



State of South Carolina

Office of the Governor

MARK SANFORD
GOVERNOR

POST OFFICE BOX 12267
COLUMBIA 29211

August 26, 2008

The Honorable Glenn F. McConnell
President *Pro Tempore*
South Carolina Senate
27 Bainbridge Drive
Charleston, South Carolina 29407

The Honorable Robert W. Harrell, Jr.
Speaker of the House of Representatives
1625 Bullcreek Lane
Charleston, South Carolina 29414

The Honorable Hugh K. Leatherman, Sr.
South Carolina Senate
1817 Pineland Avenue
Florence, South Carolina 29501

The Honorable Dan Cooper
South Carolina House of Representatives
361 Browning Road
Anderson, South Carolina 29673

Dear Gentlemen,

I write to follow up again on both my previous personal conversations and public commentary on the need to take action on the Budget and Control Board's proposed across-the-board cuts. As we all know, letting these cuts stand until January means that there will be a *de facto* across-the-board cut of at least 1.5 percent across all agencies. Some of these agencies are already running deficits, and it will set the precedent for the use of across-the-board cuts in what I believe to be the certainty of future budget cuts over this year and next as the national economy continues to slow. It seems that all policy makers have known that this day was coming and this is underscored by the fact that the legislative branch took the very unusual step of extending the legislative session through the end of October in anticipation of the possibility of having to deal with budgetary cuts. The only thing lacking is the will to act now – rather than waiting until the New Year which again would ensure a minimum of a 1.5 percent across-the-board cut to all state agencies.

Let me be quite clear in this regard on the implications of inaction. The State Department of Education would receive an across-the-board cut of over \$35 million if we wait until January. The Department of Corrections, which is an agency that ran a deficit of almost \$4 million in the previous fiscal year and is near certain to run an even higher one this fiscal year, would receive a minimum across-the-board cut of \$5 million. At some point I think we begin to jeopardize both the people who work within Corrections and the populace at large when you combine deficits and the funding levels within this agency. At the Department of Health and Human Services they are already endeavoring to operate Medicaid after more than \$100 million was raided from its reserve funds.

I could go on with other examples, but the point here is very simple, we have repeatedly warned against getting ahead of ourselves with regard to spending over the last five years of this administration – yet unfortunately despite those repeated warnings we appear to be right back on course to repeat the budget situation we inherited in 2003. While our disagreements on the budget are well-chronicled and while I understand there are unlimited biases to spend more in any legislative process, all that is water under the bridge given again the decision point that is before us today. Which is, do we let across-the-board cuts stand and set the precedent in that being the vehicle for cuts used going forward, or do we target cuts just as families and businesses are doing across South Carolina in these tougher economic times.

Under the category of offering ideas on where to start, I have taken the liberty of attaching the vetoes we offered just months ago from the FY 2008-2009 Appropriations Act. If you recall, we offered vetoes of around \$69 million of which roughly half of a percent, \$369,000, were sustained. Second, I've attached very specific savings items from the FY 2008-2009 Executive Budget of approximately \$93 million. Finally, let me reiterate my strong belief that we need to eliminate the Competitive Grants Program. I think it's none other than a travesty that German politicians are being funded to the tune of \$100,000 for a beach holiday in Myrtle Beach in October while that same money could be used on bus fuel for school buses which are expected to run a deficit. In June of this year, my appointee proposed freezing the program to help address budget shortfalls coming our way. That proposal, as we know, was rejected and the committee went on to award more than \$10 million in grants. In total, these targeted cuts would yield \$150 million in savings – virtually eliminating the need for an across-the-board cut.

* Mirroring our concerns, two weeks later the Senate Majority leader sent a letter to Senator Leatherman and the members of the Competitive Grants Committee requesting that the remaining funds be used to cover fuel shortfalls at Department of Education. To date, unfortunately, nothing has happened. We've taken the liberty of researching the cost of reconvening the General Assembly and votes like these could be taken in one day because certainly our budgetary proposals over the last couple of years have been dispensed within one day.

