investment in the private sector by the public sector ought to be made based upon anticipated and measurable outcomes. In this case, the funding is not tied to any specific expected outcome.

Budget Title Commission on Indigent Defense; DUI Defense of Indigents

Veto 30 - Removed From
Part IA; Section 35; Page 182; Commission on Indigent Defense; I. Administration; Special Items; DUI Defense of Indigents; \$1,000,000

Budget**Title** Commission on Indigent Defense; Criminal Domestic Violence

- Veto 31** - Removed From
Part IA; Section 35; Page 182; Commission on Indigent Defense; I. Administration; Special Items; Criminal Domestic Violence; \$1,320,000

In 1993, Indigent Defense was established as a way for the state to help offset counties' expenses in death penalty cases. Since that time, growth in this program has far outpaced the growth in the number of death penalty cases in South Carolina because its role has morphed into one where the state is funding an ever-increasing portion of what had traditionally been and should continue to be the counties' responsibility.

This additional funding also sends a problematic message. This state has the unfortunate distinction of being near the top of the nation in both DUI-related deaths and domestic violence related deaths. It seems odd that we are dedicating more dollars toward defending offenses such as DUI in a year where much-needed DUI reform remains stuck in a Senate Subcommittee.

Budget**Title** Department of Public Safety; H.L. Hunley Commission-Security

- Veto 32** - Removed From
Part IA; Section 36; Page 185; Department of Public Safety; II. Programs and Services; D. Bureau of Protective Services; Special Item; Hunley Security; \$257,317

South Carolina's taxpayers are and have been responsible for an enormous amount of money associated with raising and preserving the Hunley. After purchasing a museum for the vessel, the Peery collection of Confederate artifacts, and funding a \$35 million dollar Clemson extension campus to be built around the North Charleston Hunley Conservation Laboratory, I believe that the taxpayers of this state have put more than enough money into this endeavor. There is also a question of fairness: we do not see protective services employed at a host of monuments and other places and settings that have significant value as well.

Budget**Title** Law Enforcement Training Council; Leadership Training

- Veto 33** - Removed From
Part IA; Section 36B; Page 190; Law Enforcement Training Council; II. Training; Personal Service; Criminology Instructor II; \$50,000; (1.00 FTE)

- Veto 34** - Removed From
Part IA; Section 36B; Page 190; Law Enforcement Training Council; II. Training; Personal Service; Administrative Specialist II; \$20,000; (1.00 FTE)

Our administration has consistently supported the Council, requesting roughly \$12 million in total funds for this year's budget – including a 14 percent increase in funding for training programs alone. Further, we are not opposed to funding these particular line items. But the Council's budget this year already funds an item called "Leadership Training." As such we're vetoing the two line appropriations above and would ask that if the Council still chooses to fund them, that it do so with money provided for that "Leadership Training" program. As well, the possibility of supplementing these programs with funds from the agencies that directly benefit from the services should be considered.

Budget

Title Commission on Minority Affairs; Administration and Personal Service

Veto 35 - Removed From
Part IA; Section 41; Page 211; Commission on Minority Affairs; I. Administration; Personal Services; New Positions; Program Coordinator II; \$100,934; (2.00 FTEs)

This new funding mirrors a proviso that would direct the Commission to essentially duplicate a number of functions already performed by the state's Department of Social Services, Department of Education, and the Employment Security Commission, and complemented by any number of non-profit organizations' efforts. While the goal of this proposal may have merit, taxpayers would be better-served by these agencies finding a way to accomplish this goal using their existing resources or by partnering with a non-profit entity.

Budget

Title Department of Consumer Affairs; Consumer Services

Veto 36 - Removed From
Part IA; Section 49; Page 226; Department of Consumer Affairs; I. Administration; Personal Service; New Positions; Administrative Specialist II; \$19,659; (1.00 FTE)

Budget

Title Department of Consumer Affairs; Advocacy

Veto 37 - Removed From
Part IA; Section 49; Page 227; Department of Consumer Affairs; IV. Consumer Advocacy; Personal Service; Attorney II; \$35,414; (1.00 FTE)

Consumer Affairs' budget has already been increased by 18 percent or \$615,000 this year. There is no reason why these items cannot be funded from this increased budget, especially in light of the fact that the number of complaints received and acted upon decreased from 6,926 in FY 2005 to 5,824 in FY 2006.

Budget**Title** Department of Transportation; IFTA

Veto 38 - Removed From
Part IA; Section 53; Page 235; Department of Transportation; I.
Administration, A. General; Special Items; IFTA Administration; \$1,000,000.

This appropriation is intended to meet South Carolina's obligation to adjacent states under the International Fuel Tax Agreement. This would be the first time that the Department of Transportation has received a separate line-item appropriation for this obligation. As a rule, this department is funded through gas tax revenues and federal grants, not by separate line-item appropriations. Absent a compelling reason for this line-item, I am vetoing it.

Budget**Title** Lieutenant Governor's Office; Security Detail

Veto 39 - Removed From
Part IA; Section 57; Page 264; Lieutenant Governor's Office; I.
Administration; Other Operating Expenses; \$112,173.

This line item increase is tied to a proviso which requires that SLED provide a security detail to the Lt. Governor in a manner agreed to by SLED and the Lt. Governor's Office and directs that SLED be reimbursed to offset the cost of the security detail in an amount agreed to by SLED and the Lt. Governor's Office from funds appropriated for this purpose.

Because I am vetoing the proviso, I am also vetoing this Part 1A increase. My problem with the Part 1A item/proviso is simply that we believe the taxpayers of this state should not have to pick up the \$90,000 per year proposed for this security detail. To do so would cast the Lt. Governor as the only constitutional officer to be newly-assigned a detail, though other officers, like the Attorney General, have what most would agree a more demanding role in state government. Additionally, he would become the only person in state government with a constitutionally-defined part-time role to be assigned a security detail. This is not something offered to even the most powerful of legislative positions, like the House Speaker or the Senate *Pro Tempore*. As a rule, we are not a fan of Columbia traditions, but in this case, the course set sixteen years ago by the former Republican Lt Governor Peeler is a tradition that should hold.

Budget**Title** Lieutenant Governor's Office; Silver Haired Legislature

Veto 40 - Removed From
Part IA; Section 57; Page 264; Lieutenant Governor's Office; II. Office on
Aging; Special Item; Silver Haired Legislature; \$15,000.

While we admire the mission of the Silver Haired Legislature, they often lobby the Legislature for programs that it believes benefit our state's senior population. I issued an executive order during my first year as governor prohibiting cabinet agencies from hiring lobbyists because we do not believe that taxpayer funds should be used to advocate for more public funds, and for that reason I am vetoing this line.

Budget

Title State Treasurer's Office; Prosecutor/Public Defender Public Service Incentive Program

Veto 41 - Removed From
Part IA; Section 60; Page 269; State Treasurer's Office; III. Special Items; Prosecutor/Public Defender Public Service Incentive Program; \$375,000.

This appropriation is related to a new proviso that directs the Attorney General's Office, the Prosecution Coordination Commission and the Commission on Indigent Defense to develop and implement a program that encourages attorneys to become prosecutors or public defenders, essentially by paying their student loans. We do not believe there is a need for the taxpayers to subsidize the education of lawyers, no matter how meritorious their practice.

Budget

Title Adjutant General's Office; Crowd Control Training

Veto 42 - Removed From
Part IA; Section 61; Page 276; Adjutant General's Office; X. State Guard; Other Operating Expenses; \$114,792.

There is no doubt that the men and women of the National Guard make sacrifices in times of need both here and abroad. That said, crowd control training is one of the core functions of the South Carolina National Guard and should be funded from the Adjutant General's Office general budget – a budget that has increased by 20 percent in the last three years.

Budget

Title Election Commission; 2008 Presidential Preference Primary

Veto 43 - Removed From
Part IA; Section 62; Page 278; Election Commission; VII. Non-Recurring Appropriations; 2008 Presidential Preference Primaries; \$2,183,560.

