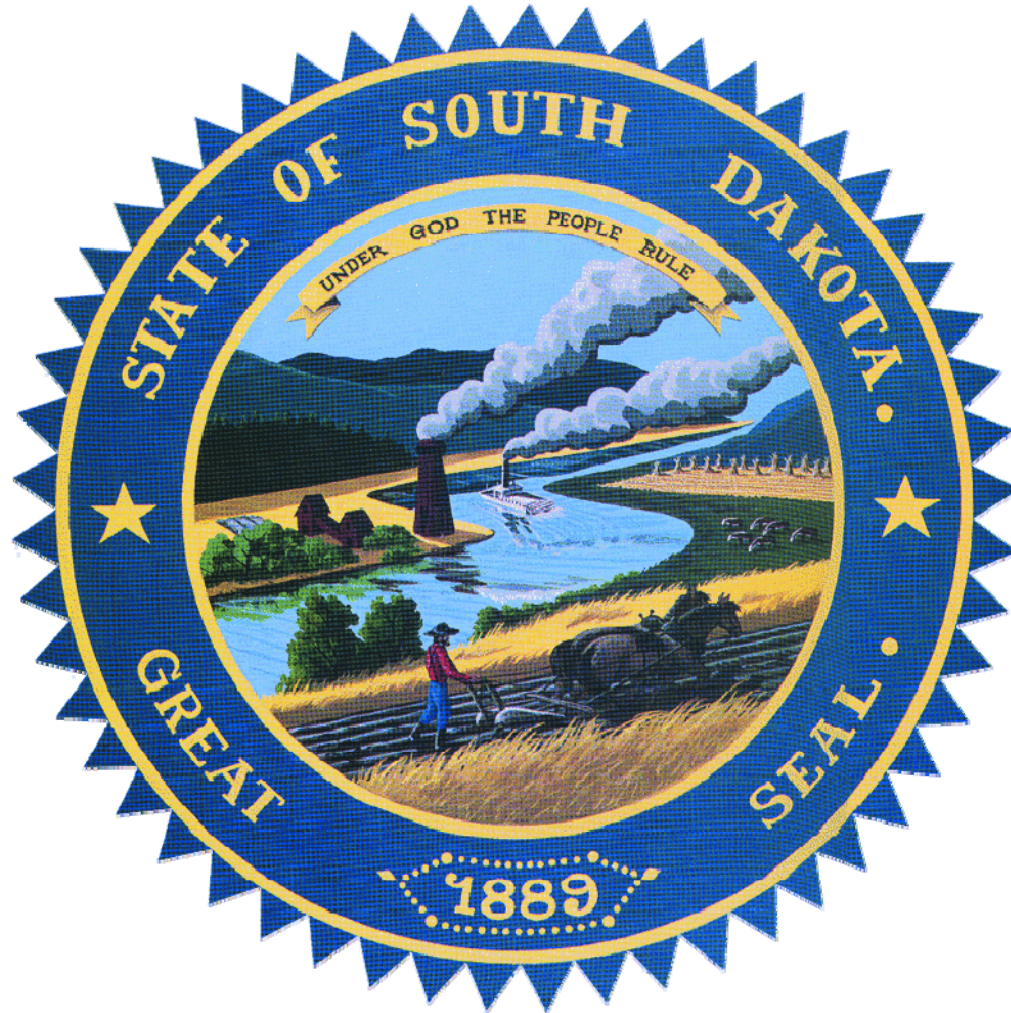


Governor Dennis Daugaard's FY2013 Budget Recommendations



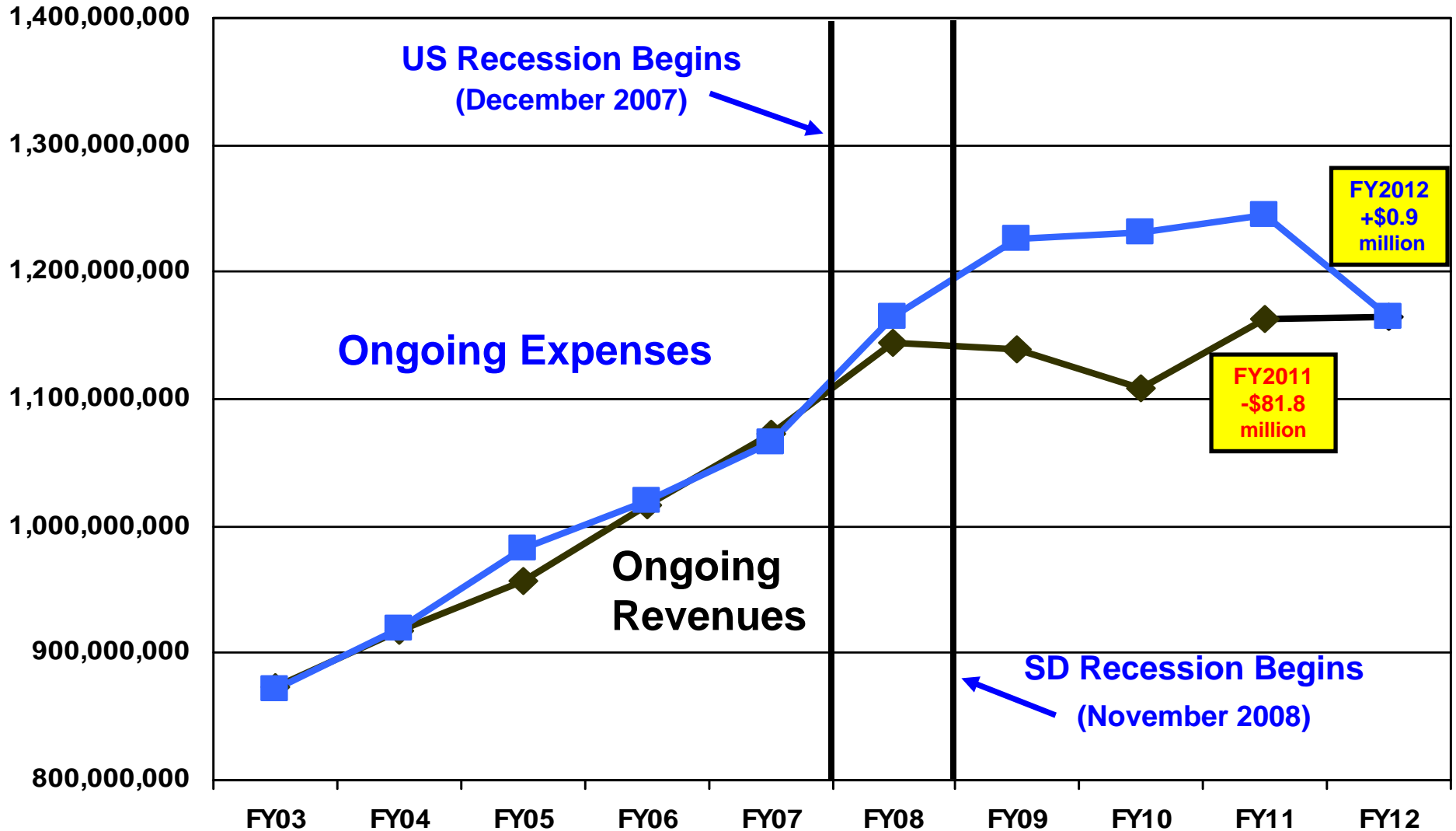
December 6, 2011

Eliminating the Structural Deficit

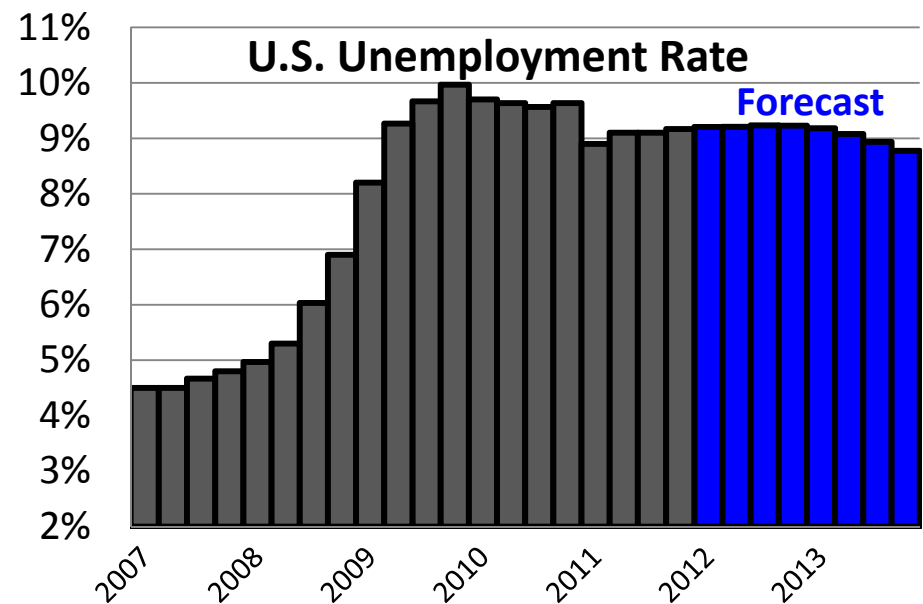
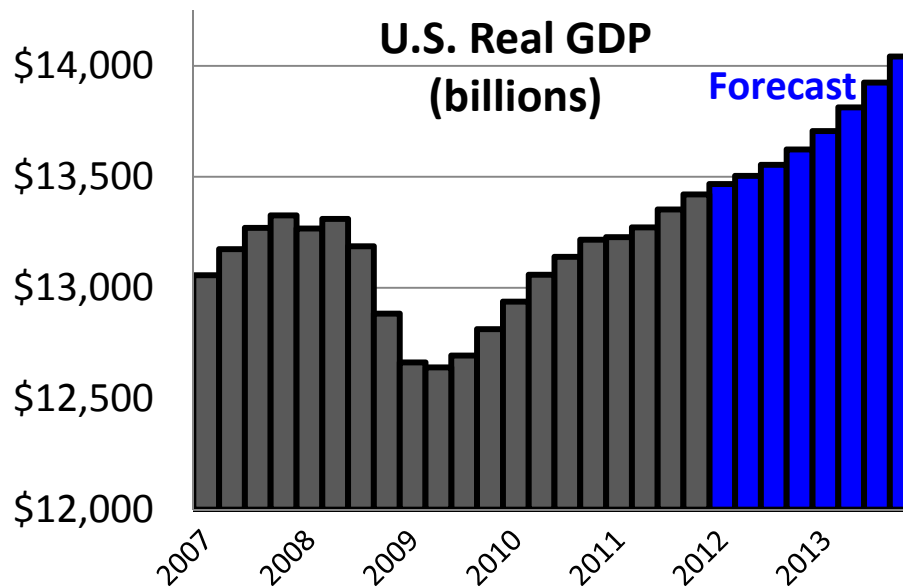
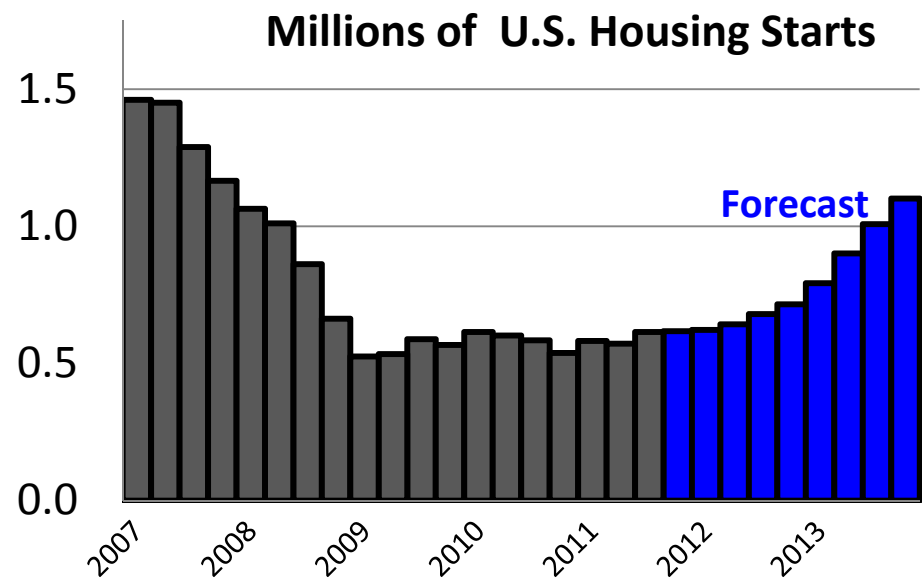
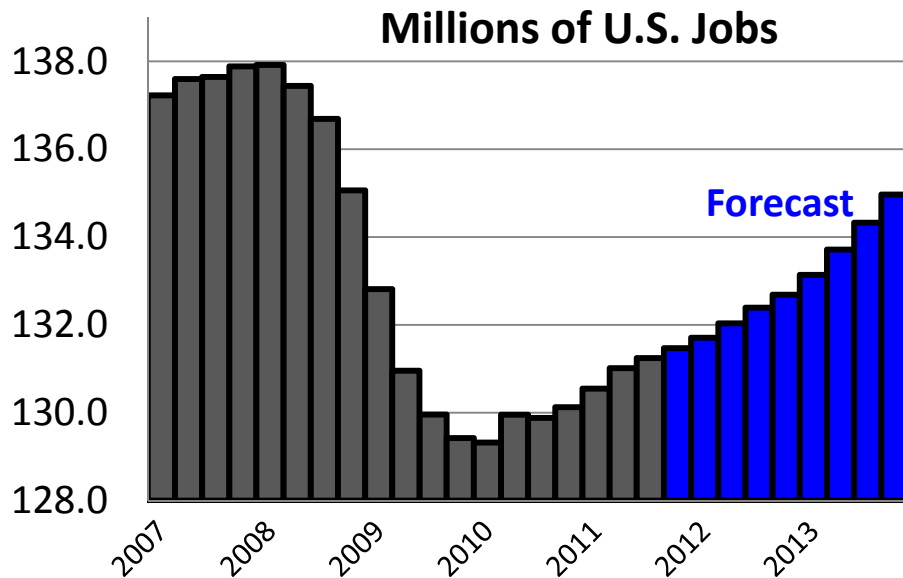
- ☐ We recognized we were spending more than we were taking in
