# **Budget Overview**

South Dakota
Bureau of Finance and Management

**January 9, 2017** 

### **BFM Budget Team**

- Liza Clark, Commissioner
- Jim Terwilliger, Deputy Commissioner/State Economist
- Steven Kohler, Chief Budget Analyst
- Kelsey Roth, Budget Analyst
- Brittni Skipper, Budget Analyst
- Derek Johnson, Budget Analyst
- Mark Quasney, Budget Analyst
- Colin Keeler, Director of Financial Systems

#### **Presentation Overview**

- Revised FY2017 Ongoing Revenue Estimates
- Revised FY2017 One-time Revenue Estimates
- Amendments to the 2017 General Bill
- Recommended FY2017 Emergency Special Appropriations
- FY2018 Ongoing Revenue Estimates
- FY2018 Ongoing General Fund Recommendations

# Revised FY2017 Revenue Estimates

## **Ongoing Revenue Estimates: FY2017**

(millions)

Source	Adopted FY2017	Revised FY2017	Dollar Change
Sales and Use Tax	\$1,006.7	\$974.7	(32.0)
Lottery	112.0	113.1	+ 1.1
Contractor's Excise Tax	107.4	109.4	+ 2.0
Insurance Company Tax	85.4	88.4	+ 3.0
Unclaimed Property	54.0	53.0	(1.0)
Licenses, Permits, & Fees	66.0	64.2	(1.8)
Tobacco Taxes	56.5	55.3	(1.2)
Bank Franchise Tax	11.5	11.4	(0.1)
Remaining Ongoing Revenue	<u>98.6</u>	<u>102.5</u>	<u>+ 3.9</u>
Total Ongoing Revenue	\$1,598.1	\$1,572.0	(26.1)

### **One-time Funds in FY2017**

Reduced Revenue and Reduced Expenses	FY2017
Decreased Ongoing Revenues vs. Adopted	(\$26,069,731)
Unclaimed Property Stock Portfolio (One-time)	\$13,027,523
Reversion of Special Appropriations	\$1,028,900
Reduction of Annual Appropriations	\$34,730,775
Total One-time Funds Available in FY2017	\$22,717,467

# Summary of FY2017 One-time Expenditures

# Summary of Recommended FY2017 One-time General Funds Expenditures

Recommended Increases	General Funds
FY2017 Emergency Special Appropriations	\$14,411,063
FY2017 General Bill Amendment Increases	\$5,739,431
Replenish Reserves to 10% in FY2017	\$2,434,132
FY2017 Continuous Appropriations Adjustments	<u>\$132,841</u>
Total Expenditures	\$22,717,467

# FY2017 Emergency Special Appropriations

### **FY2017 Emergency Special Appropriations**

	General
State Animal Disease Research and Diagnostic Laboratory	\$5,000,000
Fire Suppression Fund	\$3,300,000
Spearfish Canyon	\$2,500,000
Extraordinary Litigation Fund	\$1,004,242
Rural Healthcare Recruitment Assistance	\$843,081
Intensive Methamphetamine Treatment	\$603,740
Tax Refunds for Elderly and Disabled	\$450,000
DOM Land Purchase from Meade County School District	\$360,000
SDDC Vacant Building Sale	<u>\$350,000</u>
Total FY2017 Emergency Special Appropriations	\$14,411,063

# State Animal Disease Research and Diagnostic Laboratory (ADRDL)

- Increase of \$5,000,000 in general funds
- Original cost estimate was \$68.8M; with planning, cuts, and funds already expended, project cost is \$58.7M
- Project includes an addition for diagnostics and renovating the existing facility to conduct research
- \$5M state funds + \$6M SDSU + \$1.5M in operations leaves
   \$46.2M left to fund
- Agricultural industry to cover remaining need

## Fire Suppression Fund

- Increase of \$3,300,000 in general funds
- For costs related to the suppression of wildfires in South Dakota
- Backfills the fire suppression fund

## **Spearfish Canyon**

- Increase of \$2,500,000 in general funds
- To allow Game, Fish and Parks to purchase property from the office of School and Public Lands
- Land will be used in an exchange with the Black Hills National Forest to create Spearfish Canyon State Park and expand Custer State Park

## **Extraordinary Litigation Fund**

- Increase of \$1,004,242 in general funds
- For costs associated with litigation against the State of South Dakota

