



Governor Nikki R. Haley
State of the State Message
As Prepared for Delivery

Mr. Speaker, Mr. President, Ladies and Gentlemen of the General Assembly, Constitutional Officers and my fellow South Carolinians:

Let me start tonight with a tradition established by my predecessor, who recognized the certain truth that nothing said in this Chamber tonight or done in this Chamber tomorrow would be possible without the sacrifices and commitment of the men and women in uniform who bravely serve our nation.

And so now let us pay tribute to those South Carolinians, those true heroes, who in the past year made the ultimate sacrifice in the service of our state and of our country:

Private First Class Geoffrey A. Whitsitt

Sergeant Jeremiah T. Wittman

Sergeant Aaron M. Arthur

Staff Sergeant Steven M. Theobald

Captain Michael P. Cassidy

Specialist David W. Thomas

Sergeant First Class Kristopher D. Chapleau

Private First Class David A. Jefferson

Staff Sergeant Sheldon L. Tate

Sergeant First Class John H. Jarrell

Staff Sergeant Willie J. Harley, Jr.

Sergeant Luther W. Rabon, Jr.

Corporal J. Chad Young

Staff Sergeant Andrew S. Bubacz

Staff Sergeant Vincent W. Ashlock

Lance Corporal William H. Crouse, IV

Sergeant Michael J. Beckerman

Thank you.

Before we move on, there is one individual with us tonight who played an important role in the mobilization and support of some of the soldiers I just mentioned and many others who protect our state and country.

And as of this past month, she has been promoted to the rank of Brigadier General, the first female General in the history of the South Carolina National Guard.

I ask you to join me in acknowledging the service of a great South Carolinian, and a great friend, Brigadier General Marie Goff.

I'd also like to thank our former Speaker, and our nation's Ambassador, David Wilkins, for agreeing to Chair my transition team. Ambassador, what a pleasure to work with you again, and what service you have provided to South Carolina. You truly are a statesman.

Ladies and gentlemen, the state of our state is challenged but optimistic.

My ask tonight, to every South Carolinian, is that you embrace our challenges for the opportunities they must be and that you join me in my optimism for the future of our state.

If you do, we will transform South Carolina in ways that have long been imagined but never realized, ways that will make our state the envy of the nation, and ways that will ensure our pride in the South Carolina we pass along to my children and yours.

One week ago today, I stood not too far from where I stand tonight and pledged, in front of God and each of you, to "exercise the duties of the office to which I have been elected, and that I will, to the best of my ability, discharge the duties thereof ..."

The words of that promise will drive me each and every day.

But words are only as good as the definitions we ascribe to them, and so let me

take this moment to lay out my answer to what may be the most important question facing us going forward: what is the role of our government?

For eighteen months I traveled our state and I told our citizens what I tell you now: government was intended to secure the rights and freedoms of the people; it was never intended to be all things to all people.

We have drifted far from that principle, that idea so critical to the future of our state and of our people.

So as we move forward tonight in discussion of the challenges and opportunities that lie in front of us, let's not forget the words of our 40th President, Ronald Reagan, who said:

"There's a clear cause and effect here that is as neat and predictable as a law of physics: As government expands, liberty contracts."

It is time that we restore to the people of South Carolina a government that both knows and performs its intended role.

Our current budgetary situation demands it. Our commitment to best serving this state requires it. And most importantly, our citizens deserve it.

An editorial published this past Sunday was reflecting on the week we've had and closed with the observation that South Carolina is "faced with mountains that may seem unconquerable".

I disagree. My life, my experiences, and my faith have taught me that no challenge is unconquerable.

We are blessed to live in the best state in the best country on earth.

I believe in the will of the people. I believe that it is our duty to follow that will and to engage the people of South Carolina in the governance of our state.

And I believe that if we do that, if we move forward together with one vision, we can climb any mountain and prosper through every challenge, no matter how high, no matter how hard.

The responsibility to get there is a shared one, one that is in large part mine but is not mine alone. The legislature, the people, the governor – we must be committed, together, to moving South Carolina forward.

Abraham Lincoln once said, "The people will save their government, if the government itself will let them."

To the legislature seated before me, who have been given such honor and responsibility by the constituency we serve, I ask that you let the people save us.

Let them in. They have spoken loud and clear.

They want us to remember that we work for them. They don't want to watch in-fighting with no real results. They want to feel our successes in their wallets and regain confidence in the role government plays in our state.

Let's give that to the public this year. They deserve to know what it's like to feel good about their government.

