Charles F Reid
8/17/2026
2:00 pm

HENRY DARGAN MCMASTER
GOVERNOR

August 17, 2026

Dear Mr. Speaker and Members of the General Assembly:

I am vetoing and returning without my approval certain line items in R-276, H. 5126, the Fiscal Year 2026–27 General Appropriations Act.

This is the tenth budget that the General Assembly has passed while I have served as Governor, and it will be the last. This budget shows the great progress that South Carolina has made over this decade and demonstrates what is possible when we cooperate, communicate, and collaborate to serve the people of this great State. That partnership is reflected by the General Assembly including or incorporating 92% of the proposals from my Executive Budget into this year's Appropriations Act.

South Carolina's economy is strong. Employers are creating new jobs, entrepreneurs are opening new businesses, and companies are investing here. Since 2017, we have announced over $56 billion in new capital investment and more than 103,000 new jobs from that investment in South Carolina. In 2025 alone, we announced over $9.1 billion in new capital investment and more than 8,100 new jobs in both rural and urban parts of our State. Today, 83% of our prime-age workforce, individuals between the ages of 25 and 54, are employed or seeking employment, which is the highest in the southeast. This strength allows the State to invest in our future while also cutting taxes.

The cuts to individual income taxes are substantial. In 2017 the top marginal individual income tax rate in South Carolina was 7%. Prior to this year, we had lowered that rate to 6%. This year we lowered the top rate further, from 6% to 5.21% with passage of Act 110 of 2026. Since 2022, South Carolina has eliminated $3.72 billion in individual income taxes, allowing taxpayers to keep more of their hard-earned money.

This budget also provides additional property tax relief to homeowners who are 65 years of age or older, who are totally and permanently disabled, or who are legally blind by increasing the Homestead Exemption from $50,000 to $75,000.

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Even with these tax savings, the Appropriations Act continues meaningful investments in South Carolina's future. Nowhere is that investment more apparent than in education. I have made raising teacher pay a priority, and working together, we have now fulfilled my pledge to pay every starting teacher at least \$50,000. Eight years ago, the minimum starting salary of a teacher in South Carolina was \$30,113, and the average starting salary of a teacher in South Carolina was ranked 47th in the country. Last year, the minimum starting salary of a teacher was \$48,500, and the average starting salary of a teacher in South Carolina was ranked 22nd in the country. This school year, the minimum starting salary of a teacher is \$50,500, and our State's ranking will improve more.

But it is not only salaries for new teachers. As the teacher starting salary increases, so do the wages for all teachers. Last year's average teacher salary in South Carolina was \$64,050, exceeding the southeastern average. This budget increases every step in the teacher salary schedule by \$2,000.

Teachers are receiving higher salaries and teaching our children in safer schools. At my request, the General Assembly began funding a school resource officer (SRO) grant program administered by the Department of Public Safety for public schools that did not have an assigned SRO. These law enforcement officers stand on the front lines to keep children safe so that they can learn and grow. In school year 2018–19 there were 406 full-time SROs. In school year 2025–26 there were 1,181 SROs. This year's budget continues critical funding for this program.

In addition to increasing teacher pay and funding SROs, we have found other ways to improve education for our children. One way is full-day four-year-old kindergarten. In 2021, I proposed funding for the statewide expansion of the full-day four-year-old kindergarten program, and the General Assembly agreed. This budget adopts my recommendation to expand the program in private providers where there are slots available to children whose annual family income is 300% or less of the federal poverty guidelines. This is a big win for children because a child in poverty who participates in the full-day four-year-old kindergarten program offered in a public school, private childcare center, or private school is more likely to be ready for kindergarten than a peer who does not participate.

Another improvement in education is giving parents more choices for how they educate their children. This budget once again provides funds for the Education Scholarship Trust Fund. These funds will allow parents of up to 15,000 students to choose the type of educational environment and instruction that best suits their child's unique needs.

Education does not stop with high school graduation, and every South Carolinian must have affordable access to a college, university, or technical college. One way we have done that is freezing college and university tuition for in-state resident students. This year's budget marks the seventh consecutive year that the General Assembly has agreed with my proposal to freeze in-state college tuition. Other ways that we continue making education affordable is allocating \$80 million in lottery revenues for need-based grants and \$20 million in lottery revenues for the South Carolina Tuition Grants Program, which is financial aid to students attending our State's private, independent, and historically black colleges and universities.