- ☐ We targeted ongoing cuts totaling \$127 million
- ☐ Everyone participated even though it was difficult
- ☐ To sustain these base cuts is a necessity
- ☐ We now enjoy the opportunity to make investments in key areas

How far have we come?

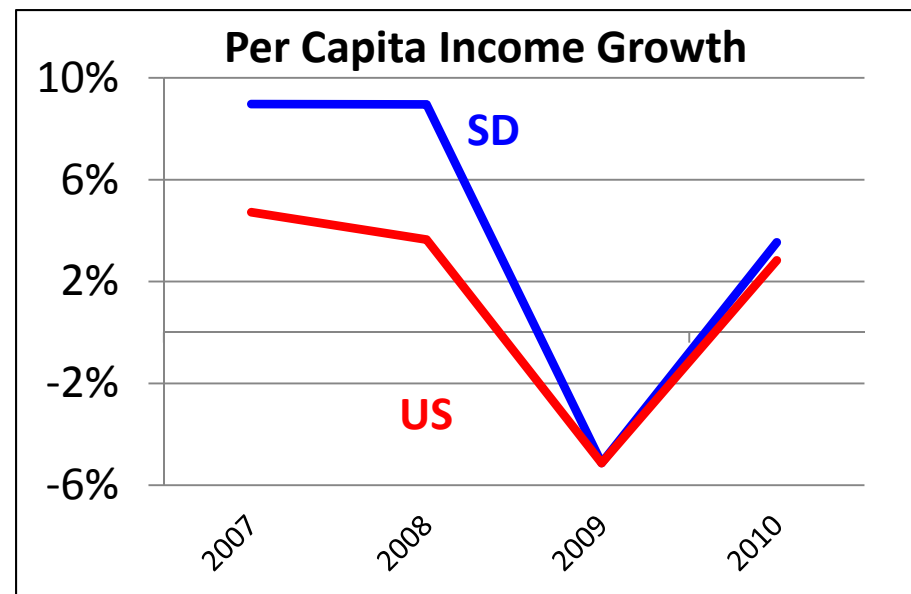
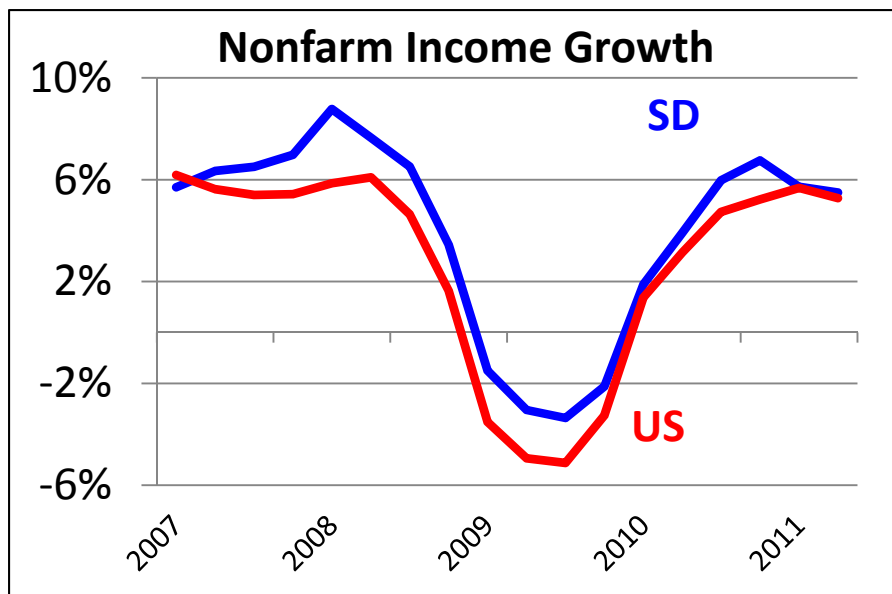
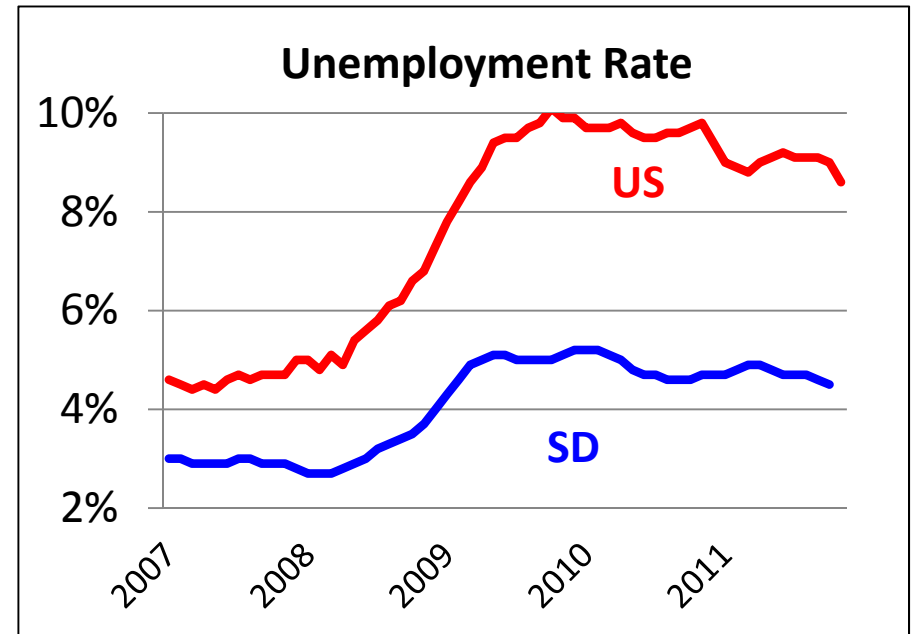
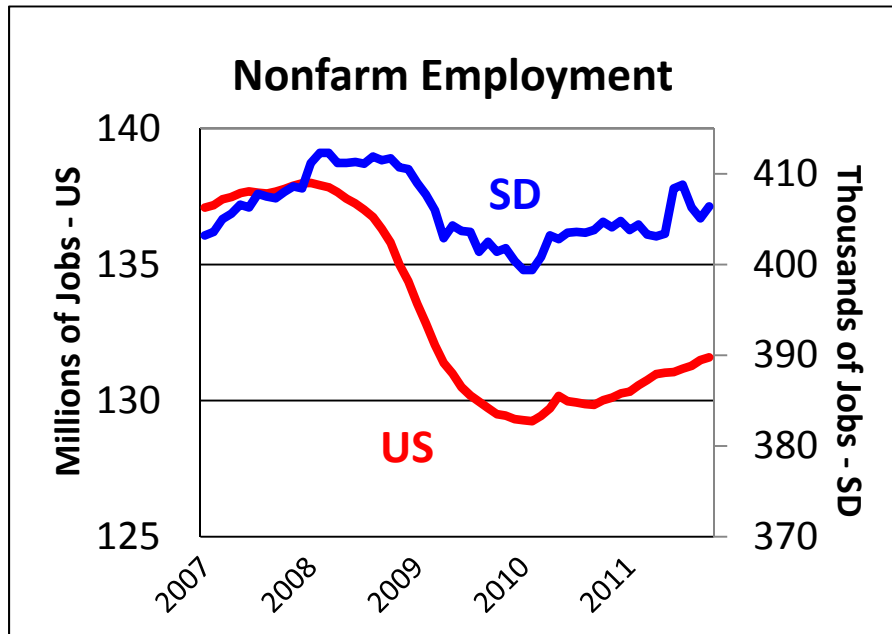
March 2011 Legislative Adopted