#### Rural Healthcare Recruitment Assistance

- Increase \$843,081 in general funds
- Recruitment Assistance Program (RAP) \$550,851
- Rural Health Facility Recruitment Assistance Program (RHFRAP) - \$292,500

### **Intensive Methamphetamine Treatment**

- Increase of \$603,740 in general funds
- Will fund Intensive Methamphetamine Treatment for 50 individuals

## Tax Refunds for Elderly and Disabled Persons

- Increase of \$450,000 in general funds
- Tax refunds for elderly and disabled individuals who meet income guidelines

### **DOM Land Purchase**

- Increase of \$360,000 in general funds
- To purchase thirty acres of heavy equipment training ground for the South Dakota Army National Guard
- Land is adjacent to Sturgis Armory Complex

## **SDDC Vacant Building Sale**

# Amendments to the 2017 General Bill

# FY2017 General Bill Amendment General Fund Decreases

Decreased Expenses	General Funds
State Aid to Education Revision	\$20,348,774
Department of Social Services - Utilization	\$6,481,265
State Treatment and Rehabilitation Academy	\$3,660,132
Utility Rate Adjustments	\$3,546,444
Technical Institute Revision	\$694,160
FY2017 General Bill Amendment Decreases	\$34,730,775

### State Aid to Education Revision

- Decrease of \$20,348,774 in general funds
- Funds not needed in the FY2017 budget for State Aid to General Education due to fewer students, higher property valuation growth than originally budgeted and half a year of property tax relief.
- Includes an offset for a shortfall in State Aid to Special Education.

### **DSS Utilization**

- Decrease of \$6,481,265 in general funds
- Juvenile Justice Reinvestment Initiative (JJRI)
- Medical Services
- Child Care Subsidies
- Child Protection Psychiatric Residential Treatment Facility (PRTF)
   Cases
- Auxiliary Placement

## **STAR Academy**

- Decrease of \$3,660,132 in general funds
- STAR Academy closed in April 2016 due

## **Utility Rate Adjustments**

- Decrease of \$3,546,444 in general funds
- Primarily due to cooler summer and warmer winter than projected
- Agencies impacted are the Board of Regents and the departments of Corrections, Social Services, Human Services, and Military
- Will continue to monitor through the winter

### **Technical Institute Revision**

- Decrease of \$694,160 in general funds
- Fewer Technical Institute enrollments than previously budgeted

# FY2017 General Bill Amendment General Fund Increases

Increased Expenses	General
DOC/DOH Correctional Healthcare Shortfall	\$1,755,707
BOR USD Law School	\$1,200,000
DOC Security and Operations	\$907,641
DVA Veterans Home Operations	\$830,466
ATG Crime Victims' Rights	\$400,000
UJS HOPE Incentives	\$390,000
DSS Food Services	\$112,797
Joining Forces Initiative	\$92,820
BFM Financial Advisor	<u>\$50,000</u>
FY2017 General Bill Amendment Increases	\$5,739,431

# DOC/DOH Correctional Healthcare Shortfall

- Increase in \$1,755,707 in general funds
- To cover the shortfall in Correctional Healthcare due to costs associated with providing inmate healthcare
- Average Daily Count (ADC) higher than projected

### **BOR USD Law School**

- Increase of \$1,200,000 in general funds
- Nationwide decline in qualified applicants for law school which is leading to smaller class sizes
- Risk of losing accreditation
- Funding would allow for class sizes to be reduced from about
   65 to 50

### **DOC Security and Operations**

- Increase of \$907,641 in general funds
- Will provide essential security upgrades, increases in food costs, and software upgrades

### **DVA Veterans Home Operations**

- Increase of \$830,466 in general funds
- Will provide funding for an additional 6 Medicaid eligible beds at the State Veterans Home
- Also provides the match for the increase in the Medicaid daily rate based on updated cost reports

## **ATG Crime Victims' Rights**

- Increase of \$400,000 in general funds
- To provide upgrades to the State Automated Victim Information Notification System (SAVIN)

### **UJS HOPE Incentives**

- Increase of \$390,000 in general funds
- HOPE is an evidence-based program that originated in Hawaii
- Treats most severe drug addiction cases in the community as an alternative to incarceration
- Reversion of special appropriation will offset this amount