We also found a new way to make higher education more affordable this year. I proposed, and this budget includes, $18.7 million in lottery revenues for the Meeting Street Scholarship Fund, a new need-based college scholarship. These lottery revenues will help leverage private donations to provide a $10,000 annual college scholarship for academically prepared, Pell Grant eligible, in-state students to attend an eligible South Carolina college or university.

To address the high demand for skills, training, and knowledge, this budget once again provides $95 million for the South Carolina Workforce Industry Needs Scholarships (SC WINS) program at our State's technical colleges. Started in 2020, this program has provided more than 150,000 South Carolinians with a post-secondary or industry credential in high-demand careers like manufacturing, nursing, computer science, information technology, transportation, logistics, and construction. Developing a workforce with these skills is critical to South Carolina's continued prosperity.

In addition to education, the Appropriations Act demonstrates the State's commitment to the environment. South Carolina is the most beautiful State in the country, from the mountains in the Upstate to the marshes and beaches in the Lowcountry. We must protect our natural resources for future generations. Since 2017, we have preserved almost 400,000 acres of historically or environmentally significant lands, including the State's largest conservation easement in history, which last year permanently protected 62,000 acres in the Pee Dee. This is a great start, and we must continue protecting our State's precious resources. To that end, this budget provides $88 million for the preservation and conservation of historic, pristine, or significant properties across the State, and an additional $7.5 million for statewide mitigation projects.

Given our thriving economy, improvements in education, and progress in preserving our natural resources, it should be no surprise that people from across the country are moving to South Carolina at a faster rate than to any other State. After all, we know that South Carolina is the best place to live, work, and raise a family. With that growth, however, comes challenges.

As the population of South Carolina increases, our roads, bridges, highways, and interstates must keep pace with the demand that we place on them. We have made tremendous progress improving our roadways with major projects under construction in every corner of the State. There are almost $7 billion in active projects underway across the State, up from $2.7 billion in 2017. Much of that progress is a result of four years' worth of state appropriations totaling $1.4 billion for new construction and improvements to state-owned roads, bridges, highways, and interstates. This budget includes an additional $377 million for roads and bridges.

Population growth also puts strain on our law enforcement and criminal justice agencies. As a result of a comprehensive analysis of law enforcement pay within state government, South Carolina's law enforcement officers have received substantial pay raises, with minimum starting salaries increasing as much as 73% since 2017. For example, the minimum starting salary of a state trooper was $38,273 in 2017. The projected minimum starting salary for a state trooper in 2026 is $58,508. This budget provides an additional $8.3 million for pay raises, overtime pay, and the hiring of new officers at our state law enforcement and criminal justice agencies. In addition, the budget also includes a proviso to allow a retired member of the Police Officers Retirement System who has been retired for at least ninety consecutive calendar days to be hired and return to employment and earn up to $80,000 annually without affecting the monthly retirement allowance.

This investment in infrastructure and law enforcement is critical, but it will not be enough over the coming years. All essential government services will continue to struggle in the next decade to support and keep up with the population growth in our State. Left unaddressed, South Carolina will face future problems with water and sewer access, traffic congestion, demand for electric power generation, public safety, and healthcare availability. We must plan for this continued growth, and I urge the General Assembly to continue investing wisely so that state government can serve South Carolinians well.

To my colleagues in the General Assembly, I say: The people of South Carolina have benefited from our ongoing cooperation, communication, and collaboration. Thank you for your hard work this year—and for the past ten years.

In that spirit, I ask that you thoughtfully consider and sustain each of the following vetoes:

Veto 1 Adjutant General's Office, Part IA, Section 100, Page 239, Youth Challenge Program, $800,000

On March 15, 2026, the Adjutant General's Office announced that the South Carolina Youth Challenge Academy would close after its final class graduated on June 9, 2026. The program will not be operational in Fiscal Year 2026–27. Although the Education Improvement Act funds expressly appropriated to this program are not included in this budget, the general fund line-item appropriation was not, and the funds were not redirected to another program or purpose. Therefore, I am vetoing this appropriation.