This appropriation is tied to a new proviso that directs that the state Election Commission to conduct the 2008 Presidential Preference Primaries. I vetoed S.99, the legislation that authorized the state Election Commission to run these party primaries, because we do not believe that taxpayers should foot the bill for private political events, and I am vetoing this appropriation for

the same reason. In addition, funding the primary with recurring funds has the net effect in that this will be an annual need, which it is not.

II. Vetoes of Part 1B Temporary Provisos

Veto 44 Part 1B, Section 1.21, Department of Education, page 323; 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.

Veto 45 Part 1B, Section 1.51, Department of Education, page 327; SDE: National Board Certification Incentive.

Veto 46 Part 1B, Section 1.52, Department of Education, page 328; SDE: National Board Certification Incentive Surplus.

These provisos provide additional funding for a National Board Certification program that already costs the state more than \$50 million annually. Instead of automatically linking teachers' salary increases to gaining board certification, we favor providing incentives to reward excellence in teaching our children or to encourage service in our more challenged schools.

Veto 47 Part 1B, Section 1.82, Department of Education, page 337; Star Academy Match Requirement.

This proviso would define the match requirement of the Star Academy public/private partnership. I am vetoing this proviso since I am also vetoing the line-item associated with it.

Veto 48 Part 1B, Section 5K.1, University of South Carolina, page 363; Palmetto Poison.

I am vetoing this proviso since I am also vetoing the line-item associated with it. Palmetto Poison is a worthwhile program, but should be run by one of the state's health agencies, not a state university.

Veto 49 Part 1B, Section 5J.1, South Carolina State University, page 364; SCSU: BRIDGE Program.

I am vetoing this proviso since I am also vetoing the line-item associated with it. The associated appropriation is to SC State University for the BRIDGE program, an initiative designed to recruit minority high school students along the I-95 corridor into the teaching profession. Though well intentioned, this new program is duplicative of existing programs at other governmental agencies and non-profit organizations.

Veto 50 Part 1B, Section 8.12, Department of Health and Human Services, page 368; 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, if a service is provided to one class of beneficiaries, it must be provided to all – a rule that in this case resulted in DHHS spending approximately \$90,000 last year to provide chiropractic services to children under the age of six. Provisos like this one result in outcomes that divert our scarce healthcare dollars in inefficient ways.

Veto 51 Part 1B, Section 8.26, Department of Health and Human Services, page 371; DHHS: Medicaid Quarterly Fiscal Impact Statements.

I am vetoing this section because it imposes an unnecessary 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.

Veto 52 Part 1B, Section 8.29, Department of Health and Human Services, page 372; Prevention Partnership Grants

I am vetoing this so-called “competitive grants” program because it is not truly competitive. Of the \$2 million set aside for this program, the proviso itself carves out \$200,000 for the Eastover Medical Center and \$1 million for HIV prevention. A competitive grants program with 60 percent of its funds committed in advance to specific projects is inconsistent with the stated objective of awarding the funds on a competitive basis.

Veto 53 Part 1B, Section 8.36, Department of Health and Human Services, page 373; State Children’s Health Insurance Program.

I am vetoing this funding because, while well-intended, it could have both long-term consequences on our ability to fund health care and to participate in private markets.

First, the change will increase the eligibility from 150 percent of poverty to 200 percent of poverty. We believe that the state should move cautiously in expanding this type of entitlement program. It was just a few short years ago that the General Assembly funded \$500 million in the Medicaid program with one-time funds. In 2000, the Medicaid program comprised \$1 out of every \$7 in state funding; now the ratio is approximately \$1 out of every \$5. Even without this expansion in the State Child Health Insurance Program, projections show that the state could spend as much as \$1 out of every \$3 in the state budget.

We certainly understand the desire of some to expand this program, but our current program already covers a significant number of children relative to other states. For instance, the South Carolina program covers approximately 40 percent of all children ages 0-18; only Arkansas, Louisiana, Mississippi, New Mexico, Vermont and the District of Columbia cover a higher percentage. Regionally, South Carolina covers a higher percentage of children than Georgia, Florida, or North Carolina. Expanding this system would put us even further towards the top.

The House budget included a logical provision that required co-payments based on income for participants in the system in an effort to make the cost of this expansion more affordable. However, the final version of the Conference budget has no requirement for such payments, thus eliminating an important check on the growth of the program.

There is a certain crowd-out effect that is happening nationally as a result of SCHIP expansions. The Congressional Budget Office (CBO) has noted a reduction of children participating in private health insurance and that 50 percent of the children now enrolled in the State Child Health Insurance Program (SCHIP) were covered by private health insurance the prior year.

Finally, national trends are starting to raise concerns about the cost of the SCHIP in the halls of Congress. For the first four years of this program, there was more money for the program than cost of the enrolled children. However, starting in 2002, a deficit started to occur that was funded by dollar shifts from state to state. By the end of 2005, Congress was forced to spend more than \$200 million to keep the program afloat. As the reauthorization of the legislation is being debated, we should take into consideration that national policymakers tend to cut programs in order to manage costs. Ultimately, that could leave South Carolina financing an even higher portion of the costs. We should monitor closely what Congress will ultimately do in terms of changes to the program before we make this sort of expansion.

I am vetoing this proviso since I am also vetoing the line-item associated with it.

Veto 54 Part 1B, Section 9.43, Department of Health and Environmental Control, page 380; Beach Renourishment and Monitoring.

We believe that state funds for beach renourishment should be expended only in cases where there is an associated economic benefit or where it is necessary to protect an existing infrastructure investment. We believe that in cases where there is a low-density or marginal benefit, we are ultimately waging a war against nature that we will not win. We would urge the General Assembly to work with us to develop a more rational approach to funding beach renourishment so that there is a priority system in place before the funding is made available.

Veto 55 Part 1B, Section 10.16, Department of Mental Health, page 384; McCormick Satellite Clinic.

This proviso redirects \$750,000 from the Williams Building Cooperative Ministries Homeless Shelter Renovation and Operation to a community mental health clinic in McCormick County

and to homeless programs in the City of Columbia. Again, these programs may certainly have merit; however, we believe that programs like these should receive funding in a more competitive manner.

Veto 56 Part 1B, Section 13.19, Department of Social Services, page 389, 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, *which no longer exists*. Even though this program has been discontinued, this proviso requires that DSS continue providing \$100,000 in TANF funding to the center.

Veto 57 Part 1B, Section 22.14, Department of Agriculture, page 395; Feed Label Registration

I am vetoing this item because it is effectively a tax increase on feed manufacturers. The Department of Agriculture is already performing this indicated labeling function without these funds, and we would ask that they continue doing so.

Veto 58 Part 1B, Section 24.1, Department of Natural Resources, page 396; County Funds.

Veto 59 Part 1B, Section 24.2, Department of Natural Resources, page 396; DNR: County Game Funds/Equipment Purchase.

I am vetoing the above two provisos because we believe they are unconstitutional 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. In *Knotts v. SCDNR*, the Supreme Court found legislative execution of a nearly identical fund to be unconstitutional, declaring 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."

Veto 60 Part 1B, Section 26.5, Department of Parks, Recreation, and Tourism, page 399; Litter Control.

PalmettoPride operated within the Governor's Office of Executive Policy and Programs until the General Assembly transferred the program to the Department of Parks, Recreation, and Tourism, wrote a charter, and established criteria for a board of directors. I believe this is a clear encroachment by the General Assembly into an executive branch program. In addition, this section perpetuates an agency that performs a function that could be performed more cost-effectively through the Department of Corrections.

Veto 61 Part 1B, Section 26.7, Department of Parks, Recreation, and Tourism, page 400; State Park Privatization Approval.

This proviso was introduced in reaction to PRT's Request for Proposal to explore the feasibility of private operation of the golf course at Cheraw State Park to save money, and 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. Frankly, we're surprised by the resistance that a Republican-controlled General Assembly has shown to the idea of privatization, particularly considering the positive results it has yielded in other cases. PRT 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 for taxpayers, 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.

