

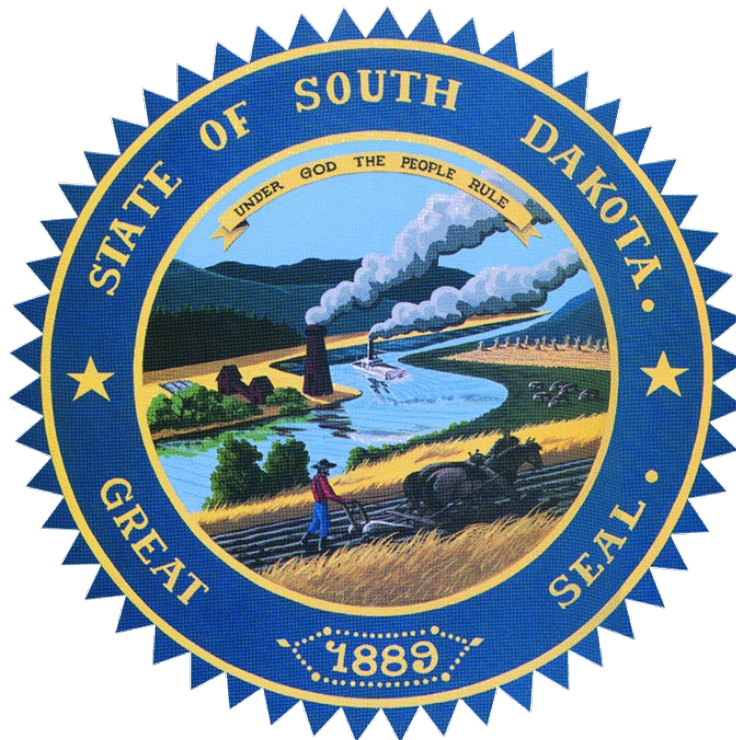
STATE OF SOUTH DAKOTA

SUMMARY OF

GOVERNOR'S BUDGET

FISCAL YEAR 2022

OUR 132ND YEAR OF A BALANCED BUDGET



KRISTI NOEM, GOVERNOR

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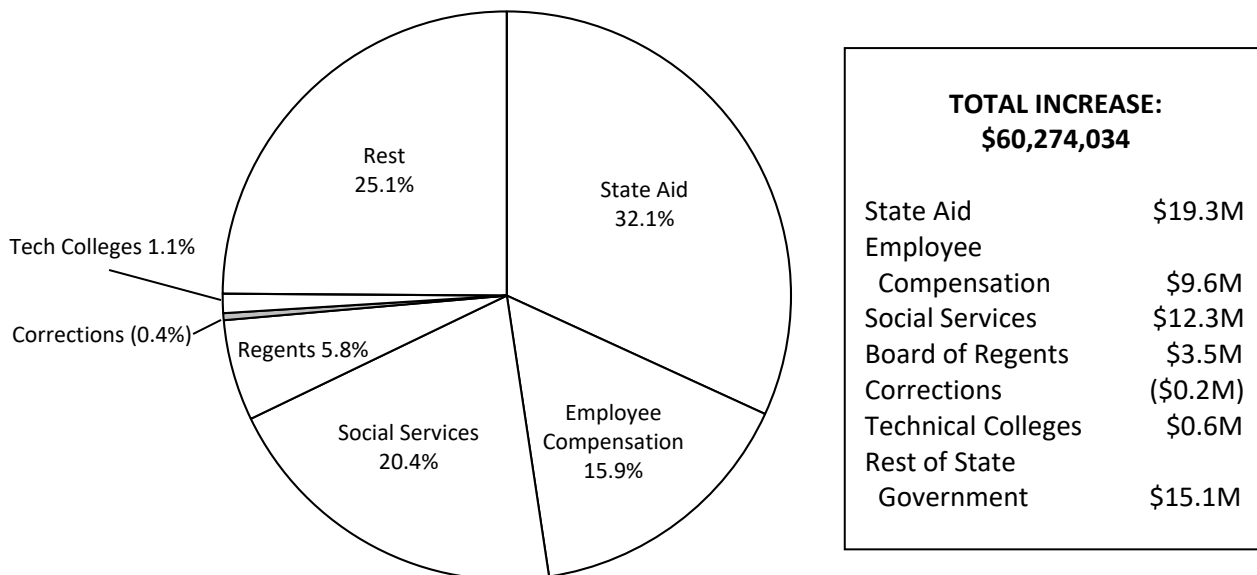
SUMMARY OVERVIEW

Governor Noem is recommending a budget (including special and continuing appropriations) for FY2022 totaling \$5,069,766,250 in total funds and 14,043.0 FTE. This represents an overall increase of \$110,705,642 in total funds and 26.4 FTE over the base FY2021 budget. For FY2022, the Governor is proposing a general fund budget of \$1,803,253,382 which is an increase of \$60,677,307 over the adopted FY2021 budget. This includes an increase of \$403,273 in continuing appropriations. The proposed FY2022 general fund budget is distributed as follows:

- \$632.4 million, or 35.1% for State Aid to Education
- \$630.0 million, or 34.9% for Health, Human, and Social Services
- \$232.7 million, or 12.9% for Higher Education
- \$111.2 million, or 6.2% for Corrections
- \$82.0 million, or 4.5% for the Legislature, Unified Judicial System, Public Utilities Commission, and Elected Officials
- \$23.2 million, or 1.3% for Agriculture and Natural Resources, and Game, Fish & Parks
- \$91.7 million, or 5.1% for the Remainder of State Government

The table below depicts the FY2022 recommended general fund increases, excluding special and continuing appropriations.

FY2022 General Fund Increases



U.S. AND SOUTH DAKOTA ECONOMIC FORECASTS

U.S. ECONOMY

RECENT ECONOMIC ACTIVITY

The economic fallout caused by the COVID-19 pandemic has been historic in both its scale and scope with historic drops in economic activity touching virtually every part of the world. In the first quarter of 2020, US GDP declined by 5.0% from one month of the economic fallout caused by the pandemic. The full impact of the pandemic caused GDP to decline by 31.4% in the second quarter, the largest quarterly decline ever recorded. This was followed by a rapid recovery in the third quarter with GDP increasing by 33.1%, which is the largest quarterly increase ever recorded. Employment has been especially hard hit by the pandemic; unemployment peaked at 14.7% in April as a record setting 23.1 million Americans were unemployed. Both the percentage and number of unemployed persons are records since modern record keeping began. The rate has steadily declined since its April peak, falling to 6.9% in October. However, contributing to this lower unemployment rate is a reduction in the size of the workforce with the labor force participation rate dropping by 1.7% from February levels.

The federal government responded to the economic fallout caused by the pandemic with similarly historic levels of stimulus spending. Congress appropriated \$2.6 trillion in new spending as well as \$900 billion of tax relief in 4 separate pieces of legislation, often referred to as phases (1-3.5). This funding supported direct response to the pandemic by appropriating money for personal protective equipment (PPE), medical supplies such as ventilators, treatment and vaccine research funding, and testing equipment and supplies. These acts also appropriated large amounts of funding to support the nation's economy for programs such as the payroll protection program (PPP), economic impact payments, various unemployment enhancement programs, and direct support for states and providers through the Coronavirus Relief and Provider Relief Funds (CRF and PRF).

The Federal Reserve (Fed) has also responded to the pandemic with unprecedented actions. The most recognizable response by the Fed was to lower the target Federal Funds Rate to a range of 0-0.25% for the first time since the financial crisis in 2008. The Fed also unleashed numerous programs and lending facilities to ensure that credit markets continued to properly operate as well as stimulate the economy. These programs and facilities led to the Fed's balance sheet increasing from approximately \$4.2 trillion before the pandemic to over \$7.2 trillion today.

The following are recent key national economic statistics:

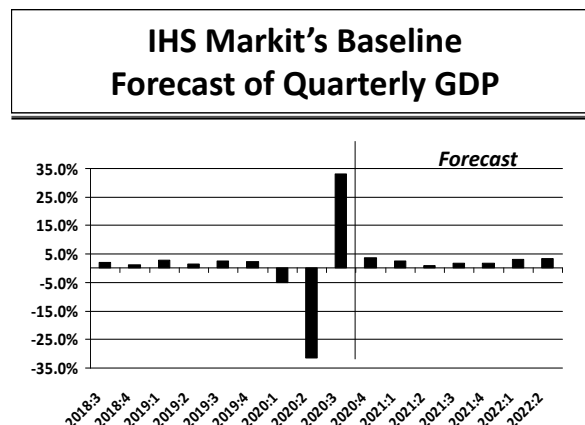
- Advance estimates indicate real GDP grew 33.1% in the third quarter of 2020, which followed a decline of 31.4% in the second quarter.
- The unemployment rate was 6.9% in October. The current rate is 3.3% higher than October of 2019, but 7.7% lower than April of this year.
- The Institute of Supply Management's (ISM) manufacturing report on business was 59.3 in October, up from 55.4 in September. A reading above 50 indicates the manufacturing sector is expanding.
- The ISM non-manufacturing report on business was 56.76 in October, down from 57.8 in September. A reading above 50 indicates the non-manufacturing economy is expanding.
- U.S. personal income increased at an annual rate of 34.2% in the second quarter of 2020 due to a \$2.5 trillion increase in transfer payments related to the various stimulus programs enacted by Congress.
- Real personal consumption expenditures increased 40.7% in the third quarter but remain \$436.4 billion below the fourth quarter of 2019, which is the last quarter without any impact from COVID-19.