Veto 2 Department of Education, Part IB, Section 1, Page 296, Proviso 1.79, SDE: Charter School Management Organizations

Veto 3 Department of Education, Part IB, Section 1, Page 304, Proviso 1.107, SDE: Charter Authorizer Fees

Veto 4 Department of Education, Part IB, Section 1, Page 305, Proviso 1.111, SDE: Charter School Authorizer Contracts

> *1.79. (SDE: Charter School Management Organizations) A person paid or employed by an Education Management Organization (EMO) or a Charter Management Organization (CMO) shall not be allowed to serve on the board of any charter school sponsored by a public school district, the South Carolina Public Charter School District, or a public or independent institution of higher learning. Any school violating this provision shall have fifty percent of all appropriated state funds withheld until the school becomes compliant with this provision. A person paid or employed by an EMO or a CMO shall not be allowed to serve on the board of any authorizer's board of a public school district, the South Carolina Public Charter School District, or a public or independent institution of higher learning. Any authorizing board violating this provision shall have fifty percent of all appropriated state funds retained for operations withheld until the authorizer and its board becomes compliant with this provision.*

1.107. *(SDE: Charter Authorizer Fees) From the funds appropriated, the South Carlina Public Charter School District and a public or independent institution of higher learning sponsor of a charter school may retain no more than two percent of the total state appropriations for each charter school it authorizes to cover the costs for overseeing its charter schools. The sponsor's administrative fee does not include costs incurred in delivering services that a charter school may purchase at its discretion from the sponsor. The sponsor's fee is not applicable to federal money or grants received by the charter school. The sponsor shall use its funding provided pursuant to this proviso exclusively for the purpose of fulfilling sponsor obligations in accordance with applicable charter school law.*

1.111. *(SDE: Charter School Authorizer Contracts) If a public or independent institution of higher learning charter authorizer ceases operations, any charter school under a current contract with the authorizer may apply to a new authorizer for the remainder of the charter school's contract term. Any charter school with an approved application that has not yet executed a contract as of the effective date of this act may elect to request that a new authorizer consider its application. Of the funds appropriated, the Department of Education shall create a LEA closure protocol to be fully implemented by June 1, 2027 and a timeline for the transfer of any charter schools and the receipt and review of any applications by a new authorizer for this purpose. Schools shall not be required to resubmit a full application unless the new authorizer specifically identifies an area of concern.*

Act 123 of 2026 amended Chapter 40 of Title 59 to strengthen the financial transparency, governance, management, and accountability of charter schools. The law went into effect on May 15, 2026. These three provisos therefore are no longer needed.

Veto 5 Department of Education, Part IB, Section 1, Page 304, Proviso 1.108, SDE: Student Physical Privacy

1.108. *(SDE: Student Physical Privacy) (A) For the purposes of this provision:*

(1) "Changing Facility" means a facility in which a person may be in a state of undress in the presence of others, including a locker room, changing room, or shower room.

(2) "Restroom" means a facility that includes one or more toilets or urinals.

(3) "Sex" means a person's biological sex, either male or female, as objectively determined by anatomy and genetics existing at the time of birth. Evidence of a person's biological sex includes, but is not limited to, any government-issued identification document that accurately reflects a person's sex as listed on the person's original birth certificate issued at or near the time of birth.

(4) "Sleeping Quarters" means a room with a bed in which more than one individual is housed overnight.

(B) A school district supported in part by funds appropriated by this act, shall not permit any public school within the district to use any funds to maintain or operate any restroom or changing facility on its premises that is not in compliance with this provision or facilitate any public-school authorized activity or event involving overnight lodging

that is not in compliance with this provision. A school district that violates any portion of this provision shall be penalized twenty-five percent of the funds appropriated by this act that are used to support the school district's operations.

(C)(1) Multi-occupancy public school restrooms and changing facilities shall be designated for use only by members of one sex. Any public school restrooms and changing facilities that are designated for one sex shall be used only by members of that sex; no person shall enter a restroom or changing facility that is designated for one sex unless he or she is a member of that sex; and the public school with authority over that building shall take reasonable steps to ensure that all restrooms and changing facilities provide its users with privacy from members of the opposite sex. The provisions in this item do not apply: (a) to custodial or maintenance work when the restroom or changing facility is not being used or otherwise occupied by a member of the opposite sex; (b) to a person or people rendering medical assistance; and (c) during a natural disaster, emergency, or when use of the restroom or changing facility is necessary to prevent a serious threat to good order or student safety.