### **DSS Food Services**

- Increase of \$112,797 in general funds
- Number of Yankton Community Work Center trusties has outpaced budgeted projections

### **DVA Joining Forces Initiative**

- Increase of \$92,820 in general funds
- To fund a program that assists veterans, service members, and their families in receiving benefits and services

### **BFM Financial Advisor**

- Increase of \$50,000 in general funds
- To pay for a municipal financial advisor contract to provide financial advice to the state, as well as the South Dakota Building Authority and the South Dakota Health and Ed Facilities Authority

# Summary of Recommended FY2017 One-time General Funds Expenditures

Recommended Increases	General Funds
FY2017 Emergency Special Appropriations	\$14,411,063
FY2017 General Bill Amendment Increases	\$5,739,431
Replenish Reserves to 10% in FY2017	\$2,434,132
FY2017 Continuous Appropriations Adjustments	<u>\$132,841</u>
Total Expenditures	\$22,717,467

# FY2018 Ongoing Revenue Estimates

#### FY2017 Adopted vs. FY2018 Recommended Ongoing Receipts

(millions)

Source	Adopted FY2017	Revised FY2017	Recommended FY2018	FY18 vs. Adopted
Sales and Use Tax	\$1,006.7	\$974.7	\$1,013.1	+ 6.4
Lottery	112.0	113.1	116.4	+ 4.4
Contractor's Excise Tax	107.4	109.4	110.5	+ 3.1
Insurance Company Tax	85.4	88.4	91.7	+ 6.3
Unclaimed Property	54.0	53.0	52.8	- 1.2
Licenses, Permits, & Fees	66.0	64.2	66.1	+ 0.1
Tobacco Taxes	56.5	55.3	55.0	- 1.5
Bank Franchise Tax	11.5	11.4	11.8	+ 0.3
Other Ongoing Receipts	<u>98.6</u>	<u>102.5</u>	<u>100.4</u>	<u>+ 1.8</u>
<b>Total Ongoing Receipts</b>	\$1,598.1	\$1,572.0	\$1,617.8	+ 19.7

# FY2018 Ongoing General Fund Recommendations

### **FY2018** Recommended Expense Overview

Major Increases/Decreases	General Funds
Mandatory and Discretionary Provider Inflation	\$9,874,172
State Aid to Education	\$6,846,447
Eligibles and Utilization	\$6,717,094
State Employee Workforce	\$6,250,029
Correctional Healthcare	\$2,950,598
Maintenance and Repair	\$1,039,177
State ADRDL Operations	\$800,000
Provider Enhancement to 90%	\$709,252
Statewide Utilities	(\$2,936,454)
State Treatment and Rehabilitation (STAR) Academy Closure	(\$3,841,560)
Sale-Leaseback Program	(\$4,289,450)
Federal Medical Assistance Percentage (FMAP)	(\$9,524,819)
Various Increases/(Decreases)	<u>\$5,126,709</u>
Total General Fund Increase	\$19,721,195

# Mandatory and Discretionary Provider Inflation

	General
Social Services	\$9,182,875
Human Services	\$623,360
Corrections	\$48,033
Unified Judicial System	\$19,904
Total	\$9,874,172

#### **State Aid to General Education**

	General
General State Aid	\$6,312,855
Sparsity	\$5,892
Technology in Schools	<u>\$527,700</u>
Total	\$6,846,447

# **Eligibles and Utilization**

	General
Social Services	\$4,557,614
Veterans' Affairs	\$893,430
Human Services	\$888,615
Corrections	<u>\$377,435</u>
Total	\$6,717,094

# **State Employee Workforce**

	General
Market Adjustment of 1%	\$3,650,333
Pay for Performance/Movement Toward Market	\$0
Adjust General Pay Structure Minimums	\$779,087
Health Insurance	<u>\$1,820,609</u>
Total Cost of Recommendation	\$6,250,029
Remaining FY2017 Compensation Pool	<u>(\$144,090)</u>
Total Increase for Compensation Plan	\$6,105,939

#### **Correctional Healthcare**

	General	Other
Corrections	\$2,950,598	
Social Services		\$0
Health	<u>\$0</u>	<u>\$2,950,598</u>
Total	\$2,950,598	\$2,950,598

# **Maintenance and Repair**

	General
Board of Regents	\$918,737
Military	\$94,019
Bureau of Administration	<u>\$26,421</u>
Total	\$1,039,177