The Economy is recovering..... but not recovered



South Dakota is outpacing the US economy



REVENUES

A History of Ongoing Revenue Estimating

Year	Adopted	Actual Receipts	Difference
FY2003*	\$ 841,450,556	\$ 872,718,745	\$ 31,268,189
FY2004*	\$ 876,682,272	\$ 917,449,464	\$ 40,767,192
FY2005	\$ 952,696,623	\$ 956,751,219	\$ 4,054,596
FY2006*	\$ 1,001,797,801	\$1,013,115,062	\$ 11,317,261
FY2007*	\$ 1,065,991,069	\$1,061,350,024	\$ (4,641,045)
FY2008*	\$ 1,148,973,257	\$1,143,748,223	\$ (5,225,034)
FY2009	\$ 1,195,459,836	\$1,138,901,445	\$(56,558,391)
FY2010*	\$ 1,130,101,479	\$1,109,359,945	\$(20,741,534)
FY2011	\$ 1,154,744,209	\$1,163,046,393	\$ 8,302,184

* Includes adjustments

FY2012 Adopted vs. Revised Receipts

(millions)

Source	Ad. FY2012	Rev. FY2012	Change
Sales and Use Tax	\$719.6	\$729.2	+ 9.6
Property Tax Red. Fund	105.0	101.1	- 3.9
Contractor's Excise Tax	66.0	76.9	+ 10.9
Insurance Company Tax	64.9	65.9	+ 1.0
Bank Franchise Tax	4.0	26.7	+ 22.7
Transfer from Trust Funds	30.3	30.3	0.0
Charges for Goods & Serv.	24.7	23.4	- 1.3
Other Ongoing Receipts	<u>150.8</u>	<u>150.6</u>	<u>- 0.2</u>
Total Ongoing Receipts	1,165.3	1,204.1	+38.8
One-time Receipts	(12.6)	11.8	<u>+ 24.4</u>
Total Change			+ 63.2

FY2012 & FY2013 Receipts & Forecasts

(millions)

Source	Rev. FY2012	Est. FY2013	Change
Sales and Use Tax	\$729.2	\$756.9	+ 27.7
Property Tax Red. Fund	101.1	103.0	+ 1.9
Contractor's Excise Tax	76.9	71.8	- 5.1
Insurance Company Tax	65.9	67.8	+ 1.9
Bank Franchise Tax	26.7	25.4	- 1.3
Transfer from Trust Funds	30.3	29.8	- 0.5
Charges for Goods & Serv.	23.4	22.4	- 1.0
Other Ongoing Receipts	<u>150.6</u>	<u>149.5</u>	<u>- 1.1</u>
Total Ongoing Receipts	1,204.1	1,226.6	+22.5
One-time Receipts	11.8	28.8	<u>+17.0</u>
Total Change			+ 39.5

EXPENSES

Moving Forward Cautiously with Expenses

- Using the “reset” of state expenditures to realize long-term efficiencies by sustaining the cuts
- Investing new ongoing revenues cautiously, in targeted areas that can be sustained
- Investing one-time dollars wisely
- Ensuring we do not create a new structural deficit

Why it's important to sustain the FY2012 cuts

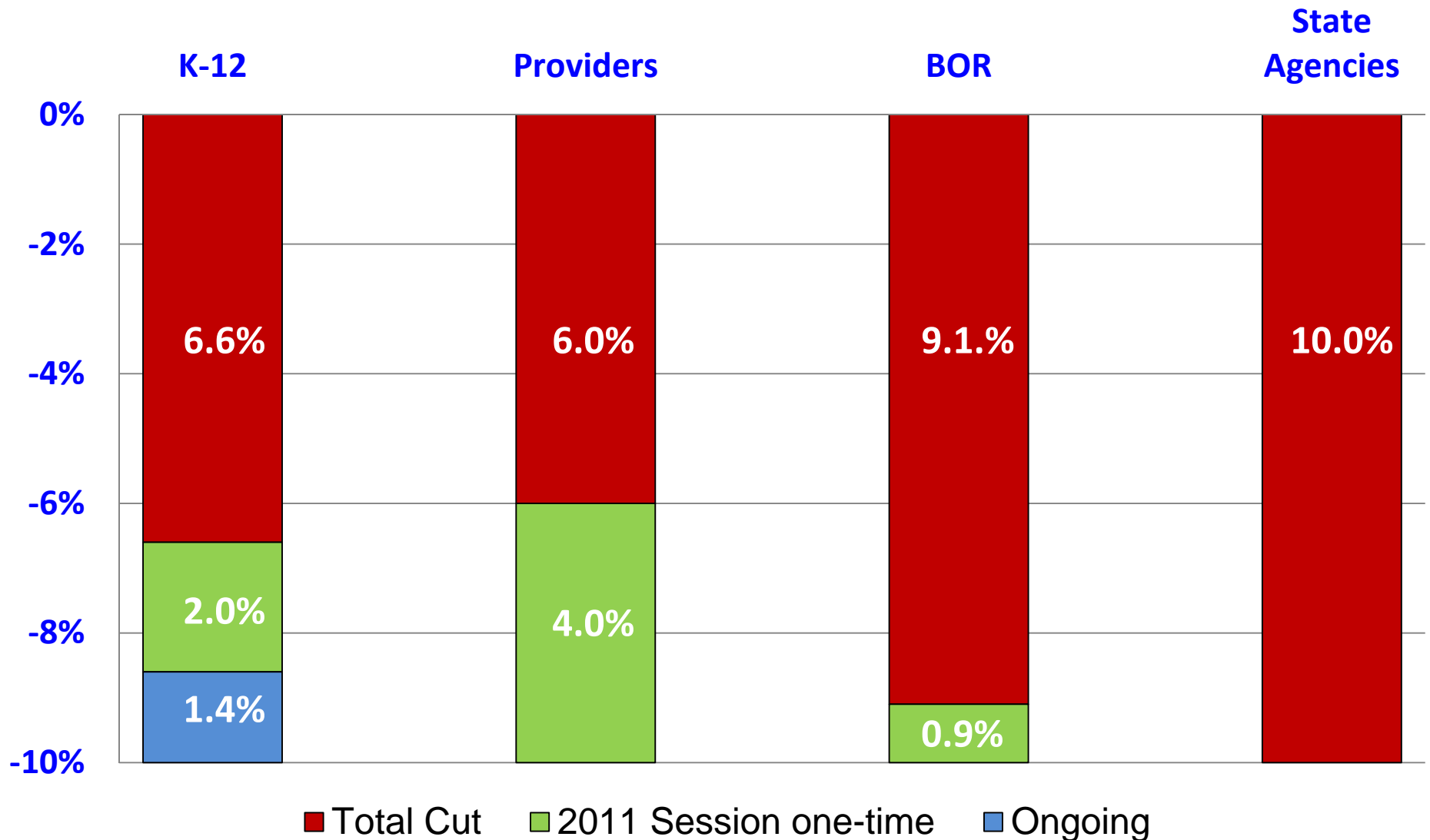
FY2012 Ongoing cuts to the base **\$126,872,247**