(2) During any public-school authorized activity or event where students share overnight lodging, no student shall share a sleeping quarter or multi-occupancy restroom with a member of the opposite sex, unless such persons are members of the same family, such as a parent, legal guardian, sibling, or grandparent.

(3) In any other public-school facility or setting where a person may be in a state of undress in the presence of others, school personnel shall provide separate, private areas designated for use by persons based on their sex, and no person shall enter these private areas unless he or she is a member of the designated sex.

(D) Nothing in this proviso may be construed to prohibit schools from adopting policies necessary to accommodate disabled persons or young children in need of physical assistance when using restrooms or changing facilities.

Act 152 of 2026, the South Carolina Student Physical Privacy Act, went into effect on May 15, 2026. This proviso therefore is no longer needed.

Veto 6 Department of Education, Part IB, Section 1, Page 305, Proviso 1.110, SDE: Assessments and Final Grade Determination

1.110. *(SDE: Assessments and Final Grade Determination) For Fiscal Year 2026-27, no school district receiving funds pursuant to Section 1 of the Appropriations Act may require the inclusion of student performance on any district-selected benchmark assessment in calculating a student's final grade in any course or subject. District-selected benchmark assessments may only be used as formative assessments for informing instructional purposes and shall not factor into a student's course grade unless the assessment is developed or directly approved by the course instructor and exclusively measures content that has previously been taught in the course. Any school district found in violation of this provision may be subject to corrective action, including a reduction in state funding allocations as determined by the department. These provisions do not apply to End of Course assessments.*

Act 204 of 2026, which prohibits the use of formative or benchmark assessments in determining a student's final grade in a course or subject, went into effect on July 1, 2026. This proviso therefore is no longer needed.

Veto 7 Department of Education, Part IB, Section 1A, Page 322, Proviso 1A.34. SDE-EIA: STEM Centers SC

> ***1A.34.*** *(SDE-EIA: STEM Centers SC) All EIA-funded entities that provide professional development and science programming to teachers and students should be included in the state's science, technology, engineering, and mathematics education strategic plan.*

Act 142 of 2026, the South Carolina STEM Opportunity Act, went into effect on May 15, 2026. This proviso therefore is no longer needed.

Veto 8 Department of Education, Part IB, Section 1A, Page 329, Proviso 1A.53. SDE-EIA: Educator Preparation Provider

> ***1A.53.*** *(SDE-EIA: Educator Preparation Provider) Of the funds carried forward from the prior fiscal year, the department is authorized to use up to $300,000 to develop a data system to house post-certification data and employment for Education Preparation Provider (EPP) completers in accordance with S.C. Code Reg. 43-90. The system must provide the department with the ability to collect, store, and disseminate data elements needed for national accreditation of providers. Such data shall be exempted from disclosure under Section 30-4-40 of the 1976 Code, the South Carolina Freedom of Information Act.*

The funds previously appropriated for this initiative have been expended. The proviso therefore is no longer needed.

Veto 9 Department of Education, Part IB, Section 1A, Page 334, Proviso 1A.69. SDE-EIA: High-Dosage Tutoring

> ***1A.69.*** *(SDE-EIA: High-Dosage Tutoring) (A) The Department of Education is authorized to provide funds to school districts and community partners in the current fiscal year for academic support programs providing high-dosage, low-ratio tutoring to students in mathematics and reading by compensated tutors.*
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> *(B) The Department of Education shall prioritize available funding for academic support program applications that include Local Education Agencies (LEA) or local funding matches, LEA capacity for successful program implementation, or a large proportion of students needing priority placement within an academic support program. Of the funds appropriated, at least 95% shall be distributed as grants to participating LEAs and public charter schools and shall not be combined with any other state or federal grant program.*

(C) The Department of Education may collaborate with community partners to implement and conduct academic support programs. Academic support program partners shall comply with personnel criminal history checks and any applicable building safety standards. The Department of Education shall issue a solicitation for education service providers to be included on a qualified provider list. For the current school year, this solicitation shall be published by August; provider applications shall be submitted by September 1; and provider approval notices shall be issued by October 1.