Veto 62 Part 1B, Section 27.16, Department of Commerce, page 403; CMRC: SC World Trade Center.

Veto 63 Part 1B, Section 27.26, Department of Commerce, page 404; CMRC: World Trade Center.

These sections direct the Department of Commerce to pass-through \$100,000 to the World Trade Center out of its operating budget. Although this project is aimed at the worthy goal of economic development, we do not believe the state should be in the business of picking one entity over another. As well, the idea should be explored of funding items like this should be funded on a competitive basis based upon projected rates of return, rather than on a line-item basis with no expected or measurable results.

Veto 64 Part 1B, Section 27.36, Department of Commerce, page 405; Economic Development Organizations.

This new proviso directs \$3,000,000 toward six Regional Economic Development Organizations. While these organizations are in many cases doing a fine job in complementing the efforts of the Department of Commerce, funding them equally at the state level cuts against the notion of having a coordinated, statewide approach to economic development because each Alliance has a different mission that does not represent all areas of the state. In addition, there are counties that are not represented at all within these groups such as Beaufort, Jasper and Colleton.

Veto 65 Part 1B, Section 30.17, Judicial Department, page 407; Fathers and Families Initiative.

I'm vetoing this item for the same reason I vetoed its companion Part 1A Appropriation. While this private, non-profit organization's stated goals are laudable, we believe that state government should not be in the business of picking winners and losers by funding one non-profit over another. As well, we believe any investment in the private sector by the public sector ought to be made based upon anticipated and measurable outcomes. In this case, the funding is not tied to any specific expected outcome on the part of this initiative and is not something we should be asking the taxpayers to fund.

Veto 66 Part 1B, Section 37.21, Department of Corrections, page 423; Prison Industry Service Contracts.

I am vetoing this proviso because the language is no longer necessary after I signed S. 182, the Prison Industries legislation. This proviso conflicts with the statutory changes and is unneeded.

Veto 67 Part 1B, Section 37.33, Department of Corrections, page 425; R&E Units Medical Services.

This proviso authorizes the Department of Corrections to expend excess funds from the Prison Industries Account or the Canteen Account to contract for medical services and/or provide financial incentives to medical staff who work within the Reception and Evaluation Units of the department. According to the agency, this proviso is unnecessary since the appropriations bill funds the expansion of Reception and Evaluation services. It also encourages annualization problems by spending new revenues, which vary from year to year, on recurring expenses.

Veto 68 Part 1B, Section 37.34, Department of Corrections, page 425; Death Sentenced Prisoners.

I am vetoing this proviso as it is completely unnecessary. The Department of Corrections has operated a death row in this state since the reinstatement of the death penalty.

Veto 69 Part 1B, Section 37.36, Department of Corrections, page 425; Quota Elimination

I am vetoing this proviso because I have concerns about the impact that this will have on the Department of Corrections. Throughout the course of this session, we have worked to try to reach an agreement with all parties involved to ensure a smooth and seamless transition of prisoners held at the local level to the Department of Corrections. However, this proviso gives the Department little flexibility in accepting prisoners from around the state. In addition, this mandate will require an additional \$1.2 million above the requested amount for Fiscal Year 2007-2008. However, this proviso supersedes all funding requirements and, in light of the fact

that the Department of Corrections was not appropriately funded, I am left with little choice but to veto this proviso.

Veto 70 Part 1B, Section 39.20, Department of Juvenile Justice, page 430; ACES.

This new proviso directs the Department of Juvenile Justice to use \$250,000 to conduct a pilot project using the Attitude, Communication, Emotions, Situations (ACES) Program to provide services to at-risk juveniles and their families. DJJ did not request this funding and it is yet another example of the state picking one non-profit program to the exclusion of others.

Veto 71 Part 1B, Section 41.5, Commission on Minority Affairs, page 431; Student Achievement and Vision Education.

This proviso mirrors new funding item that would direct the Commission to duplicate a number of functions already performed by the Department of Social Services, Department of Education, and the Employment Security Commission, and complemented by a number of non-profit organizations' efforts. While the goal of this proposal may have merit, taxpayers would be better-served by these other state agencies finding a way to accomplish this goal using their existing resources or by partnering with a non-profit entity.

Veto 72 Part 1B, Section 47.3, Department of Insurance, page 433; Agency Head Salary.

This proviso was amended in the Senate to ensure that salary of the Director of the Department of Insurance was set at a lower level than approved by the Budget and Control Board. The process of setting salaries requires approval by the Agency Head Salary Review Commission and the Budget and Control Board, as was the case here. Given the changing world of insurance in the post-Hurricane Katrina era, we felt it was important to draw in someone like Scott Richardson who carries a good deal of knowledge about the industry and could work closely with the General Assembly to adjust to changes in the volatile insurance market. The results speak for themselves. Just three weeks ago, I signed legislation that brought market-based reforms to the Coastal Property Insurance market.

This proviso is a mean-spirited attempt to undermine the process established by the General Assembly because one person did not like the outcome of the Budget and Control Board vote. We cannot seriously expect to attract the best and the brightest to state government if this is how they will be treated.

Veto 73 Part 1B, Section 51.6, Employment Security Commission, page 436; Unemployment Rate.

This new proviso directs the Employment Security Commission, whenever the unemployment rate is reported, to cite the Black Unemployment Rate. Differentiating unemployment by

minority groups is disconnected from the obligation of the Employment Security Commission to address workforce development needs for all of South Carolina.

Veto 74 Part 1B, Section 53.16, Department of Transportation, page 438; Shop Road Farmers Market Bypass Carry Forward.

Given the cost overruns at the proposed market, it is beginning to appear that the state rushed into the new state Farmer's Market project without enough thought. As a result, the taxpayers are now on the hook for \$20 million in excess of an initial estimated \$30 million cost – a 66 percent cost overrun. These kinds of cost overruns would not be rewarded in the private sector, and we don't understand why we should do so in government. Additionally, last year, the General Assembly appropriated \$1 million for road improvements near the Farmer's Market that went unused. The irony here is that taxpayers in Lexington would be forced to subsidize what will now prove to be a more expensive location in Richland County.

Instead of carrying these funds forward to next year, as this proviso allows, I am vetoing this item so that we have time to consider other, more viable options.

Veto 75 Part 1B, Section 54.26, Legislative Department, page 443; JCGAO.

This proviso once again demonstrates the need for the restructuring of state government. South Carolina is the only state in the Union that has a jointly-governed agency that handles the administrative duties of state government. Many of those duties are primarily Executive Branch in nature and yet, for some reason, there are those who oppose the fundamental concept of three co-equal branches of government. The net result is one of the largest agency budgets in the state under the control of a fractured five-member board.

In an effort to look at the operations of the agency, we created the Government Efficiency and Accountability Review Committee, to make recommendations to improve performance at the Budget and Control Board. In response, this proviso was inserted to add yet another layer of micromanagement to anything related to the Budget and Control Board, which is, supposedly, an Executive Branch agency.

The General Assembly already has the capacity to receive and review this report without the need for the creation of another Committee to oversee a review Committee.

Veto 76 Part 1B, Section 61.12, Adjutant General's Office, page 455; Citadel –S.C. National Guard Readiness Center.

This proviso is not quite as advertised. The construction at the Citadel is a new six-story, 150,000 square foot joint-use facility that will be developed adjacent to Johnson Hagood stadium and shared by both the South Carolina National Guard and the Citadel. A majority of the building is dedicated to space for operations of the stadium, including a press box and sky boxes.

A much smaller portion of the building will be used for the South Carolina National Guard's new local administrative headquarters.

This appropriation seems more like stadium rather than armory construction, which begs the question of whether this project truly represents the best use of emergency management funds. Beyond that, it creates duplication of services as our state already has a sufficient number of National Guard armories to accommodate its needs.