FY2012 and FY2013 Ongoing
Revenue growth **\$ 63,560,326**

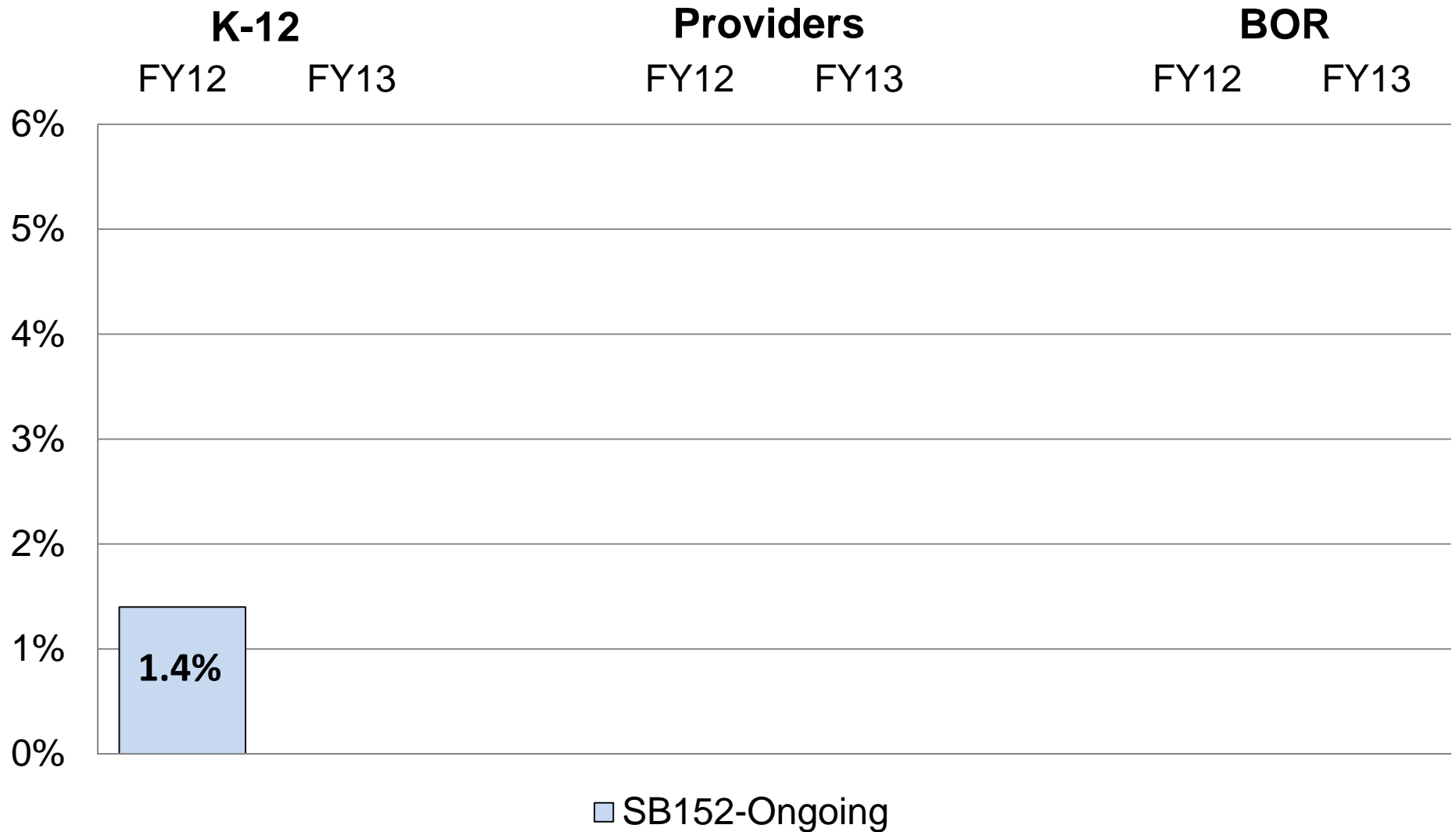
- It will take 2 years of ongoing revenue growth to pay for just 1 year of expenditure growth in our budget
- Without the cuts, we'd still be in a significant structural deficit
- Two years of ongoing revenue growth = half the structural deficit we faced

Funding Change from FY2011 base

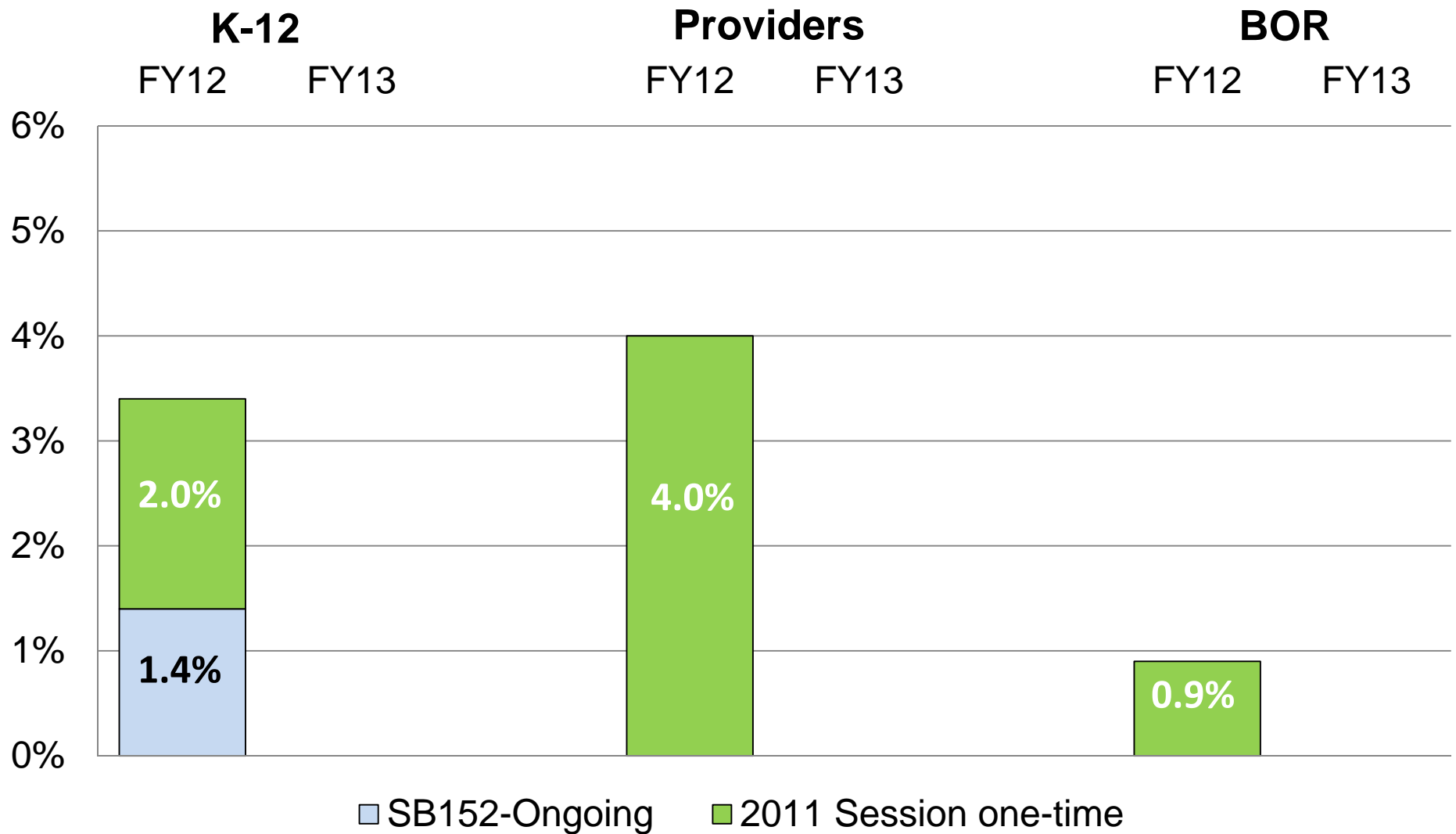
(How we begin FY2013)



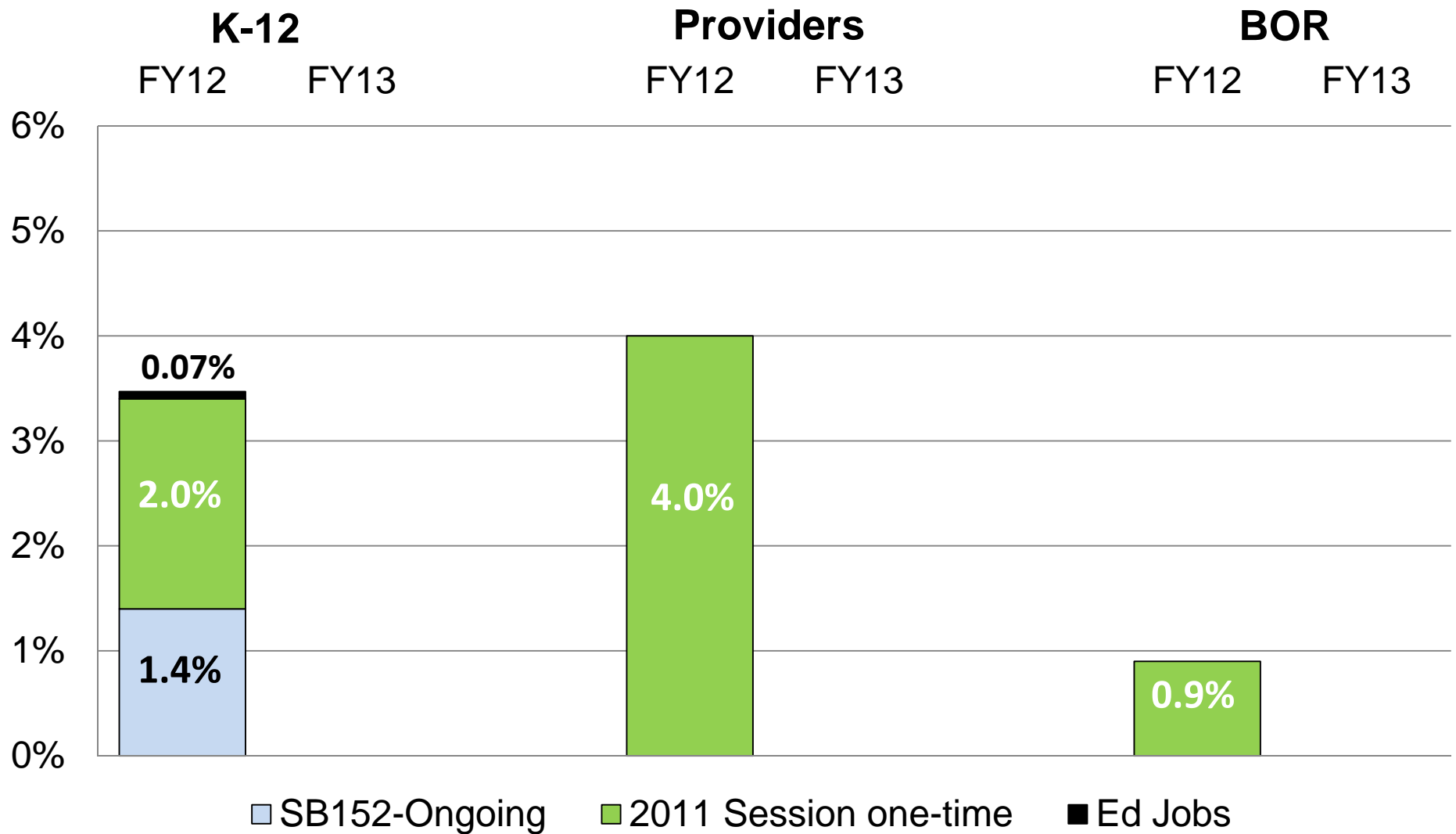
Funding Change from Governor's FY2012 Recommended Budget