And to the people of South Carolina, from whom I have drawn great comfort and strength, I ask you to remember the words of India's Prime Minister, Indira Gandhi, who said, "People tend to forget their duties but remember their rights."

The energy and enthusiasm you displayed throughout the last campaign inspires me. It inspires us all. What I would charge you with tonight is to not let it go away.

Don't get complacent. Don't complain about those things that bother you, continue to do something about them.

Stay involved in your government. Let your will be known so that those of us you have sent to Columbia might follow it.

I pledge that I will remember your rights. I ask that you remember your duties.

For me, I will do my part to encourage constant communication between the elected officials and the people of South Carolina.

I will be strong in passing along what goes on in this State Capitol. You may think you hear from me too much. I think that's a good thing.

This Administration will hold town halls, in which we will visit every region in our state and talk about our agenda. We will keep a report card of legislative votes that we will distribute when session is over. This will empower every citizen in this state to see exactly how their legislator votes on the issues important to them.

My promise is that these votes will not be partisan, just as the good-government, pro-business issues we must embrace are not partisan.

But we have an opportunity to do things no other state has done: to open our doors, bring down boundaries, and refuse to accept that we have no options.

With commitment from the public, creativity from our cabinet heads, courage from our legislature, and a chief executive willing to lead the charge and make the tough decisions, there is no limit to where we can take South Carolina.

Our state has a tremendous opportunity and I have a wonderful partner in Bobby Hitt as our new Secretary of Commerce. As I said when announcing him as my

choice to run this crucial agency, with Bobby Hitt, there is no learning curve.

And with this Administration, you will find no greater priority than economic development and job creation.

I am spending time daily on the phone with companies interested in coming to South Carolina. Our focus will not be on the quantity of companies we recruit but on the quality of companies that call our state home.

We want partners, those who are willing to invest in South Carolina, create jobs in our state, and utilize the small businesses already here.

As I have said many times, Boeing was not just a win for our state for the jobs it directly created but for the auxiliary jobs and the economic activity it will bring to South Carolina.

When I met with Boeing executives a few months back, they told me that 91 percent of their contracts were going to South Carolina businesses.

That is economic development.

My pledge to you is that we will not wait another twenty years for the next Boeing or BMW. I am impatient by nature, and I've learned, happily, that Bobby Hitt is too. We will continue to work, day in and day out, to bring the type of companies to our state that make all of our citizens proud.

We will strengthen services for our small businesses so that we can take care of the businesses we already have. Commerce needs to be a resource for small business owners whenever they need help navigating the red tape of government. And when government requires something of businesses, we should make those requests as easy on them as possible.

As we focus on lowering our unemployment rate in South Carolina, we will hone in on ways to improve the business environment in our state.

Every one of my cabinet directors understands that his or her job is to reduce the amount of red-tape placed on our businesses. In the business-world, time is money – if government is costing our small businesses time, it is costing them money.

That's unacceptable.

The heart of our economy is and always will be our small businesses. If we give them cash flow, if we give them profit margins, they aren't going on vacation – they will use those dollars to hire people, to invest back in our state. And it will be our people, and South Carolina's economy, that benefit.

We have spoken some, both tonight and on Inauguration day, about moving forward with one vision. To the great credit of those in this room, in the seven

short days I have been governor, we have made great progress.

As a new governing coalition we have had many accomplishments in our first week, and I take great pride and comfort in the fact that we made these strides together for the people of our state.

The Senate swiftly approved two of our cabinet appointments, Bobby Hitt at Commerce and Catherine Templeton at LLR. I want to thank the Senate and especially Senator Greg Ryberg for moving so quickly on these agencies, setting a great tone right off the bat, and letting these two talented individuals get to work.

We have eleven appointments outstanding, and all of these candidates need to be confirmed quickly as we deal with a budget situation that requires all hands on deck. I would ask that the committee chairs follow Senator Ryberg's lead and that the full Senate get all of my agency heads confirmed by the first week in February.

As we go into a budget knowing we'll have to sacrifice, we must do so with consistency. We are trusted to spend the people's money, and we're all aware that nothing we do each year is as important as our budget. It is the most honest expression of our priorities as the leaders of South Carolina.

I believe that in order for the public to trust us, as we make decisions that may be seen by some as unfair or even callous, we must be honest with them: this budget year is going to hurt.

My pledge to you is that if you will work with me to make the right decisions – right, not for the next year or the next election, but right for the long-term future of South Carolina – you will find a partner willing to stand with you in front of the people of our state and defend our choices.