Veto 77 Part 1B, Section 62.14, Election Commission, page 458; Presidential Preference Primary.

This appropriation is tied to a new proviso that directs that the state Election Commission to conduct the 2008 Presidential Preference Primaries. I vetoed S.99, the legislation that authorized the state Election Commission to run these party primaries, because we do not believe that taxpayers should foot the bill for private political events, and I am vetoing this appropriation for the same reason. In addition, funding this appropriation from Part 1A sources has the effect of permanently increasing the state Election Commission's budget by the stated amount, despite the fact that the referenced primaries will be completed next year.

Veto 78 Part 1B, Section 63.3, Budget and Control Board, page 459; BCB Realignment.

This is another proviso intended to clamp down on the efficient administration of state government. In normal governmental operations, the Executive Branch is left to execute the laws and administer government, with the Legislature providing oversight of actions taken by the administration. Requiring approval of any efforts to reorganize an executive branch agency is not oversight, but an attempt to manage that agency. We believe these types of restrictions only serve to further hamper accountability in government and increase the costs of government.

Veto 79 Part 1B, Section 63.9, Budget and Control Board; page 460; BCB: Compensation – Agency Head Salary.

This proviso was amended in the Senate to ensure that salary of the Director of the Department of Insurance was set at a lower level than approved by the Budget and Control Board. The process of setting salaries requires approval by the Agency Head Salary Review Commission and the Budget and Control Board, as was the case here. Given the changing world of insurance in the post-Hurricane Katrina era, we felt it was important to draw in someone like Scott Richardson who carries a good deal of knowledge about the industry and could work closely with the General Assembly to adjust to changes in the volatile insurance market. The results speak for themselves. Just three weeks ago, I signed legislation that brought market-based reforms to the Coastal Property Insurance market.

This proviso is a mean-spirited attempt to undermine the process established by the General Assembly because one person did not like the outcome of the Budget and Control Board vote.

We cannot seriously expect to attract the best and the brightest to state government if this is how they will be treated.

Veto 80 Part 1B, Section 63.33, Budget and Control Board; page 464; BCB: Sale of Surplus Real Property

Ultimately, all state-owned property belongs to the taxpayers of this state and is not the property of an agency. In previous years, we have worked with the General Assembly to liquidate surplus property and return those dividends back to the General Fund. However, this proviso allows agency heads to move assets and bring those dollars back into the agency outside of the normal budgetary process. We believe that agencies should not be in the land management business as a means to supplement budgetary needs and we also believe that there should not be motivation to hold onto additional property that needs to be sold.

Veto 81 Part 1B, Section 9.44, Department of Health and Environmental Control, page 380; Competitive Grants.

Veto 82 Part 1B, Section 26.6, Department of Parks, Recreation and Tourism, page 400; Competitive Grants.

Veto 83 Part 1B, Section 27.23, Department of Commerce, page 404; Competitive Grants.

Veto 84 Part 1B, Section 63.35, Budget and Control Board, page 465; BCB: Competitive Grants.

Veto 85 Part 1B, Section 63.37, Budget and Control Board, page 465; BCB: Grants Review Committee.

This program has been in operation for longer than a year now with more than \$20 million being doled out to various entities around the state. Through the process, there have been questions linked to several of the awards and whether there were efforts made to circumvent the process established by the General Assembly.

Further, at the writing of this message, there are approximately 2,200 projects totaling over \$350 million in requests for a program that would have, at most, \$69 million to award. Half of the grants were submitted over a year ago and have not been considered by the Committee, and it does not appear that they will.

In a little over twelve months, this so-called competitive grants program has become backlogged at the rate of five times the allotted money without a merit-based review process. We believe that this program should be ended once and for all.

Veto 86 Part 1B, Section 63.44, Budget and Control Board, page 467; BCB: Board Functions Privatization

This is another proviso intended to clamp down on the effective administration of state government. In normal governmental operations, the Executive Branch is left to execute the laws and administer government, with the Legislature providing oversight of actions taken by the administration. Requiring approval of any efforts to reorganize an executive branch agency is not oversight, but an attempt to manage that agency. We believe these types of restrictions only serve to further hamper accountability in government and increase the costs of government.

Veto 87 Part 1B, Section 63.55, Budget and Control Board, page 470; BCB: Pacolet Sewer Project.

This proviso raises the troubling issue of local projects being funded statewide by taxpayers. While a sewer project in and of itself is likely meritorious, the funding source for such a localized project should be the community it directly benefits. The counties and municipalities, along with special purpose districts, have the authority under the Joint Authority Water and Sewer Act to team up and finance this project.

Veto 88 Part 1B, Section 63.59, Budget and Control Board, page 470; BCB: DOT Procurement Study.

A Legislative Audit Council report on the South Carolina Department of Transportation released just last fall identified multiple examples of waste, costing taxpayers over \$60 million. This proviso would unnecessarily duplicate the efforts of last year's audit.

Veto 89 Part 1B, Section 72.101, General Provisions, page 500; LightRail.

Because I am vetoing the line item funding associated with this proviso, this section is not necessary. The associated expenditure is associated with the LightRail initiative, a broadband network that will link research partners Clemson, MUSC, and USC with their hospital research partners. While well-intentioned, this initiative should be handled by the CIO's office, which already has begun investing in a similar broadband infrastructure. It does not make sense to duplicate these efforts and create unnecessary competition with the work of an existing agency. Aside from that, South Carolina universities' research chairs program will be receiving \$200 million by the year 2010 for research and development – a portion of which could be dedicated to LightRail or a similar program if they consider it necessary.

Veto 90 Part 1B, Section 72.102, General Provisions, page 500; Homeland Security Projects.

This proviso allows the Speaker of the House and the President Pro Tempore of the Senate to authorize funds for specific Homeland Security projects. Beyond the problem of consolidating considerable super-legislative powers in the hands of two individuals, this proviso also exempts any Homeland Security projects from normal procurement codes.

Veto 91 Part 1B, Section 72.103, General Provisions, page 501; Exemption From Sunday Sales Regulation.

This proviso amends current state law with regard to Sunday sales, but has the unintended consequence of suspending employee protections for conscientious objectors. The proviso suspends all of Chapter 1 of Title 53, which includes not only the restrictions and exemptions from the Sunday sales laws, but also strong employee protections to ensure that conscientious objectors are not subject to termination for observing the tenets of their religious faith.

While we can understand the desire by some folks to lift the Sunday sales restrictions, we would not want to gut the protections for employees who do not work on Sundays because of their religious beliefs.

In addition, we have procedural concerns in regard to how this proviso was debated and passed. We believe that the better policy in regard to a significant law change like this for it to be in a stand-alone bill that goes through the complete legislative process.

Veto 92 Part 1B, Section 72.105, General Provisions, page 501; Employee Actions.

We believe a state agency must be accountable to the people. This proviso would remove the power of an agency board – in the case the Department of Health and Environmental Control – to either remove or reassign the Commissioner, thus diminishing this accountability.

Again, this an attempt to further restrain the Executive Branch from making management decisions on its own. While we appreciate the work that the current Commissioner does, no one in state government should be held to a lower standard and this proviso effectively does just that. That the agency is run by a Board rather than directly reporting to the Governor is a flawed enough model to begin with, but enshrining an agency director in the job only serves to further diffuse responsibility.

Veto 93 Part 1B, Section 72.106, General Provisions, page 501; Academic Center.

By transferring \$100,000 that was originally appropriated to USC Upstate to Spartanburg Community College to support the Academic Center, this proviso would undermine the principle of fiscal transparency in government. Funds allocated to USC Upstate should be used solely for

and by the institution; likewise, funds intended to benefit a technical college should either be sent to the Technical and Comprehensive Education Board or funded directly to the institution.

Veto 94 Part 1B, Section 72.109, General Provisions, page 501; I-95 Corridor Study.

This proviso authorizes S.C. State and Francis Marion Universities to spend the funds appropriated for the I-95 Corridor Study to conduct a study to assess human development needs in the I-95 corridor. The activities specifically identified for analysis in this study are duplicative of services currently provided by other agencies and local governments.