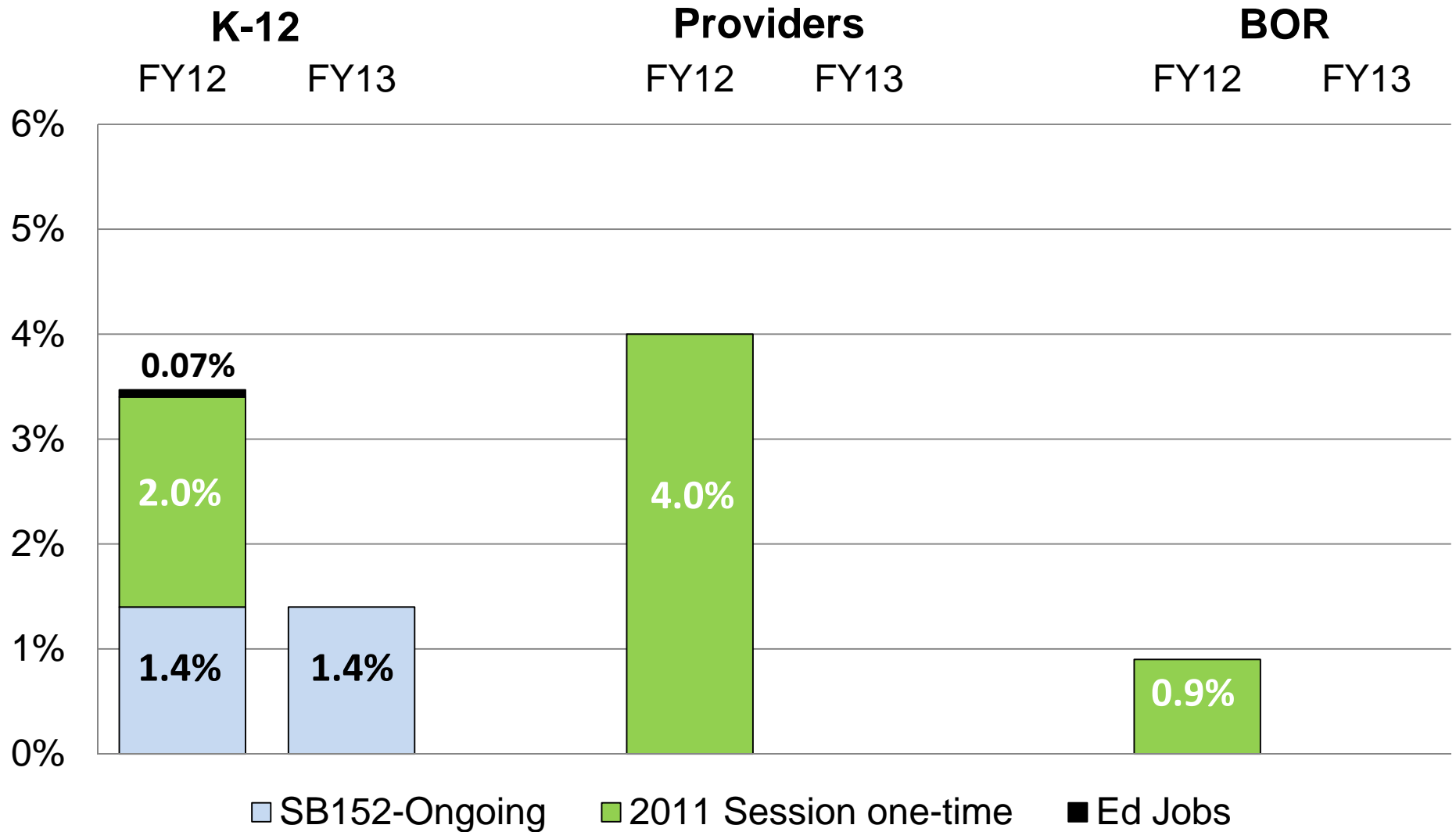
Funding Change from Governor's FY2012 Recommended Budget



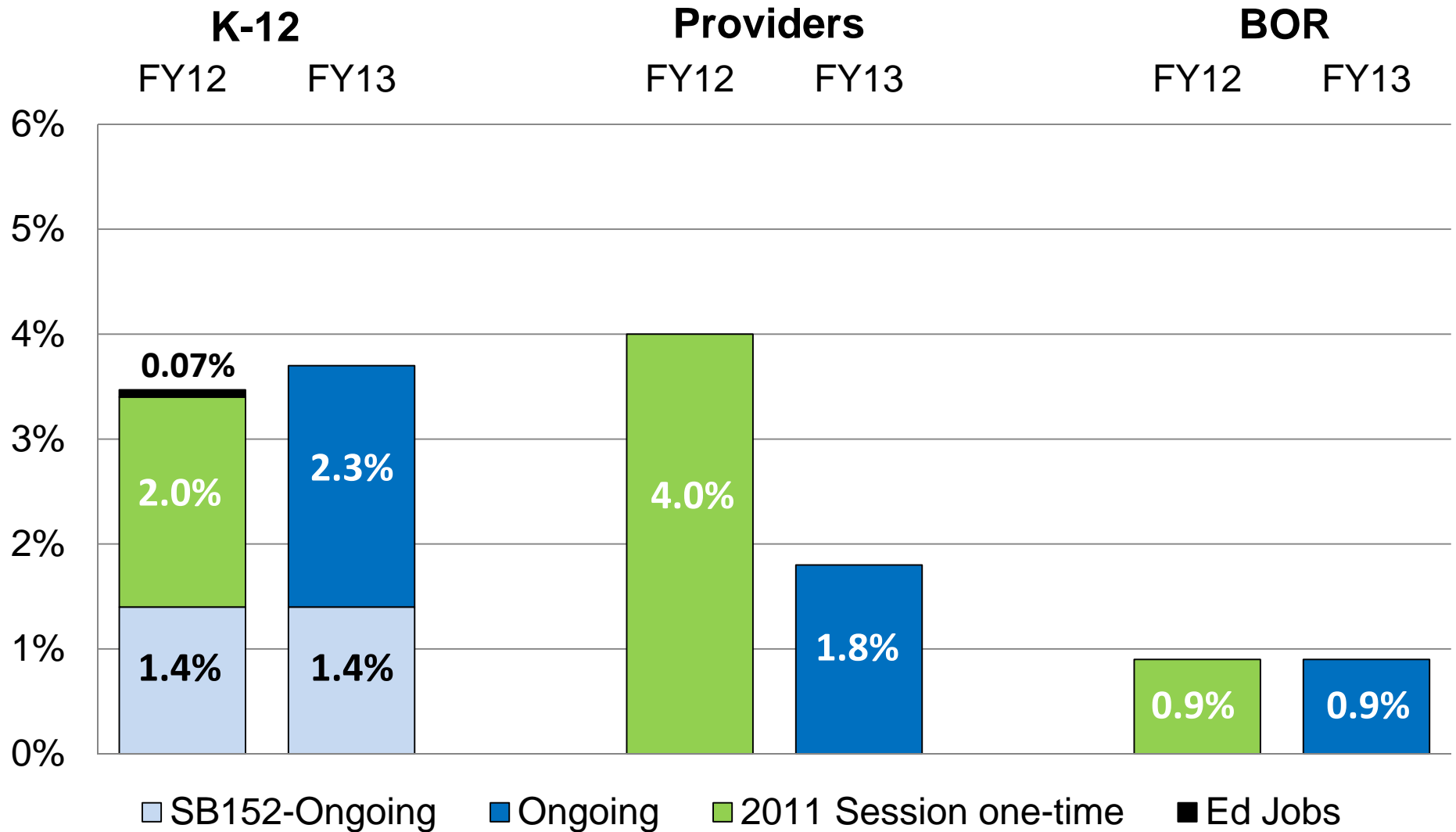
Funding Change from Governor's FY2012 Recommended Budget