While we will continue to offer solutions to get us out of this hole, tonight and in the weeks to follow, I claim no monopoly on good ideas. In this budget year, I'd be foolish to. If any of you in this room has a thought on how we can close this gap, rein in our spending, and get our government back on track, I'm all ears.

Pick up the phone. Or better yet, come downstairs and knock on my door. It's always open.

Because if we do right by our people this year, we can create a South Carolina that never finds itself in this position again.

We will never again have such an opportunity to reform and correct the spending habits and processes that have brought us to this dire situation. This year has to be the year we make the tough but right decisions so that, going forward, this process doesn't hurt as much as it does today.

We must analyze every agency – cabinet or otherwise – to see what its core mission is and whether or not the dollars we spend are contributing to that mission.

We must start our budgetary process at zero and ask, “What do we have to have?”, as we work our way up.

We must statutorily cap spending so that South Carolina’s government, like its businesses and its citizens, will live within its means. And we must do so based on the spending levels of the previous year.

Spending caps don’t mean anything if we are using, as their basis, the years we have spent the most. If this is worth doing, which it is, it’s worth doing right.

We must implement, in permanent law, a three-day wait from when the final budget is produced to when it is voted on, and by final budget, I mean after conference committee. I’d like to thank Representative Dan Hamilton and Senator Tom Davis for leading this charge.

Legislators and citizens alike have the right to see how we plan to fund their government, and to do so before it becomes law. We saw on the federal level, with both the stimulus and healthcare bills, the pitfalls that come with rushing massive spending bills through a legislature. Let the last two years in Washington not be the example on which we choose to model our legislative process.

Time and time again you’ve heard me say that I plan to involve myself in the budget, not just at the beginning with an executive budget or at the end with a veto pen, but throughout the committee process.

I think we owe it to each other to communicate from start to finish, so there are no surprises on either side, and most importantly, so that the decisions we make are in the best interests of the citizens we’ve all sworn to serve.

To that end, let me offer to you a sample of the proposals that we hope to partner with you on to help ease our budgetary crisis without gutting core services.

Last week our administration physically moved the Department for Alcohol and Other Drug Abuse Services from a privately-leased space to offices sitting empty in a government-owned building. This simple act will save the people of South Carolina \$700,000 over the next four years.

And it’s just the beginning of the commonsense savings you’ll see as we analyze the property that the state owns and leases. As we downsize the spending of government we must also consolidate properties, equipment, and administrative services. You will continue to see measures like this one in the coming weeks.

We will not please everyone with the decisions we make but we must make decisions that do the least amount of harm and have the best long-term effect.

And the reality is the role of South Carolina’s government in the year 2011 can no longer be to fund an Arts Commission that costs us \$2.05 million. It cannot be one that funds ETV, costing taxpayers \$9.6 million. And it cannot be one that

pays taxpayer dollars to lobbyists, costing us \$1.2 million a year.

When you release government from the things it should not be responsible for, you allow the private sector to be more creative and cost efficient. And you allow government dollars to go to the places and people they should.

The majority of prescription drugs issued by Medicaid are generic, with three large exceptions: AIDS, cancer, and mental health. We propose, following the lead of Senator Kevin Bryant, a pharmacist himself, that we remove the proviso prohibiting the use of generic medications to treat those three afflictions.

I realize that this may sting pharmaceutical companies, and some lobbyists, but it is an option that will allow us to realize real savings without compromising the quality of care for our patients.

I searched far and wide and am proud to have found one of the brightest healthcare minds in the country to help us navigate our current HHS deficit and the looming disaster that is the federal healthcare plan.

I am thrilled Tony Keck is joining us in South Carolina – we need the best, and he is certainly that. I ask that we strike the proviso prohibiting the HHS Director from setting rates paid to providers through Medicaid.

South Carolina is the only state in the nation that doesn't give our Medicaid director that flexibility, and with all due respect, we can't be the only state that has it right. We need to allow Tony to do his job.

Tonight I am also announcing that my cabinet will stop the practice of working the system to get increases in federal funding simply for the sake of expanding our budgets.

South Carolina cannot continue to chase federal dollars without studying the larger impact of how accepting those dollars affects our spending and financial stability. We know all too well that with federal money comes strings, and with those strings come limitations, unaccounted for costs, and in many cases, unsustainable spending.

The days are over when Washington tells South Carolina, "If you want the money? Jump." And South Carolina responds, "How high?"

We cannot jump without first considering where we are going to land. And South Carolina cannot afford to follow the federal government, which has thrown itself into a pit of growing deficits, irresponsible budgeting, and uncontrollable spending.