(D) The Department of Education shall issue a grant application for LEAs and public charter schools. For the current school year, this application shall be published by September 15 but not before September 1; grant applications shall be submitted by October 15; and grant awards shall be issued by November 15. Grantees may carry forward unexpended funds from the prior fiscal year into the current fiscal year.

(E) At a minimum, eligible academic support programs shall include tutoring sessions totaling one and a half hours per week. Tutoring sessions should be scheduled at least twice weekly for forty-five minutes. Tutoring sessions shall be held in small group settings of no more than three students per tutor but may occur within or outside the regular school day. Students scoring, or expected to achieve, Does Not Meet Expectations on the statewide summative assessment should be given priority placement within the academic support program.

(F) The Department of Education, in collaboration with the Education Oversight Committee, shall prepare a report on the effectiveness of the academic support programs for the Governor and General Assembly. Participating LEAs and public charter schools shall submit data as requested by the Department of Education including, but not limited to, student enrollment, attendance, and student pre-/post-test scores from a state-approved formative assessment or high school content assessment.

The funds previously appropriated for this initiative have been expended. The proviso therefore is no longer needed.

Veto 10 Department on Aging, Part IB, Section 40, Page 393, Proviso 40.12., AGING: Grant Forgiveness.

***40.12.** (AGING: Grant Forgiveness) The Senior Center Permanent Improvement Grant awarded to the Town of Pacolet in 2013 for the renovation of the Pacolet Mill Cloth Room is hereby forgiven.*

In 2013, the Town of Pacolet received a Senior Center Permanent Improvement Grant in the amount of $350,000 from the South Carolina Department on Aging to renovate the Cloth Room, where seniors would receive services. The Town of Pacolet received the funds, but the project was not completed, and the funds were misappropriated. The proviso would exempt the Town of Pacolet from the terms of the original award, which include repaying the loan to the Department on Aging. I am vetoing the proviso because it creates a bad precedent that a local government entity that fails to comply with the terms of a state grant award can have the terms of the award waived through a proviso in the state budget.

Veto 11 Part IB, Section 92D, Page 469, Proviso 92D.6., SCOR: Flood Planning and Warning Solution, Paragraph B.

92D.6. *(SCOR: Flood Planning and Warning Solution)*

(B) For the current fiscal year, any funds appropriated to the Office of Resilience for the purpose of procuring and implementing a Flood Planning and Warning Solution are exempt from the requirements of Proviso 117.194.

All state agencies procuring and implementing artificial intelligence (AI) solutions must be reviewed and coordinated through the AI Center of Excellence. I am vetoing this paragraph that creates an exemption for a significant AI-enabled project.

Veto 12 General Provisions, Part IB, Section 117, Page 569, Proviso 117.207, Scout Motor Site Cost Review, Paragraph F

117.207. *(GP: Scout Motor Site Cost Review)*

(F) A joint written report shall be delivered to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of Senate Finance and House Ways and Means, the Governor, and the Attorney General within 120 days of the effective date of this act. No funds shall be expended to satisfy the $150 million request until the report has been delivered and the General Assembly has enacted specific authorizing legislation approving the expenditure of such funds outside of the annual Appropriations Act.

Act 3 of 2023 appropriated surplus state revenues to the Department of Commerce for Project Connect "to undertake construction of infrastructure and to make other improvements that promote or improve State readiness for further economic development." By law, the funds must be used for purposes such as land acquisition, site improvements, mitigation, soil stabilization, and water and wastewater infrastructure for the Scout Motors site.

In January 2025, the Department of Commerce notified leadership in the General Assembly of the cost overruns associated with the project. And during this legislative session, the Department of Commerce testified on numerous occasions before the House Ways and Means Committee and to the Senate Finance Committee about the overruns that have been experienced.

In this budget, the General Assembly appropriated excess debt service funds to be made available to the Department of Natural Resources for the cost of mitigation work at the Scout Motors manufacturing site and to the Department of Transportation for road work associated with the Scout Motors manufacturing site. But under paragraph F of proviso 117.207, these funds cannot be expended until the Legislative Audit Council submits a review of the cost overruns associated with the project to the General Assembly and the General Assembly enacts legislation approving the expenditure of such funds.