Veto 95 Part 1B, Section 72.110, General Provision, page 502; Lt. Governor Security Detail.

This line item increase is tied to a proviso which requires that SLED provide a security detail to the Lt. Governor in a manner agreed to by SLED and the Lt. Governor's Office and directs that SLED be reimbursed to offset the cost of the security detail in an amount agreed to by SLED and the Lt. Governor's Office from funds appropriated for this purpose.

Because I am vetoing the proviso, I am also vetoing this Part 1A increase. My problem with the Part 1A item/proviso is simply that we believe the taxpayers of this state should not have to pick up the \$90,000 per year proposed for this security detail. To do so would cast the Lt. Governor as the only constitutional officer to be newly-assigned a detail, though other officers, like the Attorney General, have what most would agree a more demanding role in state government. Additionally, he would become the only person in state government with a constitutionally-defined part-time role to be assigned a security detail. This is not something offered to even the most powerful of legislative positions, like the House Speaker or the Senate *Pro Tempore*. As a rule, we are not a fan of Columbia traditions, but in this case, the course set sixteen years ago by the former Republican Lt Governor Peeler is a tradition that should hold.

Veto 96 Part 1B, Section 72.112, General Provisions, page 502; Prosecutors and Defenders Public Service Incentive Program

We believe it is important to maintain a level playing field. This program uses taxpayer dollars to encourage attorneys to become prosecutors or public defenders, essentially by paying their student loans. We do not believe there is a need for the taxpayers to subsidize the education of lawyers, no matter how meritorious their practice.

Veto 97 Part 1B, Section 72.113, General Provisions, page 502; Attorney Dues.

Similar to the above proviso, this line item would allow state agencies that employ attorneys to use taxpayer funds to pay the S.C. Bar Association fees for their employees. Once again, we do

not believe there is a need for the taxpayers to subsidize the education of lawyers, no matter how meritorious their practice.

III. Vetoes of Part IB-Supplemental Section 73.12

In the section that follows, I veto \$104 million in expenditures. In some cases, these vetoes do not represent an opinion on the merits of the associated projects, but rather a conviction that, in a year of extraordinary revenue growth, our budget should devote more revenues to unfunded liabilities that, if not addressed, will ultimately damage our financial future and bond credit ratings.

In budgeting, we have always believed in “first things first,” that is, in taking care of past obligations before undertaking new ones. From addressing the unconstitutional deficit during the initial years of the administration to proposing this year a substantial payment toward the Other Post Employment Benefit (OPEB) trust fund, we have not shied away from tackling the state’s unfunded liabilities.

An actuarial study shows that it will cost the state \$536 million per year to fund the approximately \$9 billion unfunded OPEB liability. No one disputes this fact. Working with \$245 million less in recurring revenue than was ultimately certified for use by the Board of Economic Advisors and spent by the General Assembly, we committed \$439 million to this liability in our executive budget. Yet the legislature only managed to provide \$63 million to the unfunded OPEB liability.

In a year of extraordinary, record-breaking revenue growth, we believe this is simply not acceptable. In the waning days of the past legislative session, we had hoped that an OPEB trust fund companion bill would pass to provide for an immediate shift of \$137 million in excess reserves from the State Health Plan to this fund. But that bill never passed and I remain concerned about the rating implications of not establishing an acceptable OPEB trust fund. The vetoes listed below are a direct result of the legislature failing to meet this need.

Our budgetary principle of “first things first” extends also to our treatment of the Tuition Prepayment Program. A FY 2004-05 audit revealed a \$41 million deficit within the Tuition Prepayment Program. No one disputes this fact. In our executive budget – again, working with \$245 million less in recurring revenue than was ultimately certified for use by the Board of Economic Advisors and spent by the General Assembly – the Tuition Prepayment Program’s \$41 million unfunded deficit is eliminated. Yet the General Assembly devoted only \$20 million to this liability. The vetoes listed below are also a direct result of the legislature failing to meet this need.

This notion of “first things first” is something families in South Carolina live with every day. They might like to purchase a new car or take a vacation, but they don’t because they may need to fix their leaking roof. 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. It is the same for us with the vetoes below.

Veto 98 Part IB; Section 73; Proviso 73.12; Page 507; Item Number 9(A); H12; Clemson University; LightRail; \$1,500,000.

- Veto 99** Part IB; Section 73; Proviso 73.12; Page 507; Item Number 9(B); H12; Clemson University; Deferred Maintenance; \$105,000.
- Veto 100** Part IB; Section 73; Proviso 73.12; page 507; Item Number 10; H18; Francis Marion University; I-95 Corridor Study; \$250,000.
- Veto 101** Part IB; Section 73; Proviso 73.12; page 507; Item Number 11(B); H24; South Carolina State University; Deferred Maintenance; \$1,500,000.
- Veto 102** Part IB; Section 73; Proviso 73.12; page 507; Item Number 11(C); H24; South Carolina State University; SC Alliance for Minority Participation; \$200,000.
- Veto 103** Part IB; Section 73; Proviso 73.12; page 507; Item Number 11(D); H24; South Carolina State University; I-95 Corridor Study; \$250,000.
- Veto 104** Part IB; Section 73; Proviso 73.12; page 507; Item Number 11(E); H24; South Carolina State University; SC State Bridge Program; \$250,000.
- Veto 105** Part IB; Section 73; Proviso 73.12; page 507; Item Number 12(B); H27; University of South Carolina - Columbia; LightRail; \$1,500,000.
- Veto 106** Part IB; Section 73; Proviso 73.12; page 507; Item Number 15(B); H51; Medical University of South Carolina; LightRail; \$1,500,000.
- Veto 107** Part IB; Section 73; Proviso 73.12; page 509; Item Number 19(M); J04; Department of Health and Environmental Control; Air Quality Improvement; \$150,000.
- Veto 108** Part IB; Section 73; Proviso 73.12; page 509; Item Number 22; J20; Department of Alcohol and Other Drug Abuse Services; Aid to Entities – Alcohol Enforcement Teams; \$1,600,000.
- Veto 109** Part IB; Section 73; Proviso 73.12; page 510; Item Number 25(C); H79; Department of Archives and History; National Historic Register Site – Randolph Cemetery; \$200,000.
- Veto 110** Part IB; Section 73; Proviso 73.12; Page 510; Item Number 30; P21; South Carolina State University- PSA; Lower Orangeburg/Upper Dorchester Community Development Corporation; \$200,000.
- Veto 111** Part IB; Section 73; Proviso 73.12; Page 510; Item Number 31(F); P24; Department of Natural Resources; Information Technology; \$2,500,000.
- Veto 112** Part IB; Section 73; Proviso 73.12; Page 510; Item Number 31(H); P24; Department of Natural Resources; Recruitment and Retention of Staff; \$500,000.

Veto 113 Part IB; Section 73; Proviso 73.12; Page 510; Item Number 32(C); P28; Department of Parks, Recreation and Tourism; Product Development; \$10,000,000.

Veto 114 Part IB; Section 73; Proviso 73.12; Page 510; Item Number 32(E); P28; Department of Parks, Recreation and Tourism; Parks and Recreation Development Fund (PARF); \$6,000,000.

Veto 115 Part IB; Section 73; Proviso 73.12; Page 510; Item Number 32(F); P28; Department of Parks, Recreation and Tourism; Mfg. Alliance “Made in South Carolina”; \$750,000.

Though it is perfectly logical to market the “Made in South Carolina” brand, this item falls short on two fronts. First, the money is distributed to a single entity, which is supported by many of the manufacturing companies located in South Carolina. Collectively, private industry could come together and support this marketing campaign with asking the taxpayers to support such a venture.