NATIONAL FORECAST HIGHLIGHTS

This section summarizes IHS Markit's forecast as of November 2020 for various categories of the U.S. economy. IHS Markit is a leader in providing analytics and expertise to business and government worldwide.

Gross Domestic Product (GDP): Before the pandemic, the United States was in its longest ever period of sustained economic expansion. This expansion, which began in 2009, lasted 128 months until February of this year. The previous record was 120 months, which lasted from 1991 until 2001. The negative impact to GDP began in March of this year, pulling the first quarter into negative territory, which lasted for two quarters. GDP recovery began with a sharp increase in the third quarter due to relaxing of pandemic driven lockdowns and large amounts of federal stimulus. The latest forecast does not include any additional stimulus to reflect the projected division between the Senate and administration. This lack of further stimulus is expected to significantly slow GDP growth for the next two calendar years as the U.S. economy recovers from the pandemic. While the goods component of GDP has already recovered to pre-pandemic levels, the services component continues to be significantly impacted and is not expected to reach pre-pandemic levels until mid-2023. The largest risk to the forecast is the pace of new cases of COVID-19 continuing to increase, slowing the pace of economic "opening up" and causing increased lockdowns. The optimistic scenario sees a vaccine being distributed in the fourth quarter of 2020 and a second round of stimulus in the first quarter of 2021, leading to stronger economic recovery. IHS Markit is currently assigning an equal probability of negative versus positive alternative outcomes with both at 25% probability. IHS Markit's baseline forecast is for economic growth to continue to be below 3.0% through 2024, with 2021 coming in slightly above due to the negative growth in 2020.

In the first three quarters of this year, real GDP grew -5.0%, -31.4%, and 33.1%, respectively. In the fourth quarter, GDP is forecast to grow 3.7%. In the four quarters in 2021, IHS Markit is projecting GDP growth of 2.7%, 1.0%, 1.9%, and 1.9%. In 2022, GDP is forecast to increase 3.2% and 3.3% in the first two quarters.



On an annual basis, GDP grew 3.1% in 2015, 1.7% in 2016, 2.3% in 2017, 3.0% in 2018, and 2.2% in 2019. IHS Markit's latest forecast projects real GDP to grow -3.6% in 2020, 3.1% in 2021, and 2.5% in 2022.

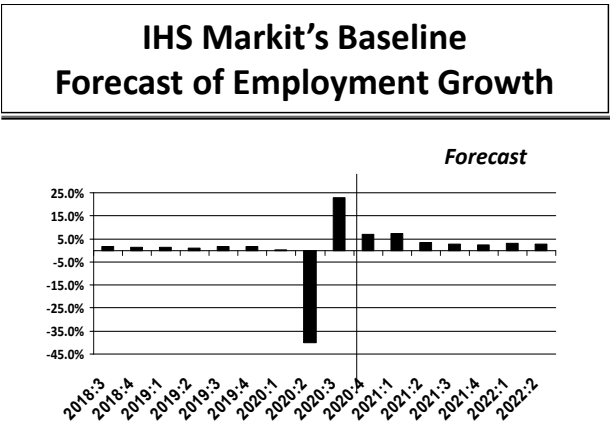
CONSUMERS: Consumer spending is a key component contributing to economic growth, as consumption accounts for over two-thirds of economic activity as measured by GDP. Like GDP, consumption was dramatically reduced by the pandemic. Durable goods consumption saw the earliest losses but has recovered significantly as consumers have shifted spending to automobiles, electronics, home improvement products, sporting goods, and recreational vehicles. This led retail trade sales, excluding food services, to be above pre-pandemic levels by 7.7% through October. The growth of 40.7% realized in the third quarter was led by an 82.2% increase in spending on durable goods, while nondurable goods spending grew 28.8% and spending on services grew 38.4%. However, consumer spending seems to be rapidly slowing in the fourth quarter. Consumer confidence has slid so far in the fourth quarter due to fears from the resurgence of the virus causing uncertainty going into the holiday season and concerns over the election outcome. The University of Michigan's index of consumer confidence fell 4.8 points in November, registering at 77.0. This was a three-month low for the index and is 20.5% lower than a year ago when November registered at 96.8. Respondents had been divided on

political affiliation by 50-60 points during the Trump administration. Last month those numbers narrowed, with sentiment rising among democrats and falling among republicans, and are both now registering in the 70's.

The personal savings rate (as a percentage of disposable income) skyrocketed to 25.6% in the second quarter of 2020 due to both a drastic reduction in spending coming at the same time as the previously mentioned increase in transfer payments. The rate fell nearly as sharp to 15.8% in the third quarter. The base forecast calls for the savings rate to gradually continue moving towards recent norms but ends 2022 still elevated at 8.6% compared to pre-pandemic levels of approximately 7.5%.

EMPLOYMENT: The latest U.S. payroll employment report indicated total nonfarm employment grew by 638,000 jobs in October. Employment remains well below pre-pandemic levels, with seasonally adjusted total nonfarm payrolls 9.2 million lower than a year ago. This does represent significant recovery from the height of pandemic related employment losses in April, where employment was 20.2 million lower than the previous year on a seasonally adjusted basis. Employment is expected to continue to grow at an above trend rate until the third quarter of 2022, growing at 7.1%, 7.3%, 3.6%, 2.9%, 2.5%, 3.1%, and 2.6% over the next seven quarters. The forecast calls for the economy to return to full employment by late 2023 with some caveats. Labor force participation has been driven down during the pandemic decreasing by nearly 2% from pre-pandemic levels and is especially pronounced among women. IHS forecasts that labor force participation will remain suppressed beyond 2023.

The unemployment rate in October was 6.9%, down from 7.9% in September, and down from 14.7% in April. The unemployment rate is expected to remain above pre-pandemic levels through the forecasted period. On an annual basis, the unemployment rate was 4.9% in 2016, 4.4% in 2017, 3.9% in 2018, and 3.7% in 2019. It is forecasted to be 8.1% in 2020, 5.7% in 2021, and 4.7% in 2022.



HOUSING: Housing markets have been a rare bright spot in the nation's economy during the pandemic. Low interest rates and pent up demand have contributed to strong single-family housing starts as well as sales of existing homes. IHS Markit anticipates this growth to crest in the first quarter of 2021 but remain elevated through the forecast period. Home builders are extremely optimistic given the tight supply of homes and low interest rates, as evidenced by very strong readings of the National Association of Home Builders index at 90 in November of this year compared to 70 a year ago. Existing home sales in the third quarter were at a 6.13 million-unit annual rate, which was 13.2% higher than the same quarter a year ago. Housing starts in the third quarter were at a rate of 1.43 million units, 11.1% higher than a year ago. Housing prices are also elevated with the Federal Housing Finance Agency Housing Price Index increasing by 3.7% over the past three months, which is a record. Forbearance presents a risk to the economy with 5.7% of mortgage loans in forbearance plans compared to 0.25% in March.

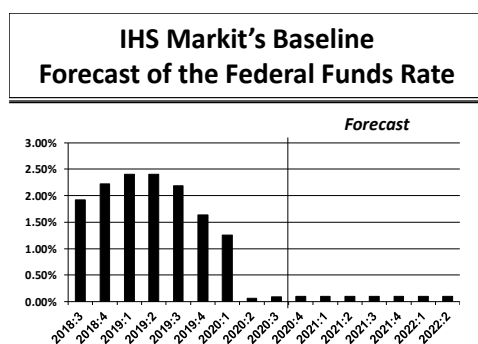
Total housing starts are projected to be 1.36 million units in 2020, 1.36 million units in 2021, and 1.30 million units in 2022. In 2017, 2018, and 2019, total housing starts were 1.21 million, 1.25 million, and 1.30 million units, respectively.

INFLATION: The Consumer Price Index (CPI) was unchanged at 0.0% in October following at 0.2% increase in September. CPI will be dominated by the conflicting pressures of weak labor markets and accommodative interest rate policy from the Fed. The Federal Open Market Committee (FOMC) recently signaled its willingness to allow above target inflation for a time to support labor markets as they return to full employment levels. This will lead CPI to be above 2.0% starting in 2021 through the forecast period.

The CPI increased 2.1% in 2017, 2.4% in 2018, and 1.8% in 2019. The CPI is forecast to grow 1.3% in 2020, 2.3% in 2021, and 2.6% in 2022. The producer price index for finished goods increased 3.2% in 2017, 3.0% in 2018, and 0.8% in 2019. The current forecast indicates a decrease of 1.4% in 2020, followed by increases of 2.4% in 2021 and 3.0% in 2022.

MONETARY AND FISCAL POLICY: Monetary and fiscal policies have been extremely aggressive in response to the COVID-19 pandemic. The Federal Reserve utilized traditional, as well as other liquidity and quantitative, easing programs in an effort to support financial markets and the economy. The steps taken by the Fed to stabilize the financial system and economy increased its balance sheet from \$4.2 trillion before the pandemic to over \$7.2 trillion today. The forecast calls for this trend to continue until peaking at \$8.8 trillion in 2022.

Currently, the federal funds target rate is at the effective lower bound (ELB) of 0% – 0.25%. As mentioned previously, the target rate is expected to remain at this rate until full employment is achieved, even if it leads to excess inflation. IHS Markit expects the Federal Reserve to maintain the current rates until 2026.