#### State ADRDL

- Increase of \$800,000 in general funds
- Funding will be used to address the operations of the State Laboratory

#### **Provider Enhancement to 90%**

	General
Social Services	\$675,841
Corrections	\$31,744
Human Services	\$1,667
Total	\$709,252

- 3 year plan was started in FY17
  - Last year did year 1 and half of year 2
  - Completing second half of year 2 in FY18
- All Cost Reports updated to 2015

#### **Statewide Utilities**

	General
Board of Regents	(\$2,589,441)
Corrections	(\$281,022)
Human Services	(\$53,794)
Social Services	(\$12,517)
Military	<u>\$320</u>
Total	(\$2,936,454)

## **STAR Academy Closure**

- Decrease of \$3,841,560 in general funds
- Reduction due to the closure of STAR Academy in April 2016

## Sale-Leaseback Program

- Decrease of \$4,289,450 in general funds
- Reduction due to the end of the sale-leaseback program

# Federal Medical Assistance Percentage (FMAP)

	General
Social Services	(\$7,678,573)
Human Services	(\$1,720,373)
Corrections	(\$80,544)
Veterans' Affairs	(\$40,438)
Education	<u>(\$4,891)</u>
Total	(\$9,524,819)

- Medicaid rate change: 45.89% GF to 44.76% GF
- Children's Health Insurance Program (CHIP) rate change: 9.12% GF to 8.33% GF

#### **FTE Recommendation**

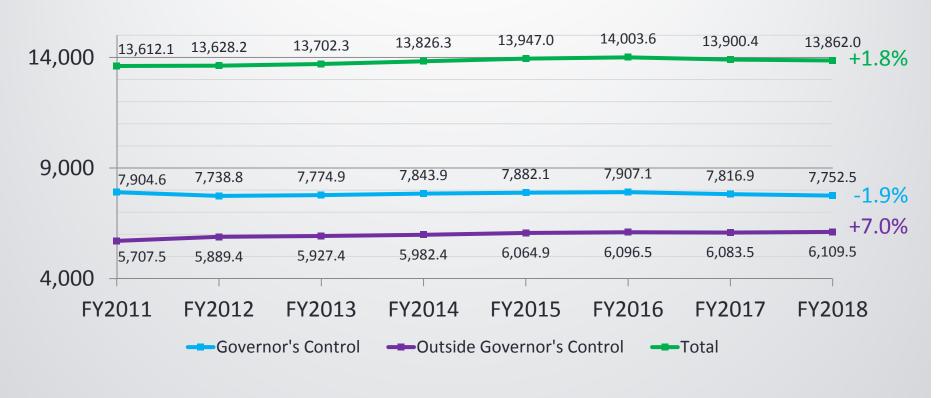
	FTE
Agencies Under the Direct Control of the Governor	(64.4)
Agencies Outside the Direct Control of the Governor	<u>26.0</u>
Total FTE Recommended Change	(38.4)

#### **Definition of FTE and Positions**

- <u>FTE</u> are defined in statute as certain kinds of hours worked by certain types of employees
- FTE are appropriated as a pool of hours by Budget Unit
- 1 FTE = 2,088 hours worked in FY2018
- <u>Positions</u> are defined in statute as a "collection of duties and responsibilities assigned by the appointing authority"
- Positions are not appropriated

#### **Budgeted FTE History**

FY2011 - FY2018 Recommended



## **Agency General Fund Overview**

Agency	Amount	Agency	Amount	Agency	Amount
DSS	\$8,336,173	ATG	\$241,408	LRC	(\$173,594)
DOE	\$6,746,332	SDDA	\$201,714	BOA	(\$183,029)
DVA	\$885,344	DOM	\$108,742	BOR	(\$314,915)
UJS	\$631,872	DLA	\$78,635	DHS	(\$452,716)
DOH	\$376,889	DPS	\$43,500	BFM	(\$3,782,115)
GOED	\$300,000	GFP	(\$15,936)	Sal Policy	\$6,250,029
DOC	\$252,335	SOS	(\$22,802)		

- No general fund changes: DTR, BHR, BIT, DENR, GOV, DLR, PUC, SDRS, DOR, SPL, OSA, OST, SDIC, TOUR, and DOT.
- Total Ongoing General Fund Increase = \$19,507,866