In addition, the funding was moved from the Budget and Control Board to the Department of Parks, Recreation, and Tourism and in neither case is there a logical connection to the manufacturing sector and building the economy. This is one of many examples in the budget, where, for reasons unknown to us, items directly related to economic development, the chief mission of the Department of Commerce are funded to entities other than Commerce. This further fracturing of the economic development mission will do little to create jobs and build the economy here in the state.

Veto 116 Part IB; Section 73; Proviso 73.12; Page 510; Item Number 32(G); P28; Department of Parks, Recreation and Tourism; Regional Tourism Districts; \$550,000.

Veto 117 Part IB; Section 73; Proviso 73.12; Page 511; Item Number 33(B); P32; Department of Commerce; Myrtle Beach Fixed Operator; \$2,000,000.

This proviso appropriates \$2 million in tax dollars for a fixed base operator in Myrtle Beach. Before requesting a significant public investment, this administration believes the free market system should always be the first avenue explored and adopted if they are able to do the job in a more efficient manner. Specifically, we would urge the Myrtle Beach International Airport to fully investigate the possibilities of private companies that may be interested in leasing space as a fixed based operator. This type of agreement would lead to a new revenue stream for current and future bond financing and would alleviate the use of taxpayer dollars.

Veto 118 Part IB; Section 73; Proviso 73.12; Page 511; Item Number 33(C); P32; Department of Commerce; Community Development Corporations; \$400,000.

- Veto 119** Part IB; Section 73; Proviso 73.12; Page 511; Item Number 33(D); P32; Department of Commerce; Minority Business Centers; \$100,000.
- Veto 120** Part IB; Section 73; Proviso 73.12; Page 511; Item Number 33(E); P32; Department of Commerce; Regional Economic Development Organizations; \$3,000,000.
- Veto 121** Part IB; Section 73; Proviso 73.12; Page 512; Item Number 39(E); N20; Law Enforcement Training Council; Leadership Training Program; \$77,800.
- Veto 122** Part IB; Section 73; Proviso 73.12; Page 512; Item Number 41(F); N12; Department of Juvenile Justice; ACES – Attitude, Communication, Emotions, Situations; \$250,000.
- Veto 123** Part IB; Section 73; Proviso 73.12; Page 512; Item Number 43(A); L46; Commission on Minority Affairs; Administration and Personal Service; \$10,000.
- Veto 124** Part IB; Section 73; Proviso 73.12; Page 512; Item Number 46(B); U12; Department of Transportation; Mass Transit Annualization; \$1,300,000.
- Veto 125** Part IB; Section 73; Proviso 73.12; Page 512; Item Number 46(C); U12; Department of Transportation; I-95 Corridor and Global Logistic Triangle; \$700,000.
- Veto 126** Part IB; Section 73; Proviso 73.12; Page 513; Item Number 53(C); E24; Adjutant General; The Citadel – South Carolina National Guard Readiness Center; \$2,500,000.
- Veto 127** Part IB; Section 73; Proviso 73.12; Page 513; Item Number 55(C); F03; Budget and Control Board; Deferred Maintenance; \$7,500,000.
- Veto 128** Part IB; Section 73; Proviso 73.12; Page 513; Item Number 55(D); F03; Budget and Control Board; Department of Transportation Procurement Study; \$250,000.
- Veto 129** Part IB; Section 73; Proviso 73.12; Page 513; Item Number 58(A); H63; Department of Education; Boys and Girls Clubs; \$1,300,000.
- Veto 130** Part IB; Section 73; Proviso 73.12; Page 513; Item Number 58(C); H63; Department of Education; Science South; \$750,000.
- Veto 131** Part IB; Section 73; Proviso 73.12; Page 513; Item Number 59; H03; Commission on Higher Education; SC Community Enterprise Center; \$200,000.
- Veto 132** Part IB; Section 73; Proviso 73.12; page 513; Item Number 60; H18; Francis Marion University; Center for the Performing Arts; \$4,000,000.

- Veto 133** Part IB; Section 73; Proviso 73.12; page 513; Item Number 61; H21; Lander University; Greenwood Lander Performing Arts Outreach Program; \$20,000.
- Veto 134** Part IB; Section 73; Proviso 73.12; page 513; Item Number 62; H47; Winthrop University; Lake Wylie Small Business Development Center; \$115,000.
- Veto 135** Part IB; Section 73; Proviso 73.12; page 514; Item Number 63(B); H51; MUSC; Charleston Breast Center – Equipment; \$450,000.

I am vetoing this item because this funding, which was not competitively awarded is funneled through the budget of the Medical University of South Carolina to a private health care facility.

It is important to remember that the Medical University is the tip of the spear in terms of medical research and treatment in the state. There seems to be little logic in sending dollars, as a pass through from the MUSC budget into a single private facility.

Even more troubling is that this now provides a competitive advantage to a single private provider over all of the other private providers in the community. Health care is a fairly competitive marketplace and we should not allow tax dollars to pick one facility to the detriment of others.

- Veto 136** Part IB; Section 73; Proviso 73.12; page 514; Item Number 64(A); H59; Board for Technical and Comprehensive Education; Central Carolina Technical College – Nursing Program; \$2,000,000.
- Veto 137** Part IB; Section 73; Proviso 73.12; page 514; Item Number 64(F); H59; Board for Technical and Comprehensive Education; Piedmont Pottery Degree Program; \$150,000.
- Veto 138** Part IB; Section 73; Proviso 73.12; page 514; Item Number 64(H); H59; Board for Technical and Comprehensive Education; Orangeburg Technical College – Trucking Program; \$200,000.
- Veto 139** Part IB; Section 73; Proviso 73.12; page 514; Item Number 65(A); J04; Department of Health and Environmental Control; Beach Renourishment; \$5,000,000.
- Veto 140** Part IB; Section 73; Proviso 73.12; page 514; Item Number 65(B); J04; Department of Health and Environmental Control; Oconee Hospital/EMS Center; \$500,000.
- Veto 141** Part IB; Section 73; Proviso 73.12; page 514; Item Number 65(D); J04; Department of Health and Environmental Control; Reedy River Restoration Project; \$500,000.

- Veto 142** Part IB; Section 73; Proviso 73.12; page 514; Item Number 65(E); J04; Department of Health and Environmental Control; Beach Outfall Pipe Removal; \$4,000,000.
- Veto 143** Part IB; Section 73; Proviso 73.12; page 514; Item Number 65(F); J04; Department of Health and Environmental Control; Cherry Grove Inlet Dredging; \$1,000,000.
- Veto 144** Part IB; Section 73; Proviso 73.12; page 514; Item Number 65(G); J04; Department of Health and Environmental Control; Camp Cherokee – Sewer Line; \$200,000.
- Veto 145** Part IB; Section 73; Proviso 73.12; page 514; Item Number 65(H); J04; Department of Health and Environmental Control; Competitive Grants; \$2,800,000.
- Veto 146** Part IB; Section 73; Proviso 73.12; page 514; Item Number 65(I); J04; Department of Health and Environmental Control; Hemingway Health Complex; \$250,000.
- Veto 147** Part IB; Section 73; Proviso 73.12; page 514; Item Number 65(K); J04; Department of Health and Environmental Control; Lakelands Rural Health Network – Electronic Records; \$98,000.
- Veto 148** Part IB; Section 73; Proviso 73.12; page 514; Item Number 65(L); J04; Department of Health and Environmental Control; Midlands Community Health Center; \$200,000.
- Veto 149** Part IB; Section 73; Proviso 73.12; page 514; Item Number 65(M); J04; Department of Health and Environmental Control; SC Biotechnology Incubation Program - Expansion; \$200,000.
- Veto 150** Part IB; Section 73; Proviso 73.12; page 514; Item Number 65(N); J04; Department of Health and Environmental Control; OCRM Waterway Hazard Removal; \$200,000.
- Veto 151** Part IB; Section 73; Proviso 73.12; page 514; Item Number 65(O); J04; Department of Health and Environmental Control; I-85 Water and Sewer Infrastructure; \$950,000.
- Veto 152** Part IB; Section 73; Proviso 73.12; page 514; Item Number 65(P); J04; Department of Health and Environmental Control; Town of South Congaree – Water & Sewer; \$450,000.