Federal fiscal policy has also been extremely accommodative since the beginning of the pandemic. Congress appropriated \$2.6 trillion in new spending as well as \$900 billion of tax relief in 4 separate pieces of legislation, often referred to as phases (1-3.5). Negotiations over a full fourth phase bill were stalled before the election. A continuing resolution (CR) funding the government through December 11th was passed October 1st. The forecast assumes that the CR will be extended to avoid a government shutdown in December. Due to the political uncertainty IHS Markit has removed any additional stimulus from the forecast.

The unified federal deficit for federal fiscal year (FFY) 2019 was \$984 billion, which is \$205 billion higher than FFY2018. The FFY2019 deficit represents approximately 4.6% of GDP, an increase from 3.8% of GDP in FFY2018. IHS Economics forecasts a larger deficit of \$3.1 trillion for federal FFY2020, \$1.6 trillion for FFY2021, and \$1.3 trillion for FFY2022 or 14.9%, 7.1%, and 5.6% of GDP, respectively.

Real federal government purchases grew 0.3% in 2017, 2.8% in 2018, and 4.0% in 2019. Real federal government purchases are expected to increase 4.2% in 2020, 0.1% in 2021, and decrease 0.4% in 2022.

INTERNATIONAL: The pandemic's effects have not been limited to the United States alone. The pandemic has struck every corner of the world causing three quarters of negative global GDP. IHS' Global Purchasing Managers Index (PMI) has indicated expanding business activity for four consecutive months. Global trade rebounded rapidly as well, supported by a strong recovery in mainland China's economy. However, the strength in the manufacturing and trade sectors is not enough to overcome the impact on the services sector of the various levels of lockdown and disruption by the pandemic. These will cause global growth to remain negative for all four quarters of 2020. This will be followed by a

rebound beginning in the first quarter of 2021 and an extremely strong recovery in the second quarter as a vaccine becomes more widely available. This is followed by a return to normal growth levels.

RISKS TO THE FORECAST

The COVID-19 pandemic has caused widespread disruption on a scale never seen in modern times. The severity of the economic downturn has consistently elicited terms such as “historic” and “unprecedented.” In turn, the scope of government actions to counter that downturn has evoked the same terms. As the pandemic unfolds it has created great difficulty for economic modelers around the world. Models have required frequent and large adjustments as events have unfolded. While this seems to have settled some since the early days of the pandemic, a great deal of uncertainty remains. IHS Markit is assigning an equal probability of negative risks (25%) versus positive risks (25%) in the current economic outlook.

A 25% probability exists for U.S. economic growth being stronger than the baseline forecast. In IHS Markit’s optimistic scenario, GDP is projected to decline by 3.5% in 2020, followed by strong growth of 4.6% in 2021 and 2.5% in 2022. The optimistic scenario assumes stronger growth with the passage of a new fiscal stimulus package which is not included in the baseline forecast. This stimulus includes a second round of Economic Impact Payments, or “stimulus checks,” as well as reintroduction of enhanced unemployment benefits at \$300 instead of \$600 a week. The optimistic scenario also assumes that adherence to mask and social distancing standards are observed and successful in reducing spread of the virus.

The pessimistic scenario is characterized by a weaker recovery in consumer spending. This weaker recovery is caused by an upturn in cases, hospitalizations and deaths that require either a slowing in reopening the economy or some reversals of those easing restrictions. Following this resurgence is increased levels of caution among consumers leading consumer spending to decline. This weaker consumer spending recovery further slows business fixed investment, which has lagged other sectors of the economic recovery. In addition, unemployment levels come down at a slower pace than in the baseline forecast.

SOUTH DAKOTA ECONOMY

RECENT ECONOMIC ACTIVITY

This section briefly summarizes recent economic activity in South Dakota. An important indicator of a state's economic health is the growth rate of nonfarm employment, as it is considered by many economists as the most timely and comprehensive measure of the performance of a state's economy.

South Dakota's economy has fared well compared to the rest of country from the impacts of COVID-19 on the State's economy. The State did not institute any state-wide lockdowns or closures which contributed to this better performance. In the second quarter of this year, total nonfarm employment decreased 7.8% from the previous quarter compared to 11.9% nationally. Gross State Product (GSP) decreased an annualized rate of 9.1% in the second quarter compared to a 31.4% decline in GDP nationally.

The following are some recent key South Dakota economic statistics:

- Year to date total employment is down 3.3% compared to the same period last year (YTD). This compares to a national decline of 5.8% for the same measure.
- The unemployment rate in South Dakota in October of 2018 was 3.6%. This was 3.3% below the national rate of 6.9% and is only 0.2% higher than the same period a year ago.
- The total number of residential units authorized by building permits issued January through September of 2020 was 3,740, which was up 193 units from the same time period in 2019. The value of residential building permits issued year-to-date in 2019 was \$680.8 million. This is an increase of \$4.5 million from the first nine months of 2019.

COUNCIL OF ECONOMIC ADVISORS

The Council of Economic Advisors, which has been in existence since 1991, consists of twelve members that encompass economics professors and business people from South Dakota. The purpose of the Council is to assist in the development of the best possible forecast of South Dakota's economy. This section summarizes the Council's view of South Dakota's economy.

TOURISM: The estimated economic impact to GDP in South Dakota from tourism totaled \$2.75 billion in 2019, the tenth straight year of sector growth in South Dakota. In 2019, the number of estimated visitors in South Dakota totaled more than 14.5 million, spending more than \$4.1 billion statewide, an increase of 2.8%.

Tourism activity has been significantly impacted by the COVID-19 pandemic. Travel spending is estimated to be down \$971 million year over year since the pandemic began. Hotel occupancy for the month of October was estimated to be down 9.8% from October of last year. Year to date hotel room nights are 13.3% lower than 2019. The impact varies by region, with the Western region of the state showing an estimated 4.7% increase year over year in October while the Southeast, Central, and Northeast regions of the state were down, 25.0%, 14.0%, and 8.8%, respectively.

The council noted that efforts to attract individuals looking for outdoor recreation opportunities limited the impact of COVID-19 on the tourism industry, particularly in the western part of the state. Hotels and campgrounds in the Black Hills reported max occupancy and healthy reservation levels going forward. However, staffing tourism related jobs was difficult as the ability to hire temporary workers from other parts of the country and world was limited.

AGRICULTURE: In 2019, the agricultural economy in South Dakota produced cash receipts of \$9.0 billion, which was a decrease of \$0.21 billion from 2018's cash receipts. Crops generated \$4.7 billion and livestock generated \$4.3 billion in 2019. Income from crops decreased by \$0.3 billion while cash receipts from animals and products increased by \$0.27 billion.

Overall, crop production levels are expected to be stronger than last year. According to the National Agricultural Statistics Service, as of November 1, corn production is projected to be 752 million bushels, up 35% from 2019 production. Corn acres harvested is estimated at 4.56 million acres, which is up 18.0% from a year ago. The corn yield is estimated to be 165 bushels per acre, up 21 bushels from last year and a record high. Soybean production is expected to be 230 million bushels, up 58% from a year ago, with a yield of 47 bushels per acre, up 4.5 bushels from the 2019 yield. Soybean acres harvested is estimated at 4.9 million, up 42% from last year. Sorghum for grain production is forecast to be 8.0 million bushels, down 43% from last year with 100,000 acres for harvest estimated which is down 43% from last year.

South Dakota feedlots with capacities of 100,000 or more head contained 225,000 cattle on feed as of November 1st, which is down 6% from last year. Placements during October totaled 84,000 head, which is up 9% from last year. Fed cattle marketings were up 7% from last year. The inventory of all hogs and pigs as of September 1st was up 3% from a year ago but down 1% from June of this year. The June to August pig crop total 1.75 million head was up 14% from a year ago.

The agriculture sector in South Dakota has been supported by several large government programs over the past 2 years. The Markets Facilitation Payments (MFP) program was established to support commodities impacted by trade disputes. The program paid out \$503 million to producers in South Dakota in 2019. The Coronavirus Food Assistance Program (CFAP) was established to provide aid to farmers who have been affected by the pandemic's impact on commodity markets. Through two tranches of this program the state has received \$944.1 million.

The Council's outlook for the agricultural economy remains very cautious for 2021 and 2022. Recent issues with international trade regarding tariffs between the U.S. and China have put downward pressure on crop prices. Weather conditions in 2020 were drier coming off a very wet 2019. These wet conditions in 2019 supported a good crop this year but if dryer weather persists it could have negative impacts on crops and grazing conditions. The Council is specifically concerned with ongoing trade disputes with China and the negative impact it could have on exports of agriculture products, as well as how commodity markets stabilize after a tumultuous year.

CONSTRUCTION: So far in 2020, construction activity has been strong. Contractor's Excise Tax, which is a good indicator of overall construction activity, is up 13.2% so far through the first four months of activity in fiscal year 2020 compared to the prior year. Much of this can be attributed to 7 large wind farm projects currently underway in South Dakota with an estimated investment over \$2 billion. As was discussed earlier, housing construction remains strong, but this is mostly offset by decreases in commercial construction projects. The Council anticipates steady growth in construction and housing activity as long as interest rates remain favorable in 2021 and 2022.