When Governor Hodges called the General Assembly back in 2002, the House Majority Leader at that time offered that most members would not accept their per diem or expenses. That standard should be applied this time as well, and as such, there would be virtually no additional cost for a one-day session. I think this pales in comparison to leaving in place more than \$35 million in across-the-board cuts if you wait until to January to deal with this issue. Respectfully, I ask for your help and consideration on this.

Sincerely,



Mark Sanford

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Attachments

cc: Members of the South Carolina Senate
Members of the South Carolina House of Representatives



STATE OF SOUTH CAROLINA
THE SENATE
COLUMBIA

GLENN F. MCCONNELL
PRESIDENT PRO TEMPORE

JOHN P. HAZZARD, V
CHIEF OF STAFF AND COUNSEL

P. O. BOX 142
COLUMBIA, SC 29202
TELEPHONE: (803) 212-6610

August 29, 2008

The Honorable Mark Sanford
Governor, State of South Carolina
State House
Columbia, South Carolina 29201

Dear Governor Sanford:

We would like to express our profound disappointment about your recent letter and public comments that mischaracterize the power granted to us regarding our ability to call the General Assembly into session.

Misleading the public to believe that we can call the legislature back at this point because of the potential for a 1.5 percent budget reduction for state agencies is simply irresponsible. A plain reading of the sine die resolution adopted by the General Assembly only allows the legislature to be called back to make budget corrections if a specific statutory benchmark is reached, which cannot happen until the close of the first quarter of the fiscal year at the end of September.

If my memory serves, that Resolution received a unanimous vote in the Senate and the House of Representatives and without a single comment or suggestion from you. By using this statutory framework, the General Assembly has taken a sober approach to determine whether or not we will return for an extended session that relies on actual revenue collections, not projections. We are both on record supporting targeted cuts. However, until the first quarter collections are recorded and the statutory benchmark of a four percent shortfall is reached, we simply do not have the legal authority to call the General Assembly into session to consider targeted budget reductions.

Every public official in South Carolina is concerned about the economy and the effect of future budget reductions. We believe the failure of the U. S. Congress over the past several decades to deal with our ability to drill for oil and to build refineries has now put our citizens in an economic vise, and neither of us are optimistic of an early turnaround. However, we believe we should wait to make any necessary permanent cuts in the light of hard economic facts -- not simply projections. For example, within the last few days, the US Department of Commerce reported that the country's gross domestic product increased at a rate of 3.3 percent, well beyond the initial projections of 1.9 percent. On the other hand, the high price of gas tells us that the

consumer life is being pumped out of the economy and that we must produce our way back to prosperity. That is why we, too, are not optimistic for a quick turnaround. We agree with you and the other members of the Budget and Control Board that we should prepare for less money. The disagreement you have with them is how to do it. But, your contention that we can remedy this in one day with us calling the legislature back now is misleading and false. Your quip about these targeted cuts being done in one day also deserves some response.

As you should be aware, given the fact the current appropriations act has become law, the only way to make targeted cuts would be through a new act of the General Assembly. This requires passage of a completely new bill that is subject to all the constitutional procedures and requirements. As anyone with even a passing knowledge of social studies understands, the State Constitution requires that every bill receive three readings in each house on separate days.

Even with unanimous consent in both bodies to set aside procedural rules that require all bills to be referred to committee and with complete agreement on which and in what amount cuts should be made, this process would take at least five legislative days. How you think it could be done in one is unimaginable. Would you waive any vetoes to help compress the time?

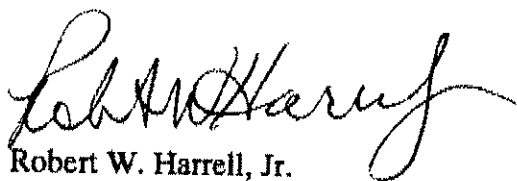
Legislatures, by their nature, act through consensus. And given the dramatic fiscal impact to some agencies if others are held harmless, certainly reasonable minds could differ on which agencies should be cut and in what amount. As a result, we should expect a healthy and vigorous debate that could easily extend beyond five days. Thus, your suggestion that the General Assembly could simply wrap this up in one day and be home in time for dinner is an oversimplification that borders on the absurd.