Starting tonight, South Carolina is a state that is focused on establishing our financial independence, controlling our own destiny, and empowering our people with the knowledge that their state government doesn't jump for anyone.

We can't talk about the Federal government or our budget without acknowledging the financial challenges that face us with the new healthcare bill.

I had the pleasure of meeting with the President last month and asked him if he would consider repealing this law, as South Carolina citizens can't afford it. He quickly told me "no".

Our founding fathers always intended that we empower families first, then communities, then states, and last Federal. Constitutionally, our states do and should have the ability to decide what is best for our citizens. And so I will continue to support the Attorney General's legal action against this intrusion.

But as I told the President, my job is to look for every avenue I can to deal with a situation that South Carolina can't afford. I asked him, respectfully, if he would allow South Carolina an exemption from this bill. I appreciate his willingness to have an open dialogue, and his statement to me that if South Carolina met certain criteria, he would be open to allowing us to opt out.

I am working with members of my Cabinet to find a solution that is economically sensible, conservative, and beneficial for the people of our state. The reality is that the federal healthcare bill will cost this state \$2.7 billion more by the year 2020.

We can't afford or sustain those numbers. We must find an alternative.

It is also incumbent upon us to deliver each year measures that make South Carolina more efficient, more effective, and better conditioned to tackle the challenges of the 21st Century.

The good news is restructuring is past the debate stage in this Chamber. We all agree we need a more accountable government. We all agree that we must move forward with the changing times. And we all agree that we don't have any more time to waste.

I appreciate the leadership of Representative Bakari Sellers and Senator Mike Fair on the issue of consolidating the Department of Probation, Parole and Pardon Services into the Department of Corrections.

In Judge Bill Byars, we have one of the most talented and effective corrections administrators in the country. What he did for the Department of Juvenile Justice is nothing short of a miracle. And now, to my delight and his enduring credit, he has accepted a new challenge – reforming our adult corrections system and pulling us out of that deficit.

Over the last eight years, Jon Ozmint did a tremendous job running our prisons at the lowest cost per prisoner in the nation. My challenge to the Judge is to take Mr. Ozmint's reforms and move them one step further. His goal will not be just to produce the cheapest meals, but to reduce the number of meals he serves each day. And we can't do that unless we lower the number of inmates that come

back into the system.

The cost savings to the taxpayers of this state would be substantial. The immediate savings would be approximately \$6 million in administrative costs alone. But the real dollars will come on the back end, when the Judge fulfills his ultimate goal, the reduction of our recidivism rate.

The state of South Carolina pays more than \$16,000 annually to incarcerate a single prisoner. We spend more each year on a prisoner than we do on a student. Think of the savings we'll realize if we aren't constantly welcoming back behind bars those prisoners who finish out their initial terms.

And think of the cultural impact. It's immeasurable.

As I mentioned earlier, this Administration last week physically moved the Department of Alcohol and Other Drug Services to Mental Health. Let's go a step further and follow the recommendation of the Legislative Audit Council by consolidating similar health and human service agencies into the cabinet, a move the Council says will both save money and provide better service for our constituents.

We should also take this opportunity to allow our Governor and Lt. Governor to run on the same ticket. It simply does not make sense to have two people with two different agendas at the top of our executive branch. Lt. Governor Ken Ard and I will spend the next four years showing what we can accomplish when we work together as a team – but let's start letting the people of this state choose what that team looks like.

We should also allow the voters to decide if future governors will appoint other cabinet heads like the Superintendent of Education.

It is crucial that the Superintendent and Governor partner in priorities, spending, graduation rates, and the workforce we produce. Education is almost 40 percent of our budget – how can we justify having those dollars flow through a completely isolated part of government? We can't.

Our teachers deserve better, our parents deserve better, and most of all, our children deserve better.

Finally, our end game in restructuring must be a Department of Administration. A state that holds its Governor accountable is one that doesn't just empower the Governor but empowers the people.

What is now important is not only that we create a Department of Administration, but what that department looks like.

Thanks to a unanimous vote by my fellow members, this week the Budget and Control Board received the fresh eyes it desperately needs so that we can better define its mission, its assets, and its faults.

I have complete faith in Eleanor Kitzman and Marcia Adams as they embrace the daunting but necessary task of streamlining this 1,000 person agency, all-the-while making it more open and transparent for the people to see.

I want to express my gratitude to my fellow Budget and Control Board Members – Chairman Hugh Leatherman, Chairman Dan Cooper, General Richard Eckstrom, and Treasurer Curtis Loftis – for recognizing the importance of moving the Board in a new direction and for joining me in supporting change in the Board’s leadership.