SOUTH DAKOTA FORECAST HIGHLIGHTS

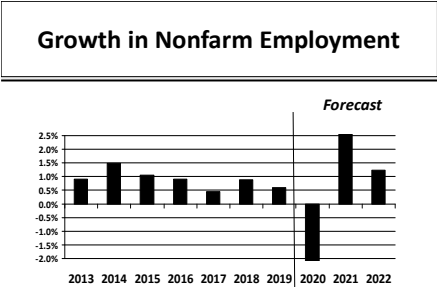
IHS Markit's forecast of the national and state economy and the input of the Council of Economic Advisors were incorporated into the forecast of South Dakota's economy. This section summarizes various categories of the latest forecast for the South Dakota economy.

The South Dakota economy has weathered the impacts of COVID-19 comparatively better than the rest of the nation. The IHS forecast accounts for this performance and South Dakota's approach to the pandemic.

EMPLOYMENT: South Dakota has several advantages over other states which account for its ability to grow employment. Some of these advantages include a pro-business environment, a central geographic location, low cost of doing business, and a high quality of life. A challenge the state continues to face now and over the long term is the size and skill level of a qualified labor force to fill current and future jobs.

Over the past ten years, South Dakota's employment situation has been volatile due to the most recent national economic recession experienced in 2007-2009. In 2008, when the U.S. economy was officially in a recession, South Dakota still obtained a 1.2% growth in employment. However, in 2009 and 2010, employment declined 1.9% and 0.1%,

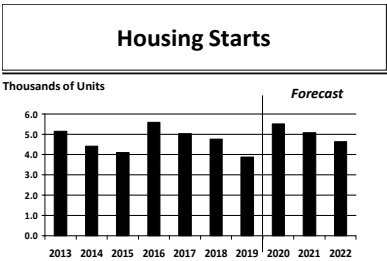
respectively, as the national recession caused major job losses in manufacturing, construction, professional and business services, and financial services. South Dakota’s employment declined approximately 3.1% peak to trough during this cycle, about half of the 6.3% decline realized nationally. Employment in South Dakota compared better than most states and has rebounded strongly. However, the state has seen a decrease in labor force participation and is forecast to have decreased employment until 2022 when the state returns to pre-pandemic levels of employment.



HOUSING/CONSTRUCTION: In recent years, housing starts in South Dakota have been at healthy levels after rebounding from multi-year lows reached in 2008-2011 during the economic recession and national housing crisis. Housing starts remained strong through the pandemic impacted second and third quarters of 2020 and look to remain strong through the forecast period.

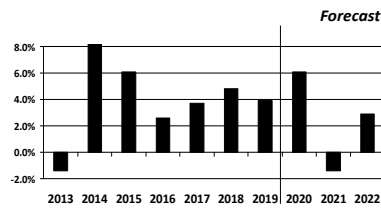
The Council members have begun to hear anecdotal evidence that out of state purchasers are driving sales of existing homes in the state, especially in the Black Hills area. This comes as the Governor has made efforts to attract migration from areas impacted by civil unrest and restrictive responses to the pandemic.

The housing market is anticipated to remain strong in 2020 through 2022. Higher prices continue to be a challenge in the housing sector. However, favorable interest rates are expected to lead to continued construction activity in 2021 and 2022. Housing starts were 3,890 in 2019 and are projected to be 5,510 in 2020, 5,080 in 2021, and 4,630 in 2022.



INCOME: Leading up to the great recession, South Dakota nonfarm income was strong. From 2004-2008, South Dakota’s nonfarm income growth averaged 7.2% per year. The higher growth rates during this timeframe were due to strong employment increases and a growing economy. However, in 2009, the national economic recession caused nonfarm personal income to decline 1.4%. This was the first annual decrease in nonfarm personal income in South Dakota since 1937. From 2010-2019, the average growth of nonfarm personal income was 4.4%. Nonfarm income in South Dakota is forecast to grow 6.1% in 2020, -1.4% in 2021, and 2.4% in 2022.

Growth in Nonfarm Personal Income



RISKS TO THE FORECAST

The Council of Economic Advisors sees some key risks to the current forecast. The primary risk to South Dakota's economy is the continued impact of COVID-19 on the economy. As the pandemic continues to play out, the level of uncertainty around the pandemic remains a risk to economic growth.

The council expressed concern about how the economy would respond once the support of federal stimulus was no longer impacting economic activity. The level of stimulus in South Dakota has been outsized on a per capita basis and even if the economy returns to fully normal activity, growth could stall because of the reduction in federal dollars in the state economy.

Positive developments potentially improving the economic outlook in South Dakota include the delivery of a vaccine that allows the state to quickly return to normal activity, calming of civil unrest nationwide, and a good harvest year with stabilization in commodity prices.

REVENUE ESTIMATE SUMMARY

General fund receipts for FY2021 are forecast at \$1,903.7 million. Ongoing receipts comprise \$1,804.7 million of the total. One-time revenues comprise \$99.1 million of the total, which includes a \$6.7 million transfer from the South Dakota Building Authority, a \$3.4 million transfer from SDRC Inc., \$9.7 million in prior year bank franchise tax, \$20.9 million in one-time sales and use tax, \$16.7 million in one-time unclaimed property, and \$41.6 million of obligated cash carried forward from FY2020. The ongoing estimate for FY2021 includes an increase of \$105.0 million from actual FY2020 ongoing receipts. Categories forecast to show major increases in FY2021 over FY2020 actuals include the sales and use tax (+\$67.2M), contractor's excise tax (+\$13.2M), lottery (+\$12.3M), and investment income and interest (+\$7.4M). Categories forecast for major decreases from FY2020 actual receipts are ongoing unclaimed property receipts (-\$7.3M) and Telecommunications Tax (-\$0.8M).

The revised ongoing estimate for FY2021 is \$62.1 million higher than the ongoing estimate adopted during the 2020 legislative session. Major positive adjustments for the revised FY2021 estimate compared to the adopted FY2020 estimate are for sales and use tax (+\$38.1M), lottery (+\$2.6M), contractor's excise tax (+\$6.6M), investment income and interest (+\$6.6M), and Severance taxes (+\$4.3M). The most significant negative revisions compared to the adopted FY2021 estimate are for unclaimed property receipts (-\$1.5M) and licenses, permits, and fees (-\$1.3M).

General fund receipts for FY2022 are projected to be \$1,803.3 million, of which all receipts are considered ongoing. The forecast for ongoing receipts in FY2022 is a decrease of \$1.4 million from the revised FY2021 projection. The significant sources of growth are from sales and use tax (+\$5.3M), insurance company tax (+\$1.9M), and trust fund transfers (+\$1.4M). Categories forecast for a major decrease in FY2021 are investment income and interest (-\$9.3M) and severance taxes (-\$1.4M).

CURRENT REVENUE FORECAST (Dollars in Millions)

	<u>FY2021</u>	<u>FY2022</u>
Sales and Use Tax	1,140.1	1,145.3
Lottery	134.8	135.8
Contractor's Excise Tax	136.9	137.1
Insurance Company Tax	96.0	97.9
Unclaimed Property	40.0	40.0
Tobacco Taxes	50.9	50.4
Other Ongoing Revenues	206.0	196.8
One-Time Receipts	57.5	0.0
Transfer from Budget Reserve Fund	0.0	0.0
Obligated Cash Carried Forward	<u>41.6</u>	<u>0.0</u>
Total Revenue	<u>1,903.7</u>	<u>1,803.3</u>

SALES AND USE TAX

The sales and use tax is the single largest revenue source for the State's general fund and accounts for approximately 63.5% of ongoing general fund revenue. Between FY1993 and FY2020, the sales and use tax grew from \$279.1 million to \$1,072.8 million, which was an average annual increase of 5.2%. Over the past ten years, growth rates of the sales tax have varied from year to year. In FY2010, growth was negative (-1.2%) due to a severe national recession causing declines in employment. In FY2011, growth was robust (8.9%) due to a strong agriculture sector combined with a recovering nonfarm economy. In FY2012 and FY2013, growth was slightly below average (4.8% and 4.3%), reflecting lower inflation and a moderate economic recovery. FY2014 realized a 6.1% growth due to large audit collections and strong agriculture income. In FY2015 and FY2016, the growth was soft (1.6% and 2.9%) due to lower farm income, low inflation, and cautious consumer spending. In FY2017, growth was 10.5%, which reflects the 0.5% sales and use tax rate increase. Excluding the rate increase in FY2017, sales tax would have had negative growth (-1.6%), reflecting lower

farm income, low inflation, and slower economic growth. In FY2018, FY2019, and FY2020 growth rebounded (4.0%, 3.7%, and 4.6%) due to improved consumer spending.

Net collections from the sales and use tax in FY2020 were \$1,072.8 million, which was an increase of \$47.4 million compared to FY2019. Through the first four months of FY2021, sales and use tax collections to the general fund were \$431.6 million, which is an increase of 11.5% from the first four months of FY2020. For the revised FY2021 estimate, the sales and use tax is forecast at \$1,140.1 million, which is an increase of \$67.2 million, or 6.3%, compared to FY2020. For FY2022, the sales and use tax is forecast at \$1,145.3 million, which is an increase of \$5.3 million, or 0.5%, over the revised FY2021 estimate.

LOTTERY

Collections from lottery activities account for approximately 7.5% of ongoing general fund revenues. In FY2021, lottery collections are anticipated at \$134.8 million, which includes the general fund's share of instant lottery ticket sales of \$5.9 million, 35% or \$1.9 million from the online lottery net income, and \$126.9 million in video lottery receipts. In FY2022, lottery receipts are projected at \$135.8 million, which includes \$6.1 million from instant lottery income, 50% or \$2.8 million from online lottery net income, and \$126.9 million from the state's share of video lottery receipts. In FY2019 and FY2020, video lottery receipts were \$114.1 million and \$115.4 million, respectively. So far in FY2021, video lottery receipts are up 15.8% through the first four months compared to the prior year.