We would urge you to call off the propaganda campaign. Try to work with State leaders in a productive way to solve the problem -- not aggravate it. Governor, you have some great ideas and we agree with you that we should make targeted cuts in favor of cuts across the board. But, it is your style of execution - attack, ambush, and arraign coupled with a spin of the facts that brings little results. I hope in the days and weeks ahead as we struggle with this and other problems that you will work with us to move the state forward with teamwork and most importantly leadership.

Sincerely,

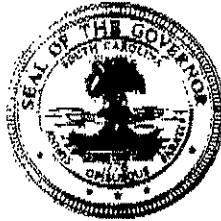


Glenn F. McConnell



Robert W. Harrell, Jr.

cc: Members of the South Carolina Senate
Members of the South Carolina House



State of South Carolina

Office of the Governor

MARK SANFORD
GOVERNOR

Post Office Box 12287
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August 29, 2008

Senator Glenn F. McConnell
101 Gressette Building
Columbia, South Carolina 29201

Speaker Robert W. Harrell, Jr.
506 Blatt Building
Columbia, South Carolina 29201

Dear Glenn and Bobby,

I found your note of August 29 perplexing given the fact that you'd like to work together with me and others on the issue of targeted cuts, but in the meantime I can't get so much as a return phone call. Bobby, you were kind enough to call me back once, but when we missed each other, and after I called back, I have yet to hear from you again. Glenn, I have not yet gotten a message back from the first call I put into you.

As for the larger notion of whether targeted cuts are possible this Fall, I stand by my assertion. The old notion of 'where there's a will, there's a way,' I think very much fits in the larger theme of targeted cuts, and I say this particularly given the way I've seen leadership orchestrate any number of policy and budgetary outcomes of the last six years that I've been a part of the political process in Columbia. This is particularly true in budgetary issues, as many of the rank and file members have no real sense of what's in the budget until it's handed to them for, or shortly before, a vote. Instead of a broad consensus of all the members deciding what's in the budget, as we both know the fine print as to what goes into the budget is decided by a relatively small group of members and staff, and then ultimately voted on by the larger body. It seems to me this budgetary issue would be handled in the same way with a representative committee coming up with a list of targeted cuts and then having those cuts offered for an "up" or "down" vote by the membership at large.

I also find your pinning blame on the U. S. Congress' failure to drill for oil off the coast for our economic woes somewhat surprising – an attempt to deflect blame when the reason we're in this budgetary situation today is as much about the spending spike over the last four plus years as it is about the economy. Despite our repeated warnings, spending growth has outpaced the income growth of our state's taxpayers and that has finally caught up with the budget. We all saw this movie back in the early 2000s, when irresponsible spending growth led in part to painful midyear budget cuts.

When I hear back from you I look forward to discussing these matters. Until then, I hope that your weekend goes well.

Sincerely,

Mark Sanford



STATE OF SOUTH CAROLINA
THE SENATE
COLUMBIA

GLENN F. MCCONNELL
PRESIDENT PRO TEMPORE

P. O. BOX 142
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September 3, 2008

The Honorable Mark Sanford
Governor, State of South Carolina
State House
Columbia, South Carolina 29201

Dear Mark:

I was heartened to discover in your letter that on this matter we finally agree on something. That is that each of us is perplexed by the actions of the other. I must say that my not calling you back was the result of major problems at my store. By the time I had my staff call your office to indicate my predicament, it was closed for the day. However, I did receive a phone call only after you had sent a press release announcing a fly around the state to ask people to press the Speaker and me to reconvene the legislature. That action seems to indicate that your phone call was simply an empty gesture and not a communication intended to begin a meaningful discourse on how to address the issue we currently face. Instead, as has been the hallmark of your office, you attack the General Assembly publicly in an ambush style.