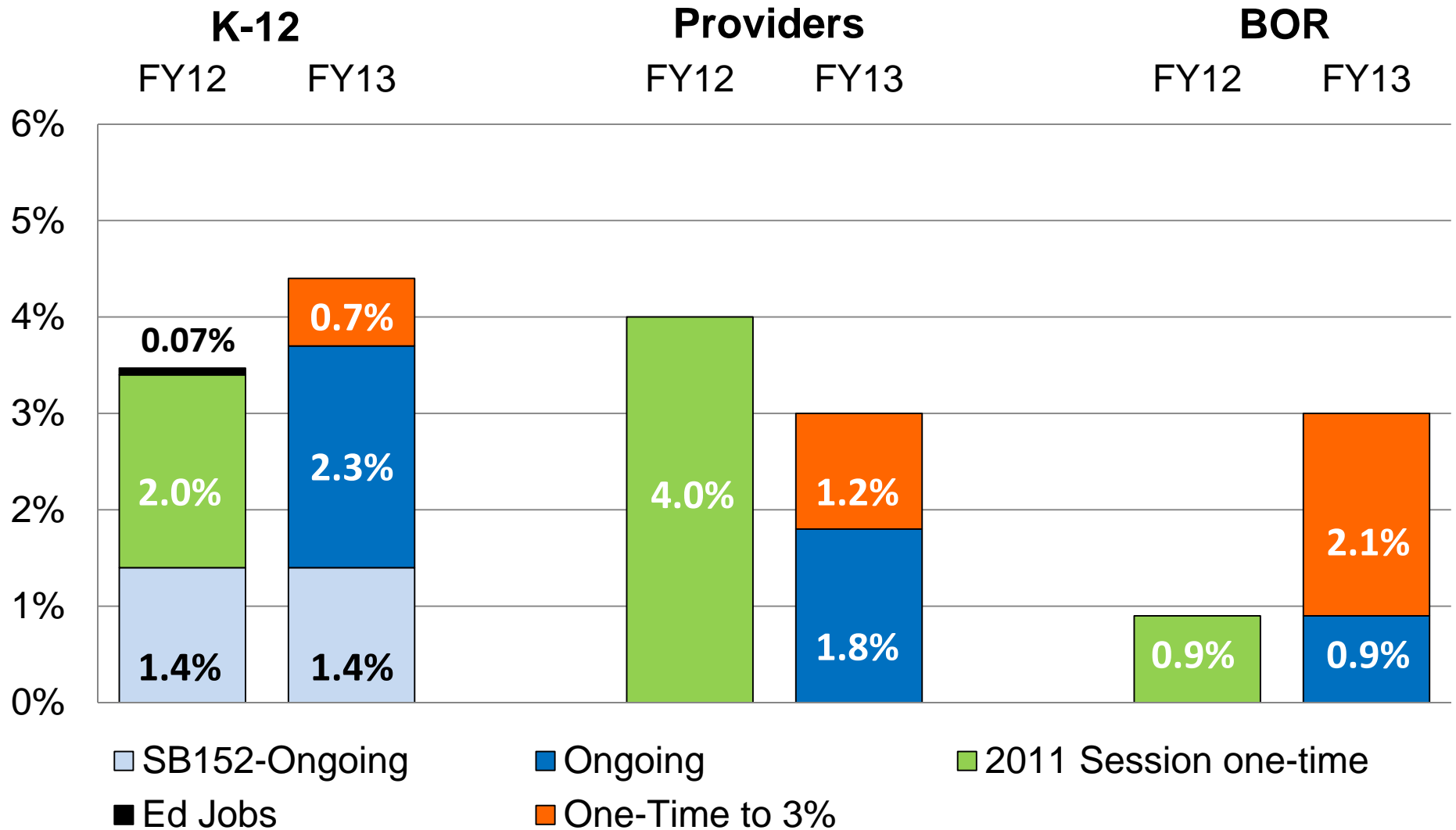
Funding Change from Governor's FY2012 Recommended Budget



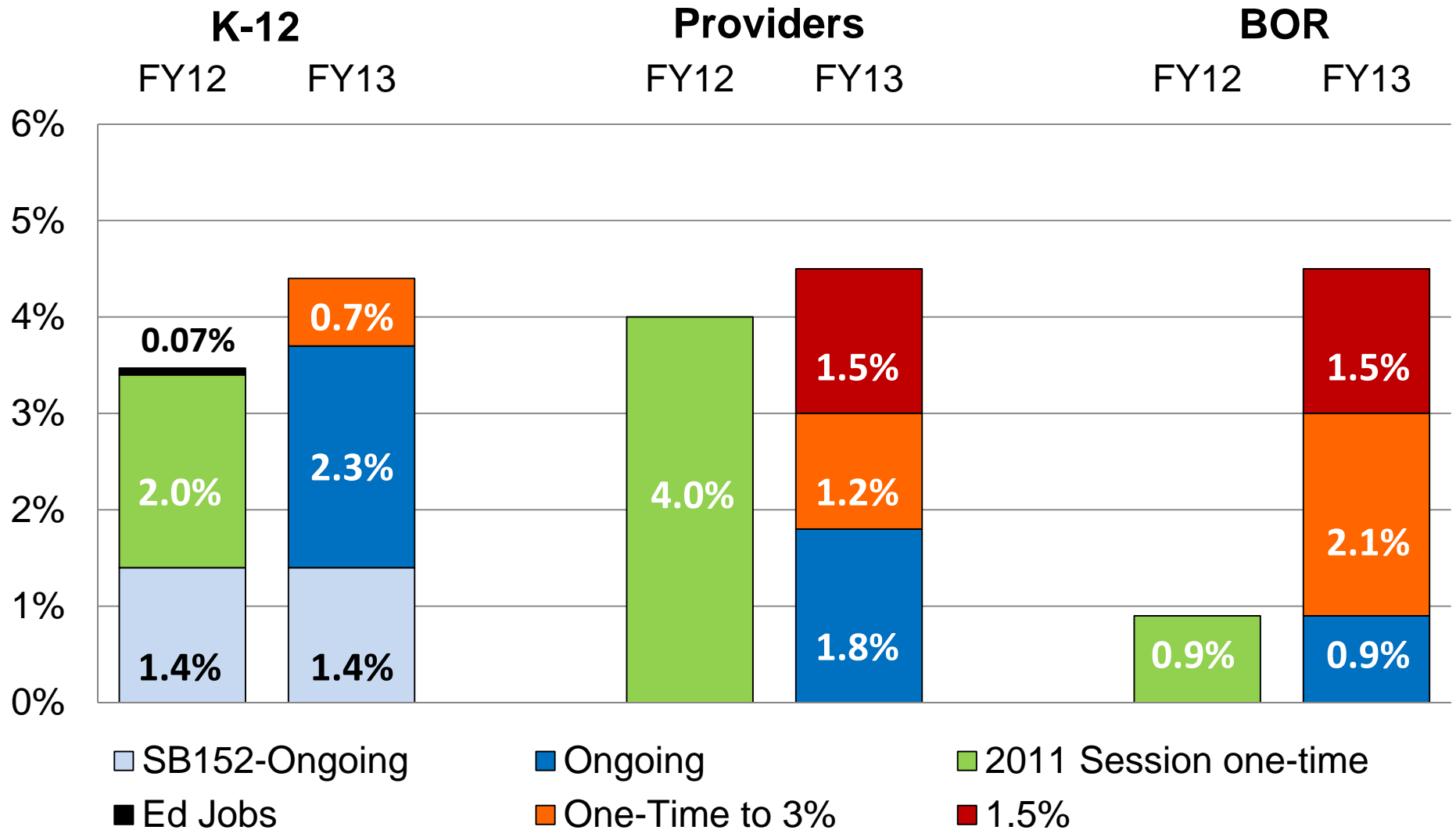
Funding Change from Governor's FY2012 Recommended Budget