CONTRACTOR'S EXCISE TAX

Collections from the contractor's excise tax account for approximately 7.6% of ongoing general fund revenues. Construction activity has a direct impact on the growth in the contractor's excise tax collections. Expansion in this activity is contributed to the increase in contractor's excise tax collections from \$25.5 million in FY1993 to \$123.3 million in FY2020, representing an average annual increase of 6.3%. In FY2020, net collections to the general fund from the contractor's excise tax grew \$10.6 million, or 9.3%, from FY2019. Through the first four months of FY2021, net contractor's excise tax collections were \$54.9 million, an increase of 13.2% compared to the first four months of FY2020. Contractor's excise tax collections for FY2021 are forecast to be \$136.9 million, which is an increase of \$13.2 million, or 10.7%, compared to FY2020 collections. FY2022 collections are forecast at \$137.1 million, which is an increase of \$0.2 million, or 0.15%, compared to the revised FY2021 estimate.

INSURANCE COMPANY TAX

Collections from the insurance company tax account for approximately 5.4% of ongoing general fund revenues. From FY1993 to FY2020, insurance company tax collections grew from \$29.9 million to \$93.3 million, which was an average annual increase of 4.4%. In FY2020, insurance company tax collections increased by \$2.9 million, or 3.2%, compared to FY2019. For FY2021, insurance company tax collections are forecast at \$96.0 million, which is an increase of \$2.7 million, or 2.9%, over FY2020 collections. For FY2022, insurance company tax collections are forecast to be \$97.9 million, which is an increase of \$1.9 million, or 2.0%, over the revised FY2021 estimate. These estimates are affected by the passage of SB 159 during the 2016 legislative session which allows tax credits for insurance companies dedicated to scholarships for students attending private schools. These credits are estimated to be \$2.0 million in both FY2021 and FY2022.

UNCLAIMED PROPERTY

Historically, collections from unclaimed property have been relatively small but now represent approximately 2.8% of ongoing general fund revenues. Unclaimed property has been remitted to the state since the 1980's. Collections to the general fund ranged from \$0.4 million in FY1997 to \$8.0 million in FY2010. In FY2011 through FY2013, ongoing collections increased to \$12.9 million, \$13.9 million, and \$13.9 million, respectively, due to mergers within the banking

industry. Continued consolidation combined with the migration of home office locations to South Dakota led to an increase in ongoing collections in FY2014 through FY2020 ranging from \$44 million to more than \$57 million, net of property claims. For FY2021, ongoing unclaimed property revenue is forecast at \$40.0 million after projected claims are paid through the remainder of the fiscal year. The Governor is recommending capping the amount of ongoing general fund revenues related to unclaimed property at \$40.0 million going forward due to the volatility in this revenue source as well as heavy reliance on a small number of large banks.

TOBACCO TAXES

The tobacco taxes include the cigarette excise tax of \$1.53 per pack of cigarettes and the tax on other tobacco products, which is assessed at 35.0% of the wholesale price. In FY2020, cigarette taxes totaled \$45.9 million, while the other tobacco products tax totaled \$10.2 million. The first \$30.0 million collected in tobacco taxes is allocated to the general fund and the next \$5.0 million is allocated to the tobacco prevention and reduction trust fund. Any collections in excess of \$35.0 million are deposited directly into the general fund in the tobacco tax category. The general fund's portion totaled \$51.1 million in FY2020. General fund receipts from tobacco taxes are projected at \$50.9 million in FY2021 and \$50.4 million in FY2022.

OTHER ONGOING REVENUES

Receipts included in this category come from licenses, permits, and fees; trust funds; net transfers in; alcohol beverage tax; bank franchise tax; alcohol beverage 2.0% wholesale tax; charges for goods and services; telecommunications tax; severance tax; and investment income and interest. For FY2021, collections from other ongoing revenues are projected to be \$206.0 million, which is approximately 10.9% of total ongoing general fund revenues. In FY2022, collections from other ongoing revenues are projected at \$196.8 million.

ONE-TIME RECEIPTS

In FY2021, collections from one-time receipts are projected to be \$57.5 million. \$20.9 million in one-time sales and use tax collections related to wind farm activity and reinvestment payments, \$16.7 million in one-time unclaimed property in excess of the proposed \$40.0 million cap, \$9.7 million in one-time bank franchise tax due to the IRS providing filing extensions, \$6.7 million in refinancing gains on state debt, and \$3.4 million due to the closeout of funds per the contract with SDRC Inc.

TRANSFER FROM BUDGET RESERVE FUND

In FY2021, the Governor is recommending to not transfer any excess reserves. The economy continues to be negatively impacted by the COVID-19 pandemic and increasing reserves will provide the state with more flexibility in future years as federal revenues and stimulus funds are reduced. This will leave the combined balance of the Budget Reserve and General Revenue Replacement Funds at 215.9 million or 12.7% of the Governor's proposed FY2021 General Bill appropriation.

OBLIGATED CASH CARRIED FORWARD

This is the amount of prior year cash carried forward to meet obligations existing at the end of the previous year. For FY2021, the total amount of obligated cash carried forward was \$41.6 million. This was obligated to the Budget Reserve Fund from the budget surplus at the end of FY2020.

BUDGET RESERVE & GENERAL REVENUE REPLACEMENT FUNDS

During the 1991 Legislative Session, the Budget Reserve Fund was created to place resources into a reserve which would only be used to address emergency situations without having to raise taxes or cut spending. Currently, the maximum funding level of the Budget Reserve Fund is 10% of the general fund appropriations from the General Appropriations Act for the prior fiscal year. At the end of FY2018, FY2019, and FY2020, unobligated general fund cash in the amounts of \$16.9 million, \$19.4 million, and \$41.6 million, respectively, was obligated to the Budget Reserve Fund. These funds were transferred into the reserve at the beginning of FY2019, FY2020, and FY2021, respectively. In FY2021, the Governor recommends not transferring from the budget reserve, leaving a projected ending balance of \$169.6 million.

During the 2015 Legislative Session, the General Revenue Replacement Fund was established to replace the Property Tax Reduction Fund to assist in balancing the annual budget in the event of an unforeseen revenue shortfall. The maximum level of funding can be up to 15% of the general fund appropriations in the General Appropriations Act for the prior fiscal year. At the end of FY2020, \$2.3 million of unobligated general fund cash was obligated to the General Revenue Replacement Fund. These funds were transferred into the reserve at the beginning of FY2021. In FY2021, the Governor recommends not transferring from the general revenue replacement fund, leaving a projected ending balance of \$46.3 million.

The total reserve balance is \$215.9 million or 12.7% of proposed FY2021 General Bill appropriations.

BUDGET RESERVE FUND & GENERAL REVENUE REPLACEMENT FUND CONDITION STATEMENT

	ACTUAL FY2019	ACTUAL FY2020	ESTIMATED FY2021	ESTIMATED FY2022
Budget Reserve Fund Beginning Balance	\$ 115,467,507	\$ 125,762,872	\$ 130,257,559	\$ 169,583,492
Calculations for Maximum Balance in the Fund:				
General Bill Appropriation for Prior Year	1,592,841,544	1,622,020,072	1,695,834,919	1,699,496,525
Budget Reserve Fund Percentage	10%	10%	10%	10%
Maximum Amount in the Fund	159,284,154	162,202,007	169,583,492	169,949,653
Maximum Transferable Amount	43,816,647	36,439,135	39,325,933	366,161
Amount of General Funds Available				
End of Prior Year	16,898,828	19,354,553	41,617,499	0
Transferred in from General Fund	16,898,828	19,354,553	39,325,933	0
Transferred out to General Fund	(6,603,463)	(14,859,866)	0	0
Ending Budget Reserve Fund Balance	\$ 125,762,872	\$ 130,257,559	\$ 169,583,492	\$ 169,583,492
General Revenue Replacement Fund Balance	\$ 44,000,048	\$ 44,000,048	\$ 44,000,048	\$ 46,291,614
General Revenue Replacement Fund Percentage	15%	15%	15%	15%
Maximum Amount in the Fund	238,926,232	243,303,011	254,375,238	254,924,479
Maximum Transferable Amount	194,926,184	199,302,963	210,375,190	208,632,865
Transferred in from General Fund	0	0	2,291,566	0
Transferred out to General Fund	0	0	0	0
Ending General Revenue Replacement Fund Balance	\$ 44,000,048	\$ 44,000,048	\$ 46,291,614	\$ 46,291,614
General Funds Obligated to Budget Reserve	19,354,553	41,617,499	0	0
ENDING TOTAL RESERVES BALANCE	\$ 189,117,473	\$ 215,875,106	\$ 215,875,106	\$ 215,875,106

NOTE: The totals may not add due to rounding.

