



State of South Carolina

Office of the Governor

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June 11, 2008

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

Dear Mr. Speaker and Members of the House:

I am hereby vetoing and returning without signature H. 4815, R-392.

H. 4815 transfers the South Carolina Film Commission from the Department of Commerce to the Department of Parks, Recreation and Tourism. Even though I have vetoed this bill, the transfer will still take place as a result of S. 1171, which I have allowed to become law without my signature. We believe that the film incentive program in its current form, unfortunately, has a negative effect on the state's economy and does not produce the return that taxpayers should see. Consequently, we write to encourage reform.

Let me begin by saying that we have long been advocates of growing the film industry in South Carolina. It needs to be remembered that this Administration was an initial proponent of film incentive legislation based on our shared belief with others in the General Assembly that a piece of something is better than all of nothing. Given what was happening in other states, we felt we needed to enact film incentives that increased our competitiveness with not only other states - but also other countries - in recruiting films to South Carolina. We have unsurpassed opportunity to be a major player in the film industry given our diverse physical geography. Outside of Southern California there is essentially no other place in the United States where you can go from the mountains to the coast in such a short time. Also, in some cases, our weaknesses in South Carolina give us a competitive advantage over other states because of the way impoverished areas of our state can provide a backdrop for films set in the past. These areas can be reinvigorated with a film crew coming to town and providing significant economic impact without producing some of the wastes or requiring some of the infrastructure demands associated with many other industries.

For these and other reasons, we have supported growing the film industry in our state, but this support needs to be provided in a way that, at the end of the day, produces a positive rate of return for the taxpayer. This bill does not do so in two ways.

The Honorable Robert W. Harrell, Jr.
Page Two
June 11, 2008

First, S. 1171 and H. 4815 provide only superficial change to the system by moving it from the Department of Commerce to the Department of Parks, Recreation and Tourism. This type of cosmetic change of simply moving a program from one agency to another does nothing to improve a program's performance for the taxpayers of this state.

Second, S. 1171 and H. 4815 continue the current practice of being too generous in providing wage rebates for out-of-state workers rather than focusing on jobs for South Carolinians. A recent study conducted by economist Frank Hefner of the College of Charleston for the South Carolina Coordinating Council for Economic Development shows that providing the current incentives results in a loss of \$0.81 to the state's general revenue for every dollar invested. No one I have talked to believes it makes sense to continue a system that loses \$0.81 for every dollar invested. We believe that directing wage rebates to South Carolina residents who obtain film-related jobs will have a more significant and longer lasting economic impact for the state and, consequently, the state's taxpayers.

We ask that the General Assembly consider ways to improve the film incentives program, and we support several senators' call for hearings to be held this summer to study the effectiveness of the program. Accordingly, it makes sense to wait on this bill's passage until **after** these hearings take place. In the meantime, we encourage the General Assembly to review Mr. Hefner's study to ensure that we make the most out of our economic incentive dollars.

For these reasons, I am vetoing H. 4815, R-392.

Sincerely,



Mark Sanford