I must again take exception to your continued assertion that the Speaker and I can call back the legislature to handle budget cuts. The Sine Die Resolution is very clear that only if the BEA certifies a 4% shortfall can the Speaker and I reconvene the House and Senate. "Where there is a will, there's a way" is not an accepted reason to override the law or the constitution - two things we are all sworn to uphold and defend. I hope that you are not implying that we ignore our constitution and our laws so that we can proceed in an expedited fashion to meet your timelines.

Since I am not on the Senate Finance Committee, I cannot speak to what goes on in the committee during the budget. However, I can say that the opportunity for impact on the budget process is not stifled by leadership. There are numerous examples of members effecting change by working with leadership and other members of the Senate to get things done with the tools available to all members. Senator Bryant last year inserted a very good "transparency in spending" proviso unanimously. I disagreed with the Finance Committee on nearly 100 provisos since I believed that they amended or added new law and had a great majority struck out on points of order. Therefore, the opportunity is there for involvement if a member spends the time to understand what is in the budget and works on his or her priorities. I strenuously object to any conspiratorial notion that the budget is a backroom deal with no opportunity for outside input.

You suggest that we adopt a BRAC style approach to dealing with the budget shortfall. However, such a process is not permitted under state law. I would also not agree to give up my rights as a Senator or the rights of those whom I represent to amend any decision as to where targeted cuts are made or to make my own suggestions. I am also confident that many other legislators would feel the same way about their rights to be a part of the legislative process, being constrained by only being allowed an "up or down vote." Perhaps a better method to begin this discussion is with the budget itself. You can submit an executive targeted cuts list that could be used as the starting point for discussions in the House and Senate. There is no prohibition for any of those actions taking place before the General Assembly returns.

I also stand by my assertion that the reason revenue collections are down is caused by the giant growth in the price of fuel. The price of fuel has tremendous ramifications on everything we purchase from gas for our cars, the food we eat, to the clothes we wear. I am in the retail business, and I see first hand how the high price of fuel constrains other spending. Ask the average South Carolinian if the price of gas has not reduced their discretionary dollars to spend. I can't understand that those who are serving or have served in Washington do not understand that the problem can be directly traced to Congress' failure to take action to make our nation as energy independent as it can be. That includes off shore drilling, drilling in the arctic, building refineries, and working on alternative fuels.

It should also be noted that although you chide the General Assembly for overspending, that even if the legislature had passed your executive budget we would still be facing shortfalls because of decreased revenue projections. I would assume that you believe you did not overspend in your executive budget. I am more convinced than ever that the constitutional amendment I authored last year that limits the amount of spending in state government is the only way to get our state off the feast or famine rollercoaster we are currently on. History over the last 50 years shows that a constitutional amendment is the only way to solve this problem. Press conferences and publicity stunts only headline it. The constitutional amendment failed in the Senate from getting a two-thirds vote by a single vote, and I do not remember you speaking out strongly in favor of it.

Finally, I am disappointed in your constant attacks against those who support you most of the time while you remain mostly silent against those who seldom or never vote with you. A great question was posed to me about when was the last time the Republican Governor of South Carolina attacked the Democrats in this state. Unfortunately, I could not think of one.

I do not like feuding in public. I am a firm believer that we should settle our internal squabbles so as not to hurt our state. However, when I am unjustly attacked, or the body I am elected to represent is needlessly attacked, which they have been constantly, I am forced to reply in kind in order to defend both my colleagues and myself.

I remain open to meeting with you in good faith to discuss any issue that affects the people of our state if you are truly committed to solving a problem. I hope you enjoy the Republican National Convention and have a safe trip back to South Carolina from Minnesota. I also hope that your wife and children are doing well. With warmest personal regards, I am

Sincerely,



Glenn F. McConnell