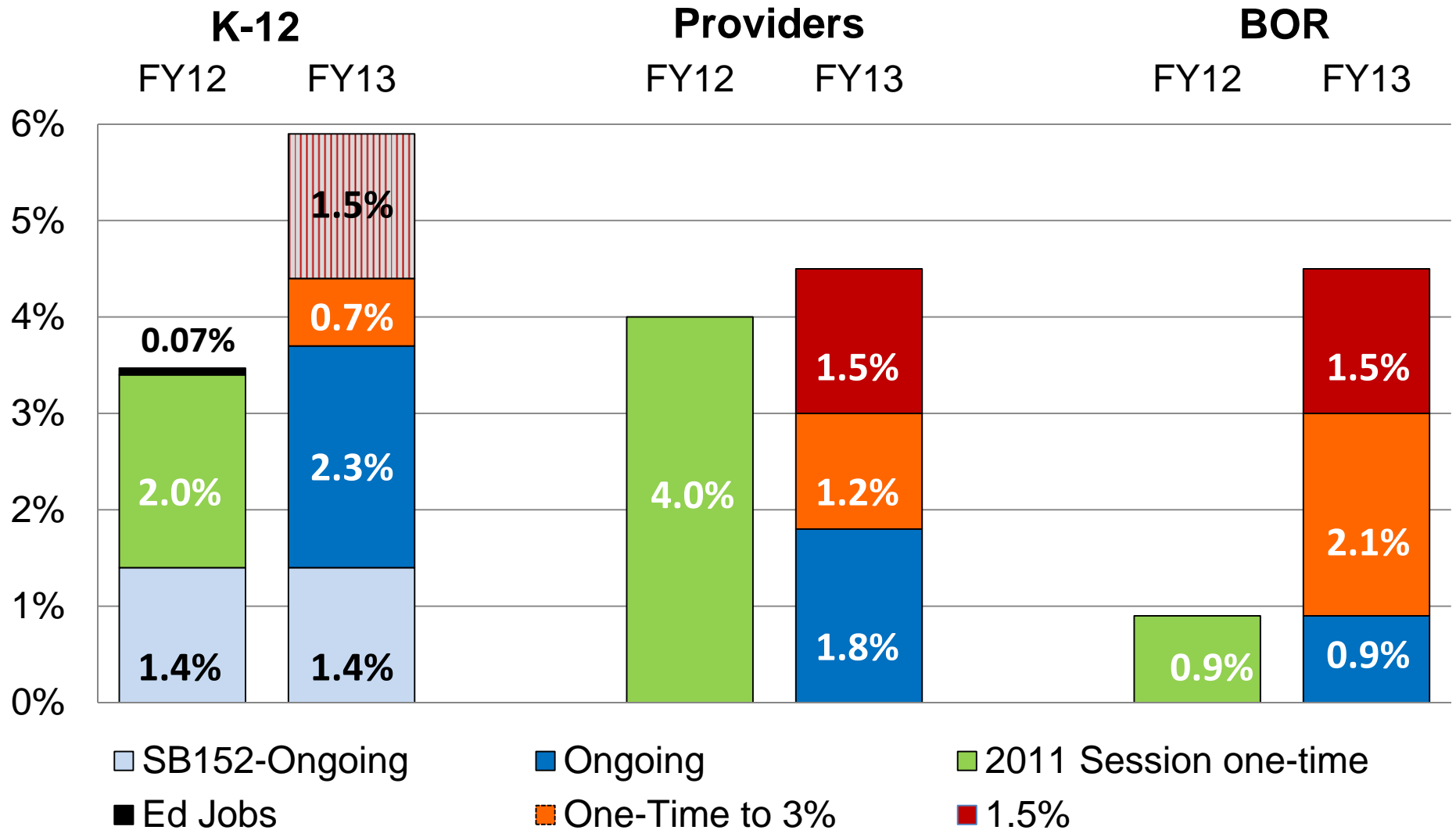
Funding Change from Governor's FY2012 Recommended Budget



Funding Change from Governor's FY2012 Recommended Budget



Funding Change from Governor's FY2012 Recommended Budget



FY2013 Ongoing General Fund Increases

	2.3%	1.8%	0.9%	Total
State Aid	\$9,834,158			\$9,834,158
Technical Institutes	\$434,496			\$434,496
Provider Inflation		\$6,180,711		\$6,180,711
Board of Regents			\$1,402,714	\$1,402,714
Total				\$17,852,079

Utilizing FY2012 One-time General Funds

	FY2013	FY2013		
	Move to 3.0%	1.5%		Total
State Aid	\$3,937,282	\$8,437,031		\$12,374,313
Provider Inflation	\$4,059,042	\$5,036,748		\$9,095,790
Board of Regents	\$3,480,534	\$2,441,624		\$5,922,158
Technical Institutes	\$131,651	\$282,198		\$413,849
Total	\$11,608,509	\$16,197,601		\$27,806,110

	FY2012
	Federal
ED Jobs Supplemental Award	\$388,367

Utilizing FY2012 One-time General Funds

	FY2013	FY2013	FY2012	
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Provider Inflation	\$4,059,042	\$5,036,748		\$9,095,790
Board of Regents	\$3,480,534	\$2,441,624		\$5,922,158
Technical Institutes	\$131,651	\$282,198		\$413,849
State Employees			\$12,489,279	\$12,489,279
Total	\$11,608,509	\$16,197,601	\$12,489,279	\$40,295,389

	FY2012
	Federal
ED Jobs Supplemental Award	\$388,367

FY2013 Employee Compensation Recommendation

	General	Federal	Other	Total
Across the Board 3%	\$8,742,059	\$5,297,649	\$10,117,096	\$24,156,804
Job Worth	\$2,717,006	\$1,943,385	\$2,996,128	\$7,656,519
Health Insurance	\$948,848	\$598,814	\$1,015,553	\$2,563,215
TOTAL	\$12,407,913	\$7,839,848	\$14,128,777	\$34,376,538

FY2013 Recommended Expense Overview

General Funds	Major Ongoing Increases
\$36,915,684	ARRA (DOE \$26.3; BOR \$10.6)
\$19,860,729	FMAP @2.73%
\$13,300,584	State Aid & Tech Institutes @2.3%
\$12,136,323	Employee Compensation Package
\$8,212,997	Inflation
\$1,559,474	Cut Restoration
\$788,371	Eligibles & utilization growth (XIX et. al)
\$194,605	Various Increases/Decreases
\$92,968,767	TOTAL ONGOING INCREASE
General Funds	One-time General Funds
\$12,788,162	State Aid & Tech Institutes
\$9,095,790	Provider Inflation
\$5,922,158	Board of Regents
\$27,806,110	TOTAL ONE-TIME INCREASES

FY2012 General Bill

General Fund Proposed Amendments

	FTE	General	Federal	Other	Total
State Employee one-time Pmt		\$12,489,279	\$5,692,174	\$13,210,064	\$31,391,517
Workforce		\$5,287,000			\$5,287,000
DOT Railroad Trust Fund		\$4,000,000			\$4,000,000
BOA M&R Projects		\$1,650,425			\$1,650,425
DOH Flu Vaccine		\$349,000			\$349,000
DOC Correctional Healthcare		(\$349,000)			(\$349,000)
DOC Corrections Officers	3.0	\$39,331		\$78,662	\$117,993
DVA SVH Medicaid Accountant	0.6	\$6,946	\$3,836	\$16,173	\$26,955
DOC Teachers	4.0	(\$23,895)			(\$23,895)
TOTAL	7.6	\$23,449,086	\$5,696,010	\$13,304,899	\$42,449,995


EMERGENCY SPECIALS

FY2012 Emergency Specials

BUDGET RESERVE	General	Federal	Other	Total
Emergency & Disaster Fund (Flood)	\$14,008,369			\$14,008,369
Fire Suppression for Pine Beetles	\$6,146,646			\$6,146,646
TOTAL	\$20,155,015			\$20,155,015

	General	Federal	Other	Total
Fire Suppression Fund	\$1,300,731			\$1,300,731
Extraordinary Litigation Fund	\$1,042,828			\$1,042,828
Veterans' Bonus Program	\$1,000,000			\$1,000,000
Tax Refunds Elderly/Disabled	\$500,000			\$500,000
SDDA Construction (CREP savings)	\$400,000			\$400,000
Physician Tuition Reimbursement	\$135,398			\$135,398
Water Omnibus Bill		\$700,000	\$16,800,000	\$17,500,000
TOTAL	\$4,378,957	\$700,000	\$16,800,000	\$21,878,957

Uncertainties

 Failure of the “Super Committee” of Congress to trim the deficit makes federal budget uncertain

 South Dakota’s budget allocations from the federal budget are in jeopardy

 Sluggish global economy drags down SD recovery and growth

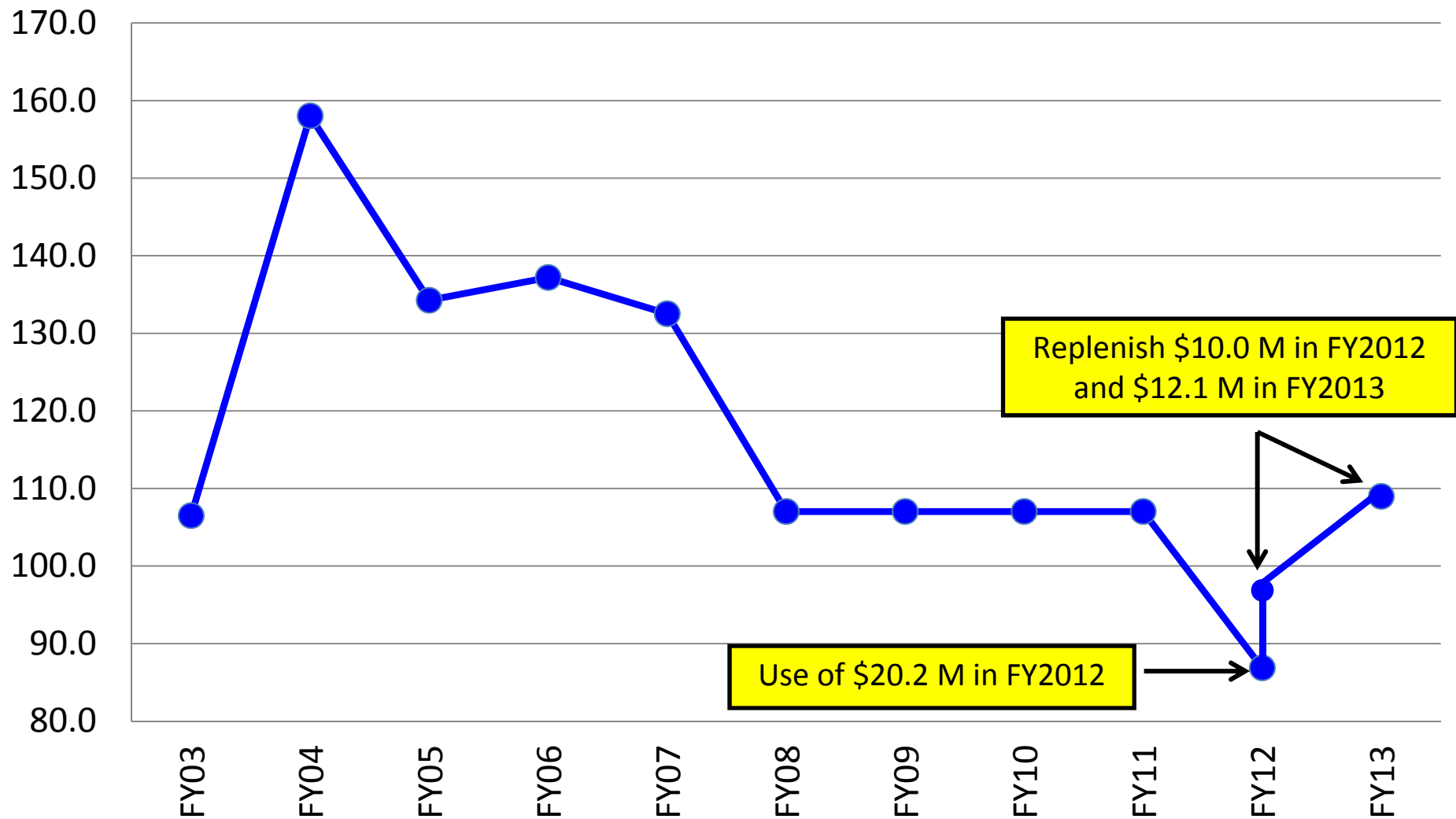
 Unfunded costs of Healthcare Reform are looming