COMPARISON BETWEEN LEGISLATIVE ADOPTED AND REVISED ESTIMATE FOR FY2021

	LEG. ADOPTED FY2021	REVISED FY2021	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,102,000,000	\$ 1,140,054,313	\$ 38,054,313	3.45
Lottery	132,201,431	134,800,192	2,598,761	1.97
Contractor's Excise Tax	130,300,000	136,916,541	6,616,541	5.08
Insurance Company Tax	94,000,000	95,978,625	1,978,625	2.10
Unclaimed Property Receipts	41,500,000	40,000,000	(1,500,000)	(3.61)
Licenses, Permits, and Fees	70,000,000	68,744,136	(1,255,864)	(1.79)
Tobacco Taxes	45,791,522	50,904,325	5,112,803	11.17
Trust Funds	41,689,974	41,544,065	(145,909)	(0.35)
Net Transfers In	21,311,678	20,594,353	(717,325)	(3.37)
Alcohol Beverage Tax	8,163,370	8,167,862	4,492	0.06
Bank Franchise Tax	14,072,270	14,889,195	816,925	5.81
Charges for Goods and Services	17,039,667	16,145,830	(893,837)	(5.25)
Telecommunications Tax	4,677,328	5,142,927	465,599	9.95
Severance Taxes	5,500,000	9,828,718	4,328,718	78.70
Investment Income and Interest	11,946,891	18,539,623	6,592,732	55.18
Alcohol Bev 2% Wholesale Tax	2,381,944	2,412,218	30,274	1.27
TOTAL (ONGOING RECEIPTS)	\$ 1,742,576,075	\$ 1,804,662,923	\$ 62,086,848	3.56
ONE-TIME RECEIPTS				
Refinancing Gains/Transfer from SDBA	0	6,744,667	6,744,667	100.00
Closeout of SDRC Inc. Funds	0	3,381,726	3,381,726	100.00
Bank Franchise Tax Prior Year Revenue	0	9,720,271	9,720,271	100.00
One-Time Sales and Use Tax	0	20,915,582	20,915,582	100.00
One-Time Unclaimed Property Receipt	0	16,704,747	16,704,747	100.00
Transfer from Budget Reserve Fund	0	0	0	100.00
Obligated Cash Carried Forward	0	41,617,499	41,617,499	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 0	\$ 99,084,492	\$ 99,084,492	100.00
GRAND TOTAL	\$ 1,742,576,075	\$ 1,903,747,415	\$ 161,171,340	9.25

NOTE: The totals may not add due to rounding.

COMPARISON BETWEEN ACTUAL FY2020 AND REVISED FY2021 REVENUE COLLECTIONS

	ACTUAL FY2020	REVISED FY2021	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,072,830,649	\$ 1,140,054,313	\$ 67,223,664	6.27
Lottery	122,489,001	134,800,192	12,311,191	10.05
Contractor's Excise Tax	123,723,519	136,916,541	13,193,022	10.66
Insurance Company Tax	93,271,112	95,978,625	2,707,513	2.90
Unclaimed Property Receipts	47,308,472	40,000,000	(7,308,472)	(15.45)
Licenses, Permits, and Fees	68,277,940	68,744,136	466,196	0.68
Tobacco Taxes	51,066,112	50,904,325	(161,787)	(0.32)
Trust Funds	39,859,256	41,544,065	1,684,809	4.23
Net Transfers In	19,858,120	20,594,353	736,233	3.71
Alcohol Beverage Tax	8,142,691	8,167,862	25,171	0.31
Bank Franchise Tax	12,060,604	14,889,195	2,828,591	23.45
Charges for Goods and Services	15,403,871	16,145,830	741,959	4.82
Telecommunications Tax	5,964,072	5,142,927	(821,145)	(13.77)
Severance Taxes	5,881,928	9,828,718	3,946,790	67.10
Investment Income and Interest	11,150,037	18,539,623	7,389,586	66.27
Alcohol Bev 2% Wholesale Tax	2,335,754	2,412,218	76,464	3.27
TOTAL (ONGOING RECEIPTS)	\$ 1,699,623,137	\$ 1,804,662,923	\$ 105,039,786	6.18
ONE-TIME RECEIPTS				
Refinancing Gains/Transfer from SDBA	7,082,539	6,744,667	(337,872)	(4.77)
Closeout of SDRC Inc. Funds	0	3,381,726	3,381,726	100.00
Bank Franchise Tax Prior Year Revenue	0	9,720,271	9,720,271	100.00
One-Time Sales and Use Tax	0	20,915,582	20,915,582	100.00
One-Time Unclaimed Property Receipts	0	16,704,747	16,704,747	100.00
Unexpended Carryovers and Specials	425,135	0	(425,135)	(100.00)
Transfer from Budget Reserve	14,859,866	0	(14,859,866)	(100.00)
Obligated Cash Carried Forward	19,354,553	41,617,499	22,262,946	115.03
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 41,722,093	\$ 99,084,492	\$ 57,362,399	137.49
GRAND TOTAL	\$ 1,741,345,230	\$ 1,903,747,415	\$ 162,402,185	9.33

NOTE: The totals may not add due to rounding.

COMPARISON BETWEEN REVISED FY2021 AND ESTIMATED FY2022 REVENUE COLLECTIONS

	REVISED FY2021	PROJECTED FY2022	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,140,054,313	\$ 1,145,342,839	\$ 5,288,526	0.46
Lottery	134,800,192	135,752,140	951,948	0.71
Contractor's Excise Tax	136,916,541	137,126,867	210,326	0.15
Insurance Company Tax	95,978,625	97,850,017	1,871,392	1.95
Unclaimed Property Receipts	40,000,000	40,000,000	0	0.00
Licenses, Permits, and Fees	68,744,136	68,859,941	115,805	0.17
Tobacco Taxes	50,904,325	50,358,530	(545,795)	(1.07)
Trust Funds	41,544,065	42,975,226	1,431,161	3.44
Net Transfers In	20,594,353	20,637,153	42,800	0.21
Alcohol Beverage Tax	8,167,862	8,394,423	226,561	2.77
Bank Franchise Tax	14,889,195	15,604,949	715,754	4.81
Charges for Goods and Services	16,145,830	15,242,234	(903,596)	(5.60)
Telecommunications Tax	5,142,927	4,947,407	(195,520)	(3.80)
Severance Taxes	9,828,718	8,429,220	(1,399,498)	(14.24)
Investment Income and Interest	18,539,623	9,203,600	(9,336,023)	(50.36)
Alcohol Bev 2% Wholesale Tax	2,412,218	2,528,836	116,618	4.83
TOTAL (ONGOING RECEIPTS)	\$ 1,804,662,923	\$ 1,803,253,382	\$ (1,409,541)	(0.08)
ONE-TIME RECEIPTS				
Refinancing Gains/Transfer from SDBA	6,744,667	0	(6,744,667)	(100.00)
Closeout of SDRC Inc. Funds	3,381,726	0	(3,381,726)	(100.00)
Bank Franchise Tax Prior Year Revenue	9,720,271	0	(9,720,271)	(100.00)
One-Time Sales and Use Tax	20,915,582	0	(20,915,582)	(100.00)
One-Time Unclaimed Property Receipts	16,704,747	0	(16,704,747)	(100.00)
Obligated Cash Carried Forward	41,617,499	0	(41,617,499)	(100.00)
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 99,084,492	\$ 0	\$ (99,084,492)	(100.00)
GRAND TOTAL	\$ 1,903,747,415	\$ 1,803,253,382	\$ (100,494,033)	(5.28)

NOTE: The totals may not add due to rounding.

GENERAL FUND RECEIPTS

	ACTUAL FY2019	ACTUAL FY2020	REVISED FY2021	PROJECTED FY2022
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,025,401,208	\$ 1,072,830,649	\$ 1,140,054,313	\$ 1,145,342,839
Lottery	123,815,501	122,489,001	134,800,192	135,752,140
Contractor's Excise Tax	113,163,617	123,723,519	136,916,541	137,126,867
Insurance Company Tax	90,347,541	93,271,112	95,978,625	97,850,017
Unclaimed Property Receipts	48,573,600	47,308,472	40,000,000	40,000,000
Licenses, Permits, and Fees	68,758,069	68,277,940	68,744,136	68,859,941
Tobacco Taxes	49,971,217	51,066,112	50,904,325	50,358,530
Trust Funds	38,527,936	39,859,256	41,544,065	42,975,226
Net Transfers In	23,827,140	19,858,120	20,594,353	20,637,153
Alcohol Beverage Tax	7,845,250	8,142,691	8,167,862	8,394,423
Bank Franchise Tax	17,256,120	12,060,604	14,889,195	15,604,949
Charges for Goods and Services	16,012,654	15,403,871	16,145,830	15,242,234
Telecommunications Tax	5,089,768	5,964,072	5,142,927	4,947,407
Severance Taxes	4,234,206	5,881,928	9,828,718	8,429,220
Investment Income and Interest	6,229,304	11,150,037	18,539,623	9,203,600
Alcohol Beverage 2% Wholesale Tax	2,150,157	2,335,754	2,412,218	2,528,836
SUBTOTAL (ONGOING RECEIPTS)	\$ 1,641,203,288	\$ 1,699,623,137	\$ 1,804,662,923	\$ 1,803,253,382
ONE-TIME RECEIPTS				
Transfer from Dept. of Agriculture	\$ 705,101	\$ 0	\$ 0	\$ 0
Refinancing Gains/Transfer from SDBA	0	7,082,539	6,744,667	0
Closeout of SDRC Inc. Funds	0	0	3,381,726	0
Bank Franchise Tax Prior Year Revenue	0	0	9,720,271	0
One-Time Sales and Use Tax	0	0	20,915,582	0
One-Time Unclaimed Property Receipts	0	0	16,704,747	0
Unexpended Carryovers and Specials	5,777,493	425,135	0	0
Transfer from Budget Reserve Fund	6,603,463	14,859,866	0	0
Obligated Cash Carried Forward	16,898,828	19,354,553	41,617,499	0
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 32,740,409	\$ 41,722,093	\$ 99,084,492	\$ 0
GRAND TOTAL	\$ 1,673,943,697	\$ 1,741,345,230	\$ 1,903,747,415	\$ 1,803,253,382

NOTE: The totals may not add due to rounding.