It is my hope and expectation that the 5-0 vote the people of South Carolina were treated to last week is the first of many. We have serious issues and tough decisions ahead of us, and the communication lines opened during the last two weeks give me great confidence that we will continue to make those decisions thoughtfully and together.

But here is where I draw the line - a restructuring plan that takes the important functions of the Budget and Control Board and assigns them to the legislature is not restructuring our government in a manner that better serves the people. We must make our government more open, more accountable, and more accessible to the citizens of South Carolina – not less.

More than two years ago, I first asked you to support putting all legislative votes on the record and both Chambers have passed rules putting that into effect. I appreciate that effort, and your recognition of the fact that the key to a strong democracy is when we have openness and true representation.

I want to thank Representative Nathan Ballentine for continuing the fight he and I started together as deskmates, as well of the rest of the House for following his lead and passing his on-the-record voting bill unanimously the first week.

And I want to thank Senator Larry Martin for his work on this issue this year and Senator Harvey Peeler for continuing his efforts to make sure that this absolute right of the people becomes a reality.

I have long believed that rules protect legislators, laws protect the people. The people of this state have the right to know how their legislators vote, and we must complete this task, and complete it soon. And so I ask that the Senate move swiftly forward on making on-the-record voting permanent law this year.

It is time that we, collectively, do right by the people of this state.

I briefly mentioned education earlier, but a conversation about the role of state government would be incomplete without talking more about the state’s responsibility to educate our children.

It is perhaps the most important duty of our state to give South Carolina’s children the preparation they need to be successful contributors to our society.

Not only for their sake, but for ours.

Our children are our future workforce, our future business owners, our future legislators, and even our future governors. The quality we give them now is the quality they will return back to South Carolina, the quality that will define our state long after we're gone.

Last year, the people gave our children a tremendous champion when they elected Mick Zais as our State Superintendent of Education. And standing together, General Zais and I will reform the Department of Education.

We'll start with the funding formula. As we said during the campaign, we need to educate our children not based on where they happen to be born and raised, but on the fact that they deserve a good, quality education, and they are our future workforce.

We must also privatize our school bus system. We are one of the last states in the nation to do so, and our government just doesn't need to be in the school bus maintenance business.

Making this change would deliver our state a check for our old buses. It would deliver our children a new fleet of buses. It would keep our school bus drivers employed while transferring our mechanics to the private sector. And it would put the focus of our Education Department where it needs to be: teaching our kids.

I want each of you to know how very proud I am of South Carolina - it's a great state, with great people and a brilliant future. I want every citizen in this state to share in my pride. It is our job to continue to give the people of South Carolina something to feel good about.

At the next State of the State, we will be talking about our first year. My goal tonight was to lay out a vision that ensures when we come together next year, we are talking about the next set of challenges, not the same ones we are talking about now.

At this time next year, we should not be talking about on the record votes. We should not be talking about spending caps. We should not be talking about deficits in our budget. We should not be talking about government restructuring. Those should be success stories delivered to the people this year.

Results matter. The wins we shared this first week should be the pace our administration continues to have.

The wins this legislature feels should not be defined by half-year sessions but by weekly and monthly goals achieved.

The chatter among the people of our state should be positive.

We have old challenges in a new year. It is up to the people in this room to decide whether we will continue our old ways or whether we too will turn the page.

I believe you have seen in the months since my election that I have made every effort to demonstrate my eagerness in getting things done for the people of this state in our first year.

But I can't do it alone. You hold the key.

We have a lot of challenges, but one of the greatest is our culture. We must change the way we think and proceed in this Statehouse. I know this process and have lived it. It's slow. It's political. And it doesn't have to be.

I can redefine the habits of the Governor's office. I am willing to do so. I have every faith that each of you can redefine the way this legislature has functioned.

And I know the people of this state will be better, every day, when you do so.

As many of you will come to know in the weeks and months ahead, the door to my office has a sign for all to see every time they walk through my doorway.

The sign says, "Can't Is Not An Option."

For too long, we have approached the problems facing South Carolina with the question, "Can we get this done?" It's the wrong question, and predictably, almost always leads us to the wrong answer.

If we approach our challenges with the mindset that can't is not an option, and begin to instead ask ourselves the question "How do we get to where we need to go?," we will give the people of South Carolina a state that every other state in the country looks at and says, "That's how you do it."

That's my South Carolina.

I know that together, we can make it happen.

Thank you, may God bless, and may He continue to smile on South Carolina.