The State of South Carolina must pay its bills, including debt owed to contractors and vendors who have completed work at the Scout Motors site. For work that has been done, the bills should be paid now. When invoices are submitted for completed work, the bill must be paid. Delaying payment until sometime in the 2027 legislative session will severely damage South Carolina's pro-business environment and would likely result in avoidable litigation.

Veto 13 General Provisions, Part IB, Section 117, Page 574, Proviso 117.226, Authorizations for Excess Expenditures

> ***117.226.*** *(GP: Authorizations for Excess Expenditures) (A) No agency, department, institution, or other entity shall expend, obligate, or encumber funds in excess of the amounts appropriated or otherwise authorized by the General Assembly, nor shall they amend, modify, extend, or alter any contract in a manner that increases the total cost to the State without expressed authorization. No agency shall incur or approve any cost overrun, budget overage, or expenditure in excess of the amount originally authorized for any program, project, or contract unless such overrun or additional expenditure has been approved by the General Assembly in a subsequent authorization.*
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> *(B) Any agency determined to be in violation of this provision shall be subject to a withholding of funds as determined by the Senate Finance Committee and the House Ways and Means Committee, and such violations shall be reported to the respective committees.*

This proviso prohibits any state agency, department, or institution of higher education from expending, obligating or encumbering funds in excess of the amounts appropriated or otherwise authorized by the General Assembly without the express approval of the General Assembly. In addition, no state agency, department, or institution of higher education can amend, modify, extend or alter any contract that would increase the cost to the State of South Carolina without express authorization of the General Assembly.

I support full transparency and accountability for the expenditure of all taxpayer monies, but this proviso may not be necessary and may create unintended consequences.

Currently, state agencies, excluding public institutions of higher education, use the South Carolina Enterprise Information System (SCEIS) to consolidate all financial, procurement, and human resources/payroll records into one central system. SCEIS already prohibits a state agency from committing or expending funds without an appropriation.

Consider a few examples of why this proviso is problematic. First, a state agency, department, or institution of higher education would be incentivized to request more state funding from the General Assembly for a project, program, or contract so as not to seek additional legislative authorization in the future. For the Department of Transportation and public colleges and universities that execute large construction contracts requiring change orders due to unforeseen mitigation issues or to supply chain delays, implementing this proviso would increase construction time, resulting in higher construction costs.

Veto 14 Statewide Revenue, Part IB, Section 118, Page 581, Proviso 118.18, American Rescue Plan Act Reauthorizations

> ***118.18.*** *(SR: American Rescue Plan Act Reauthorizations) To ensure the State of South Carolina maximizes the use of federal funds authorized through the American Rescue Plan Act, the Director of the Executive Budget Office is authorized to reallocate any unused authorization in a particular enumerated item in Act 244 of 2022 and Act 6 of 2023 to any of the enumerated items in the aforementioned Acts. Any reauthorizations shall only be done to ensure the state maintains compliance with all current and future obligation and expenditure timelines issued by the United States Department of Treasury. Any reauthorizations made by the Executive Budget Office pursuant to this section shall be reported to the Governor, Chairman of the House Ways and Means Committee, and Chairman of the Senate Finance Committee.*

Proviso 118.18, which was first included in the Fiscal Year 2024–25 General Appropriations Act, directs the Director of the Executive Budget Office to reallocate any unused American Rescue Plan Act (ARPA) funds to any items funded pursuant to prior laws enacted by the General Assembly.

Proviso 118.25, which was adopted in this general appropriations bill, authorizes the Director of the Department of Administration to reallocate any unused ARPA funds to any enumerated item approved in prior legislation and for which approved reimbursements exceed the authorization. Proviso 118.25 includes a prioritization list that the Director of the Department of Administration must follow in reallocating these funds. In addition, Proviso 118.25 allows the Rural Infrastructure Authority to exceed $10 million per project or application approved.

Because the language in the two provisos is contradictory, I am vetoing Proviso 118.18.

For the foregoing reasons, I am vetoing and returning without my approval the above provisions in R-276, H.5126, the Fiscal Year 2026–27 General Appropriations Act.

Yours very truly,

Henry Dargan McMaster