TAX EXPENDITURES

**Annual Est. General
Fund Revenue Loss**

Sales and Use Tax Exemptions

Agriculture Group

10-45-18, 10-45-18.2, 10-46-16, 10-46-16.2: Livestock, live poultry, ostriches, emus, or rheas, if such sales are part of a series of transactions incident to producing a finished product intended to be offered for an ultimate retail sale. Also includes live cattle, buffalo, sheep, goats, swine, poultry, and horses.	\$257,134,663
10-45-18.3: Feed for cattle, buffalo, sheep, goats, swine, poultry, ostriches, emus, rheas, and domesticated fur-bearing animals defined in chapter 40-35, if such feed is used by farmers or ranchers who are regularly engaged in the business of raising and feeding such animals, or producing milk for sale for human consumption, and horses and other animals with the family equidae. Poultry does not include any fowl other than domestic fowl kept and raised for the market or the production of eggs for human consumption.	\$107,570,811
10-45-16: Commercial fertilizer, either liquid or solid, when sold in quantities of five hundred pounds or more in a single sale to be used exclusively for agricultural purposes.	\$71,749,063
10-45-15: Seed legumes, seed grasses, and seed grains sold in quantities of 25 pounds or more in a single sale to be used exclusively for agricultural purposes.	\$35,552,835
10-45-3.4: (1) Parts or repairs on machinery or equipment which are clearly identifiable as used primarily for agricultural purposes, including irrigation equipment, if the part replaces a farm machinery or irrigation equipment part assigned a specific or generic part number by the manufacturer of the farm machinery or irrigation equipment; and (2) Maintenance items and maintenance services used on machinery or equipment which are clearly identifiable as used primarily for agricultural purposes, including irrigation equipment.	\$32,760,506
10-45-16.1, 10-46-17.5: Pesticides (including insecticides, herbicides, pesticides, rodenticides, and fumigants) and products or substances used in conjunction with application of the pesticides used exclusively for agricultural purposes. (Sales tax applies to endoparasitides and ectoparasitides)	\$21,831,525
10-45-19, 10-46-17: Motor fuel, including kerosene, tractor fuel, liquefied petroleum gas, natural and artificial gas, diesel fuels, and distillate, when used for agricultural purposes. Agricultural purposes includes hay grinding but does not include the lighting or heating of any farm residence.	\$33,621,350
10-45-12.1: Farm Product Warehousing & Storage	\$9,225,000
10-45-12.1: Agricultural Services, except: Veterinary Services and Animal Specialty Services.	\$8,285,625
10-45-93: Sale of agricultural and industrial production equipment in international commerce where physical delivery of the goods takes place in South Dakota if the property is to be shipped to a point outside the United States not to be returned to a point within the United States. (also 10-46E)	\$365,625
10-45-12.1: Forestry Services	\$160,515
10-45-18.6, 10-46-16.6: The sale of swine or cattle semen used for agricultural purposes.	\$219,375
10-45-16.2, 10-45-16.3: Rental of devices primarily used to apply fertilizers, pesticides, herbicides, and insecticides for agricultural purposes if sales or use tax was paid on the original purchase of the device.	\$2,260,620
10-45-18.4, 10-46-16.4: Live nondomestic animal regulated by the animal industry board pursuant to 40-3-26 if the animal is to be used by a farmer or rancher who is regularly engaged in the breeding and raising of such animals.	\$29,250
10-45-19.1, 10-46-17.2: Electricity used to power irrigation pumps and horsepower charge on electric motors powering irrigation pumps when the purchase is exclusively for agricultural purposes.	\$472,010
10-45-18.5, 10-46-16.5: Feed for nondomestic animals exempted in 10-45-18.4	\$5,625

TAX EXPENDITURES

Sales and Use Tax Exemptions

**Annual Est. General
Fund Revenue Loss**

Healthcare Group

10-45-12.1: Health Services; 10-45-14, 10-45-15: Purchases by nonprofit hospitals; 10-45-14.10: Drugs to the extent used by humans that are prescribed, dispensed, or administered by a physician, chiropractor, optometrist, dentist, podiatrist, or audiologist; 10-45-14.9: Insulin that is not sold by prescription; 10-45-14.11: Durable medical equipment, mobility enhancing equipment, and prosthetic devices used by humans when prescribed by prescription, dispensed, or administered for a specific patient by a physician, chiropractor, optometrist, dentist or podiatrist; 10-45-14.12: Medical devices used by humans when prescribed by prescription, dispensed, or administered for a specific patient by a physician, chiropractor, optometrist, dentist or podiatrist; 10-45-14.6: Hospital meals paid for by a public entity.	\$315,405,000
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Government

10-45-10: Purchases by the Federal Government, State Government, Public or Municipal Corporations, and Indian tribes. Estimate includes purchases by Educational Institutions and 10-45-14: purchases by Religious or Private Educational Institutions.	\$186,385,500
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Business Group

10-45-7: Lodging or campsites provided to any person for 28 or more consecutive days. Occasional rental of sleeping accommodations or camp sites, which is 10 or less days/year.	\$35,241,937
10-45-11.1, 10-46-17.3: Goods and services furnished to meet warranty obligation.	N/A
10-45-20.6, 10-46-9.6: Replacement parts sold to retailers that will be installed in tangible personal property that will ultimately be for resale.	N/A
10-45-12.1: Exempts advertising services, which is the preparing and placement of ads. Exempts charges by media for placement of an ad in that media.	\$35,640,000
10-45-68, 10-46-56: Sale of credit card processing services to retailers.	\$2,433,195
10-45-12.1: Water Supply	\$6,841,013
10-45-9.1: Personal Property sold for lease.	\$25,555,424
10-45-13.1: Membership fees to membership organizations and services provided by membership organizations.	\$8,033,805
10-45-5.2: Sanitary services except for the collection and disposal of solid waste which is specifically listed as subject to sales tax.	\$968,162
10-45-20.1: Payments made by one member of a controlled group to another member of a controlled group which represent an allocation, reimbursement, or charge for services provided by or rendered by the members of the controlled group. The exemption provided in this section does not apply to the lease of tangible personal property unless the sales or use tax has been paid on the property by the lessor. (estimate also includes 10-45-20.2)	N/A
10-45-29.1 Allows deduction from gross receipts charges to clients for tangible personal property or services purchased by the attorney or accountant on behalf of a client, provided the purchase was not a resale purchase.	N/A
10-45-12.5, 10-46-9.5: Fees or commissions received for rendering a service which provides for the sale of tangible personal property or services. 10-45-84, 10-45-90 Fees or commissions received by a retailer for arranging a loan for a customer to pay for property sold by that retailer.	N/A
10-45-12.1: Motion picture rentals to a commercially operated theater primarily engaged in the exhibition of motion pictures.	\$810,709
10-45-5.2: Research, development, and testing services (SIC 8733)	\$6,655,320

TAX EXPENDITURES

**Annual Est. General
Fund Revenue Loss**

Sales and Use Tax Exemptions

Business Group (Continued)

10-45-7.1, 10-46-68: Membership fees paid to a lodging house or hotel membership organization operated for the benefit of its members.	N/A
10-45-96: Deduction allowed for actual disbursements, including appropriate reserves, for the wages, salaries, payroll taxes, payroll deductions, workers' compensation costs, insurance premiums, welfare benefits, retirement benefits, and other employee benefits of its co-employees.	\$369,461
10-45-5.2: Radio & Television Broadcasting	N/A
10-45-5: Leases of tangible personal property between one telephone company and another telephone company.	N/A
10-45-5.2: Goods or services with money advanced as an accommodation are retail purchases and are not included in gross receipts for funeral services, and fees paid or donated for religious ceremonies are not included in gross receipts for funeral services.	N/A
10-45-5.5, 10-46-2.5: Chemicals purchased for use by Lawn & Garden Services.	N/A
10-45-92: Deduction allowed from auction's gross receipts for expenses for tangible personal property or services purchased by the auctioneer for that client, provided the purchase was not a resale purchase.	N/A
10-45-14.2, 10-46-9.1: Ink and newsprint used to produce shoppers' guides.	N/A
10-45-94: Postage by a mailing service provided the cost of postage is itemized on the customer's bill and the cost of the postage is no greater than the cost of the postage to the mailing service.	N/A
10-45-12.4: Services provided to a rural water system by a wholly owned cooperative or nonprofit corporation.	Included in water estimate
10-45-110: Exempts coins, currency, or bullion.	N/A
10-45-12.7: Any person officiating an amateur sporting event. However, this exemption does not apply to any person officiating any sporting event sponsored and operated by any elementary, secondary, or postsecondary school.	\$77,888
10-45-90, 10-46-63: Services performed for rodeos by promoters, stock contractors, stock handlers, announcers, judges, and clowns.	\$1,268,721
10-45-18.1, 10-46-16.1: Live gamebirds sold by the producer to nonprofit organizations which release such birds or to commercial hunting operators who charge fees to hunt such birds.	\$554,715
10-45-12.1: Consumer Credit Reporting Agencies and Mercantile Reporting Agencies.	\$63,227