- Veto 153** Part IB; Section 73; Proviso 73.12; page 514; Item Number 65(Q); J04; Department of Health and Environmental Control; Batesburg-Leesville – Water & Sewer; \$500,000.
- Veto 154** Part IB; Section 73; Proviso 73.12; page 514; Item Number 65(R); J04; Department of Health and Environmental Control; Darlington Waste Water Plant; \$75,000.
- Veto 155** Part IB; Section 73; Proviso 73.12; page 514; Item Number 65(T); J04; Department of Health and Environmental Control; Town of Great Falls – Sewer Extension to Montrose Development; \$500,000.
- Veto 156** Part IB; Section 73; Proviso 73.12; page 514; Item Number 65(U); J04; Department of Health and Environmental Control; Horry County Health Department; \$200,000.
- Veto 157** Part IB; Section 73; Proviso 73.12; page 515; Item Number 67; J16; Department of Disabilities and Special Needs; Camp Spearhead; \$500,000.
- Veto 158** Part IB; Section 73; Proviso 73.12; page 515; Item Number 68; J20; Department of Alcohol and Other Drug Abuse Services; Wisdom in Living Life Ministry; \$150,000.
- Veto 159** Part IB; Section 73; Proviso 73.12; page 515; Item Number 69(A); L04; Department of Social Services; Callen Lacey Center; \$200,000.
- Veto 160** Part IB; Section 73; Proviso 73.12; page 515; Item Number 69(B); L04; Department of Social Services; Children in Crisis; \$100,000.
- Veto 161** Part IB; Section 73; Proviso 73.12; page 515; Item Number 69(C); L04; Department of Social Services; Nurturing Center; \$100,000.
- Veto 162** Part IB; Section 73; Proviso 73.12; page 515; Item Number 69(D); L04; Department of Social Services; Sea Haven; \$100,000.
- Veto 163** Part IB; Section 73; Proviso 73.12; page 515; Item Number 69(E); L04; Department of Social Services; Children’s Advocacy; \$700,000.
- Veto 164** Part IB; Section 73; Proviso 73.12; page 515; Item Number 69(F); L04; Department of Social Services; Family Service Center – Adoption Services; \$100,000.
- Veto 165** Part IB; Section 73; Proviso 73.12; page 515; Item Number 69(G); L04; Department of Social Services; Women in Unity Children’s Helping Center; \$50,000.

- Veto 166** Part IB; Section 73; Proviso 73.12; page 515; Item Number 69(H); L04; Department of Social Services; Edgefield County Children Helping Others; \$100,000.
- Veto 167** Part IB; Section 73; Proviso 73.12; page 515; Item Number 69(I); L04; Department of Social Services; Phyllis Wheatley Community Center; \$200,000.
- Veto 168** Part IB; Section 73; Proviso 73.12; page 515; Item Number 69(J); L04; Department of Social Services; Spartanburg Children’s Shelter; \$300,000.
- Veto 169** Part IB; Section 73; Proviso 73.12; page 515; Item Number 69(K); L04; Department of Social Services; Allendale DSS Building; \$500,000.
- Veto 170** Part IB; Section 73; Proviso 73.12; page 515; Item Number 69(L); L04; Department of Social Services; Weed and Seed Safe Haven; \$200,000.
- Veto 171** Part IB; Section 73; Proviso 73.12; page 515; Item Number 69(M); L04; Department of Social Services; Dillon Criterion Center; \$50,000.
- Veto 172** Part IB; Section 73; Proviso 73.12; page 515; Item Number 70(A); H79; Department of Archives and History; Quaker Cemetery; \$70,000.
- Veto 173** Part IB; Section 73; Proviso 73.12; page 515; Item Number 70(B); H79; Department of Archives and History; Morris Island Lighthouse; \$500,000.
- Veto 174** Part IB; Section 73; Proviso 73.12; page 515; Item Number 71(A); H87; State Library; Darlington Old Carnegie Library; \$125,000.
- Veto 175** Part IB; Section 73; Proviso 73.12; page 515; Item Number 71(B); H87; State Library; Johnsonville Library; \$550,000.
- Veto 176** Part IB; Section 73; Proviso 73.12; page 515; Item Number 72(A); H91; Arts Commission; Newberry County Opera House; \$50,000.
- Veto 177** Part IB; Section 73; Proviso 73.12; page 515; Item Number 72(B); H91; Arts Commission; Weldon Auditorium; \$500,000.
- Veto 178** Part IB; Section 73; Proviso 73.12; page 515; Item Number 72(C); H91; Arts Commission; Town of Chesterfield/Old Courthouse Arts Renovation Center; \$125,000.
- Veto 179** Part IB; Section 73; Proviso 73.12; page 515; Item Number 72(D); H91; Arts Commission; Gaffney Arts & Cultural Center; \$400,000.
- Veto 180** Part IB; Section 73; Proviso 73.12; page 515; Item Number 73(A); H95; State Museum; Aiken Cultural Learning Center; \$250,000.

- Veto 181** Part IB; Section 73; Proviso 73.12; page 515; Item Number 73(B); H95; State Museum; Colleton Cultural Center; \$285,000.
- Veto 182** Part IB; Section 73; Proviso 73.12; page 516; Item Number 73(C); H95; State Museum; Edelman Cultural Center; \$100,000.
- Veto 183** Part IB; Section 73; Proviso 73.12; page 516; Item Number 73(F); H95; State Museum; Dr. Benjamin E. Mays Historic Site and Museum; \$200,000.
- Veto 184** Part IB; Section 73; Proviso 73.12; page 516; Item Number 73(G); H95; State Museum; York County Museum; \$500,000.
- Veto 185** Part IB; Section 73; Proviso 73.12; page 516; Item Number 73(H); H95; State Museum; Florence Museum; \$3,900,000.
- Veto 186** Part IB; Section 73; Proviso 73.12; page 516; Item Number 73(I); H95; State Museum; Fountain Inn Civic Center; \$100,000.
- Veto 187** Part IB; Section 73; Proviso 73.12; page 516; Item Number 74; P12; Forestry Commission; Oconee County Fire Fighting Equipment; \$150,000.
- Veto 188** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 75; P16; Department of Agriculture; Colleton Farmers Market Revitalization Project; \$150,000.
- Veto 189** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 76; P20; Clemson University - PSA; Spartanburg Humane Society; \$100,000.
- Veto 190** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 77(A); P24; Department of Natural Resources; Removal of Abandoned River Shacks; \$100,000.
- Veto 191** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 77(B); P24; Department of Natural Resources; Lynches River Environmental Discovery Center; \$120,129.
- Veto 192** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 77(C); P24; Department of Natural Resources; Erosion and Sediment Control at Congaree Pointe; \$475,000.
- Veto 193** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 77(D); P24; Department of Natural Resources; Keeper of the Wild; \$75,000.
- Veto 194** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 77(E); P24; Department of Natural Resources; Lake Wylie Visitor Center; \$235,000.

- Veto 195** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 78(A); P28; Department of Parks, Recreation and Tourism; Competitive Grants; \$3,000,000.
- Veto 196** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 78(B); P28; Department of Parks, Recreation and Tourism; Anderson County Parks and Recreation; \$800,000.
- Veto 197** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 78(E); P28; Department of Parks, Recreation and Tourism; Dorchester County Youth, Senior and Tourism; \$160,000.
- Veto 198** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 78(F); P28; Department of Parks, Recreation and Tourism; Historic Mineral Springs Park; \$165,000.
- Veto 199** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 78(G); P28; Department of Parks, Recreation and Tourism; Promotion for Recreation Facilities in Charleston County; \$125,000.
- Veto 200** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 78(H); P28; Department of Parks, Recreation and Tourism; Historic Duncan Park; \$60,000.
- Veto 201** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 78(I); P28; Department of Parks, Recreation and Tourism; Aiken County Brownfield Project; \$165,000.
- Veto 202** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 78(J); P28; Department of Parks, Recreation and Tourism; Oakley Park; \$150,000.
- Veto 203** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 78(K); P28; Department of Parks, Recreation and Tourism; Atlantic Beach Marketing, Tourism and Planning; \$225,000.
- Veto 204** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 78(M); P28; Department of Parks, Recreation and Tourism; Marion County Tourism; \$165,000.
- Veto 205** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 78(N); P28; Department of Parks, Recreation and Tourism; Lee Park; \$150,000.
- Veto 206** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 78(O); P28; Department of Parks, Recreation and Tourism; Darlington Byerly Park; \$150,000.
- Veto 207** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 78(P); P28; Department of Parks, Recreation and Tourism; Fingerville Community Park - Spartanburg; \$80,000.