New Budget Bottom Line

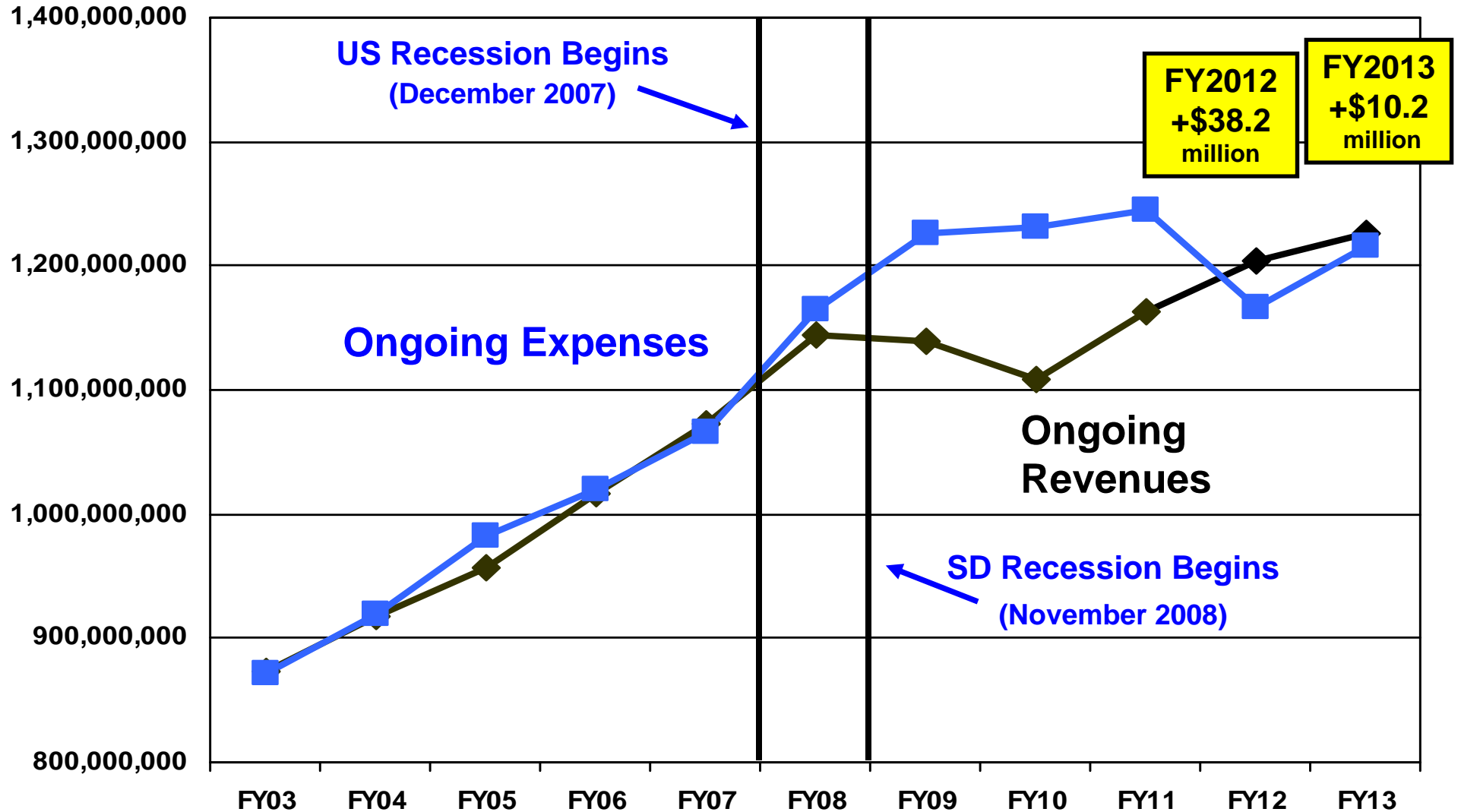
	FY2012	FY2013
Total Recommended Receipts	\$1,236,117,964	\$1,255,412,829
Total Recommended Expenses	\$1,198,311,854	\$1,243,304,726
Obligated for FY2013 Expenses	\$27,806,110	\$0
Uncommitted Contingency (Reserves)	\$10,000,000	\$12,108,103

Managing Our Emergency Reserves

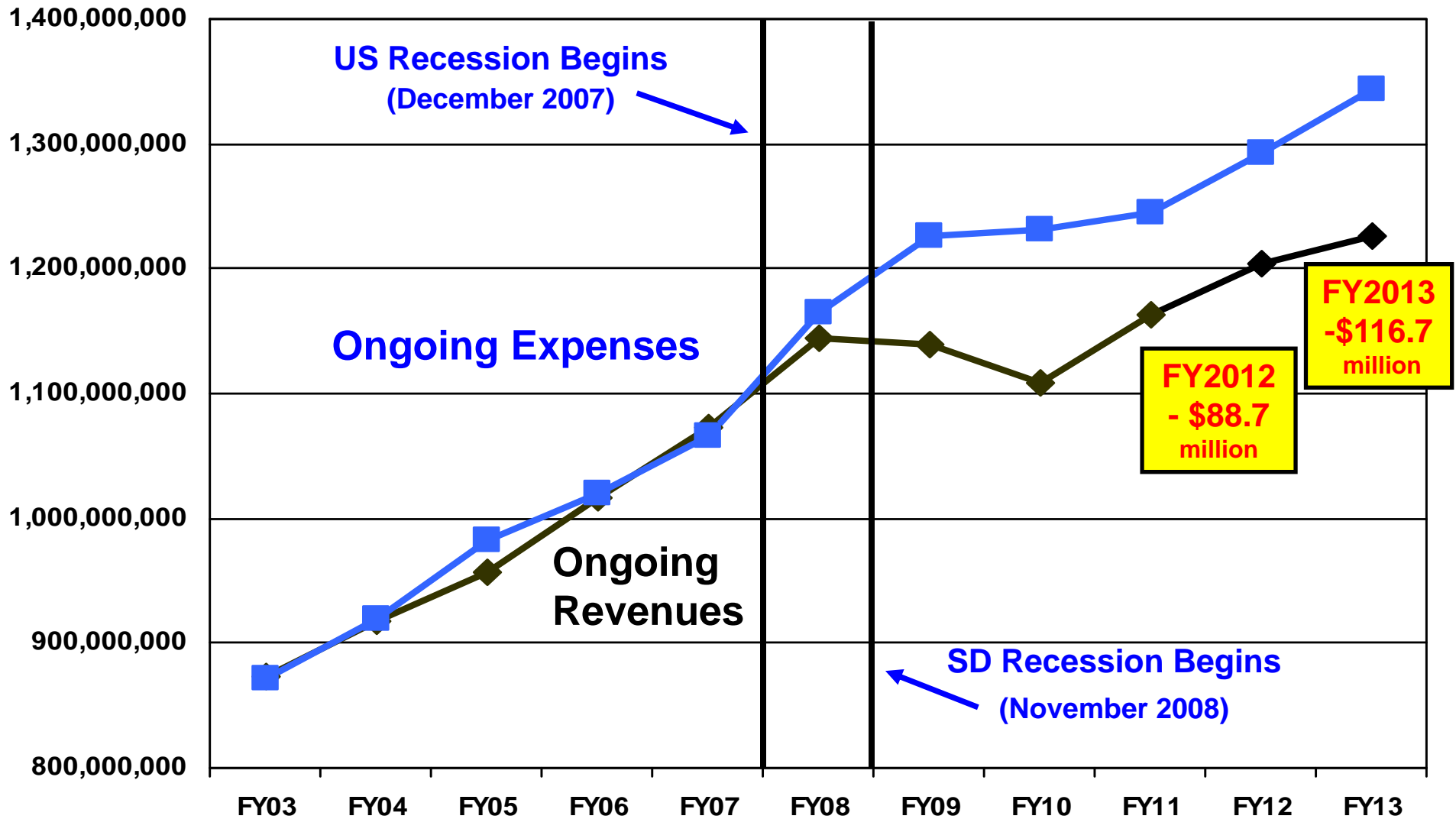
Millions



Ongoing FY2012 Revised and FY2013 Recommendations



What if instead of making cuts we just used reserves?



Unlike Washington, D.C..... SD balances its budget

- **Already doing as a matter of policy**
- **Proposing a Constitutional Mandate**
- **Governor must propose balanced budget every year**
- **Legislature must enact a balanced budget every year**
- **Protects SD and its citizens from the crisis
Washington, DC has created**
- **Increases our credit rating by reassuring our
bondholders we plan to live within our means**

Showing a Better Way

- **Balance our budget**
- **Create stability in state government**
- **Avoid raising taxes**
- **Earn a higher credit rating**
- **Make the tough decisions so we can focus on increases not cuts**

A Stronger South Dakota