- Veto 208** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 78(Q); P28; Department of Parks, Recreation and Tourism; Little League Sports Complex on Bryant Road; \$70,000.
- Veto 209** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 78(R); P28; Department of Parks, Recreation and Tourism; Lake Ashwood Project; \$65,000.
- Veto 210** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 78(S); P28; Department of Parks, Recreation and Tourism; Richland County Recreation Commission – Friarsgate Park; \$25,000.
- Veto 211** Part IB; Section 73; Proviso 73.12; Page 516; Item Number 78(T); P28; Department of Parks, Recreation and Tourism; Horry County Community Parks, Recreation and Tourism; \$300,000.
- Veto 212** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 79(A); P32; Department of Commerce; Competitive Grants; \$500,000.
- Veto 213** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 79(B); P32; Department of Commerce; Competitiveness Council; \$400,000.
- When this idea was proposed three years ago, though I opposed the funding, we also got the Chairman of the Competitiveness Council to agree that this was short-term funding. In essence, this funding was the spark to light the fire, not the log to keep it burning.
- Three years and \$1.2 million later, this item continues to receive funding in the budget, even though the Competitiveness Council should be ready to move to the next level of private support. The ultimate problem with funding items like this is that they tend to continue in perpetuity without an expectation for results.
- Veto 214** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 79(C); P32; Department of Commerce; City of Sumter – Downtown Redevelopment for Economic Development and Recreation; \$360,000.
- Veto 215** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 79(D); P32; Department of Commerce; Columbia Black Expo; \$250,000.
- Veto 216** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 79(E); P32; Department of Commerce; Woodruff Municipal Complex Engineering, Architectural, and Environmental Studies; \$50,000.
- Veto 217** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 79(F); P32; Department of Commerce; St. Stephens Revitalization; \$100,000.

- Veto 218** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 81; B04; Judicial Department; Abbeville County Courthouse Renovation and Operational Costs; \$225,000.
- Veto 219** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 83(A); U12; Department of Transportation; Smart Ride Annualization; \$380,000.
- Veto 220** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 83(C); U12; Department of Transportation; Salter’s Road Expansion Project; \$2,000,000.
- Veto 221** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 83(D); U12; Department of Transportation; Traffic Safety Hazard Mitigation – St. Paul Church Road; \$150,000.
- Veto 222** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 83(E); U12; Department of Transportation; Hardscrabble Road Intersection Improvements; \$200,000.
- Veto 223** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 83(F); U12; Department of Transportation; North Springs, Harrington, and South Springs Intersection; \$100,000.
- Veto 224** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 83(G); U12; Department of Transportation; City of Easley – Town Center Infrastructure Improvements; \$950,000.
- Veto 225** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 83(H); U12; Department of Transportation; Bull Durham Project – Town of Estill; \$150,000.
- Veto 226** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 83(I); U12; Department of Transportation; Overlay Redevelopment District; \$300,000.
- Veto 227** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 84(A); D10; Governor’s Office - SLED; Pee Dee Ballistic Shoothouse; \$400,000.
- Veto 228** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 84(B); D10; Governor’s Office - SLED; Town of Lexington – Middle School – Security Camera System; \$20,000.
- Veto 229** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 85(A); E04; Lieutenant Governor; Burgess Center; \$185,000.
- Veto 230** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 85(B); E04; Lieutenant Governor; Brookland Community Development Corporation – Respite for Seniors; \$275,000.

- Veto 231** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 85(C); E04; Lieutenant Governor; Chesnee Senior Center; \$250,000.
- Veto 232** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 86(A); F03; Budget and Control Board; Westminster Town Hall Renovations; \$500,000.
- Veto 233** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 86(B); F03; Budget and Control Board; Third Army Water Line; \$500,000.
- Veto 234** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 86(C); F03; Budget and Control Board; City of Conway Stormwater Filtration; \$230,000.
- Veto 235** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 86(E); F03; Budget and Control Board; Liberty Industrial Development; \$200,000.
- Veto 236** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 86(F); F03; Budget and Control Board; Competitive Grants; \$3,000,000.
- Veto 237** Part IB; Section 73; Proviso 73.12; Page 517; Item Number 86(G); F03; Budget and Control Board; Museum and Gallery at Heritage Green; \$100,000.

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. 3620, R. 175, the fiscal year 2007-2008 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

June 27, 2007

The Honorable Robert W. Harrell, Jr.
South Carolina House of Representatives
508 Blatt Building
Columbia, South Carolina 29211

Dear Mr. Speaker and Members of the House:

I am returning H. 3621, R-176, the Fiscal Year 2007-2008 Capital Reserve Fund Appropriations Act, with the line-item vetoes detailed below. Of the \$111,821,213 devoted to capital reserve fund spending, I believe the vetoed items represent a lower level of urgency than other more pressing agency needs throughout the state. Examples include our proposal to take advantage of a rare opportunity to purchase large tracts of divested timber land that will provide quality of life opportunities to future generations of South Carolinians, which we funded in our budget through the CRF at \$20 million versus the Conference Committee budget of \$5 million. Also, whereas we set aside \$8.5 million for the Department of Corrections for facility maintenance and repairs at the state's correctional facilities – an area that should certainly be addressed when economic times are good. The Conference Committee budget only includes \$2 million.

The under-funding of the latter of these two capital projects highlights the differences and opportunities associated with agency funding. While certain agencies have alternative funding streams available to them such as alumni support if a college or university, or fee income and patron support if a cultural event or destination, others such as the Departments of Corrections and Juvenile Justice have few options beyond state support. As a case in point, there will not likely be any alumni associations at either of the state's correctional agencies for the foreseeable future. Beyond alternative revenue streams, though, some of the projects that follow are of either a lower priority or have unresolved issues associated with them – such as the ever-expanding cost estimate of state farmer's market project.

Therefore, in an effort to better utilize the CRF for pressing capital needs, some of which have few funding alternatives beyond the state, I have set forth below the specific vetoes that, in the aggregate, eliminate spending of \$26,175,000 in capital reserve funds. While some of these activities represent items that are worthwhile, the vast majority of what is represented in the

proposed CRF budget greatly outpace what we would recommend as a prudent approach to addressing the state's needs.

- Veto 1** Section 1; Item 9; Lander University; Renovation Needs; \$425,000.
- Veto 2** Section 1; Item 10; Medical University of South Carolina; College of Dental Medicine Construction; \$7,500,000.
- Veto 3** Section 1; Item 18; Department of Disabilities and Special Needs; Camp Spearhead; \$500,000.
- Veto 4** Section 1; Item 20; State Museum Commission; Chapman Cultural Center; \$3,000,000.
- Veto 5** Section 1; Item 22; Department of Agriculture; State Farmers Market; \$15,000,000.
- Veto 6** Section 1; Item 24; Department of Consumer Affairs; Media Center; \$200,000.

For the reasons state 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. 3621, R-176, the Fiscal Year 2007-2008 Capital Reserve Fund Appropriations Act, as indicated. I look forward to working together toward the goal of disciplined budgetary practices and cooperative service to the citizens of South Carolina.

Sincerely,

Mark Sanford