Educational Services

10-45-12.1: Educational Services - Exempt schools: Continuing education programs, tutoring, and vocational counseling not including Rehabilitation counseling (See Social Services exemption for Rehabilitation counseling).	\$2,713,785
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TAX EXPENDITURES

Sales and Use Tax Exemptions

**Annual Est. General
Fund Revenue Loss**

Financial Group

10-45-12.1: Commissions earned or service fees paid by an insurance company to an agent or representative for the sale of a policy. 10-44-8 Insurance companies are exempt from all other taxes, except sales or use tax on tangible personal property and taxes on real property. Insurance companies do not owe use tax on the purchase of services, if the service provider does not collect the applicable sales tax.	\$3,955,050
10-44-8: Insurance companies are exempt from all other taxes, except sales or use tax on tangible personal property and taxes on real property. Insurance companies do not owe use tax on the purchase of services, if the service provider does not collect the applicable sales tax.	\$117,162,001
10-45-20.5, 10-46-2.1: Services by a related corporation to a financial institution or services by a financial institution to a related corporation if they are part of a controlled group of corporations.	N/A
10-45-12.1: Commodity Contracts Brokers & Dealers; 10-45-12.1: Brokers, Dealers, and Flotation Companies; 10-46-9.2: Brokers licensed under Title 47.	\$8,162,010
10-43-5: Bank franchise tax is paid in lieu of other taxes, except sales or use tax on tangible personal property. Financial institutions do not owe use tax on services, if the service provider does not collect the applicable sales tax.	N/A
10-45-12.1: Financial services of institutions subject to the tax under Chapter 10-43 (Bank Franchise) including loan origination fees, late payment charges, nonsufficient fund check charges, stop payment charges, safe deposit box rent, exchange charges, commission on travelers checks, charges for administration of trusts, interest charges, and "points" charged on loans.	\$77,475,934
10-45-12.6, 10-46-6.2: Sale of credit services by credit bureaus to financial institutions that are paying bank franchise taxes.	N/A
10-45-13.5: Exempts receipts received by the state and political subdivisions from management services provided to a revolving loan fund operated by a nonprofit entity.	N/A

Transportation Group

10-45-12.1: Railroad Transportation & Rental of Railroad Cars.	\$9,011,250
10-45-12.1: Arrangement of Passenger Transportation; Arrangement of Transportation of Freight & Cargo; Local and Suburban Passenger Transportation, except Limousine Services; Trucking and Courier services, except air, except collection and disposal of solid waste; Pipelines, except Natural Gas; Transportation on rivers and canals; and school buses. 10-45-67, 10-46-55: Natural gas transportation by pipeline.	\$14,185,620

Social Services

10-45.12.1: Social services and credit counseling services provided by individual and family social services.	\$4,754,250
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Manufacturing Group

10-46-5: Excludes the fabrication costs from the fair market value of tangible personal property fabricated by a contractor or subcontractor for use in the contract. The fair market value is subject to use tax.	N/A
10-46-3: Tangible personal property not originally purchased for use in this state, but thereafter used, stored, or consumed in this state if the equipment is more than seven years old at the time it is brought into this state.	N/A
10-45-14.4, 10-46-9.3: Packing material used or consumed by manufacturers, processors, or fabricators as raw material. 10-45-14.5, 10-46-9.4 Packing material sold to retailers if the retailer used the article as wrappers or containers to hold other tangible personal property sold by the retail that is subject to sales or use tax and the articles are supplied free by the retailer as a convenience to the customer.	N/A

TAX EXPENDITURES

**Annual Est. General
Fund Revenue Loss**

Sales and Use Tax Exemptions

Civic & Nonprofit Association Events/Admissions/Donations

10-45-13: Exempts tax on the gross receipts of various sales and admission for civic and nonprofit associations and purposes.	N/A
10-45-13.2, 10-46-15.4: Donations of tangible personal property or services given without charge to organizations exempt from sales tax.	N/A

Federal Law Prohibition/Subject to Tax/Fees in other Laws

10-45-14.7, 10-46-15.2: Authorized purchases made with food stamps. 10-45-14.8, 10-46-15.3: Authorized purchases of food under section 17 c of the Child Nutrition Act of 1966.	\$5,940,430
10-45-5.1, 10-45-5.6: Coin operated washers and dryers annual license fee is in lieu of sales tax on receipts.	\$54,600
10-45-13.3: Sale of lottery tickets.	\$2,208,541
10-45-2.1, 10-46-5.1: Mobile homes and manufactured homes are subject to the 4% initial registration tax in lieu of sales, use, and contractor's excise tax.	\$2,011,995

Other Miscellaneous Sales Tax Exemptions

Mini-storage receipts are not specifically subject to tax and therefore are exempt.	\$1,187,048
10-45-13.4: Library copying charges.	N/A

Total Sales and Use Tax Exemptions	\$1,456,370,989
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Other Tax Expenditures

10-44-4: Tax credit for principal office or regional home office for insurance companies.	\$15,725,904
10-45-27.2: Collection allowance for sales tax of 1.5% of collections with a maximum of \$70 per month.	\$5,302,192
10-50-18: Distributor discount of 1% of cigarette stamp face value.	\$484,577
13-65-2: Tax credit to insurance companies that contribute to an organization providing educational scholarships to certain students. The bill caps credits at two million dollars per year.	\$2,000,000

Total Other Tax Expenditures	\$23,512,673
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Grand Total Tax Expenditures	\$1,479,883,662
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Sources: Department of Revenue and Department of Labor and Regulation.

RECOMMENDED EXPENDITURES

Governor Noem's FY2022 budget recommendation maintains a structurally balanced budget while making investments in the areas of providing a quality education for our children, taking care of those who cannot take care of themselves, and protecting us from those who would do us harm. The Governor is also proposing that the State continue to invest in the state employee workforce, which is any organization's greatest resource.

State Aid, the Department of Education, the Board of Regents, and the Technical Colleges are responsible for educating South Dakotans at every level. They account for \$23.6 million of the \$60.3 million in ongoing general fund increases. In terms of the total ongoing budget, this category is 49.2% of the general funds and 33.0% of the total ongoing funds, which amounts to nearly \$1.7 billion in total ongoing funding.

The Governor recommends an increase of \$19.3 million in general funds for state aid to education. The increase is due to growth in enrollments and 2.4% inflation on the target teacher salary. The Governor is also recommending an increase of \$0.1 million in general funds for the Department of Education's electronic records program.

The ongoing budget for the Board of Regents contains a net increase of \$3.5 million in general funds. Included in this amount is an increase of \$3.7 million in general funds to move the maintenance and repair budget closer to 2% of the replacement value of the buildings, and a decrease of \$0.1 million in general funds due to projected utility expenses. Also included is an increase of \$2.5 million in other fund expenditure authority for anticipated expenses, tuition, and fees.

The Governor is recommending that the Technical Colleges receive an additional \$0.6 million in ongoing general funds. This includes an increase of \$0.3 million in general funds for change in enrollments at the colleges and 2.4% inflation on the per-student allocation. It also includes an increase of \$0.7 million in general funds for years three and four of a six-year implementation plan for maintenance and repair on buildings that are wholly owned by the State of South Dakota. In addition, a decrease of \$0.5 million in general funds is recommended due to bond payoff savings.

The Departments of Social Services, Human Services, and Health are responsible for the majority of the programs which help those who cannot take care of themselves, including the very young and the very old. The Departments of Health, Human Services, and Social Services account for \$22.0 million of the \$60.3 million in ongoing general fund increases. In terms of the total ongoing budget, this category is 35.1% of the general funds and 33.3% of the total ongoing funds, which amounts to nearly \$1.7 billion in total ongoing funding.

The Department of Social Services ongoing budget will increase by \$12.3 million in general funds and \$15.4 million in federal fund expenditure authority. This includes increases of \$6.8 million in general funds and \$6.5 million in federal fund expenditure authority for discretionary medical provider inflation of 2.4%. It also includes increases of \$3.8 million in general funds and \$4.7 million in federal

fund expenditure authority for inflationary adjustments required by the federal government, such as Medicare and certain federally qualified rural health clinics. Increases of \$1.8 million in general funds and \$0.5 million in federal fund expenditure authority are included for targeted medical provider rate inflation. Also included are increases of \$1.3 million in general funds and \$0.4 million in federal fund expenditure authority for subsidized adoptions and guardianships. A decrease of \$1.5 million in general funds, with a corresponding increase in federal fund expenditure authority, is due to the Federal Medical Assistance Percentage (FMAP) rate change.

The Department of Human Services ongoing budget will increase by \$9.1 million in general funds and \$16.8 million in federal fund expenditure authority. Increases of \$4.4 million in general funds and \$5.7 million in federal fund expenditure authority are included for discretionary medical provider inflation of 2.4%. Also included are increases of \$3.5 million in general funds and \$5.0 million in federal fund expenditure authority for targeted medical provider rates. Increases of \$1.9 million in general funds and \$2.7 million in federal fund expenditure authority are due to an increase in eligibles under the Division of Developmental Disabilities. In addition, increases of \$1.0 million in general funds and \$1.5 million in federal fund expenditure authority are to expand three nursing homes to access critical designation. A decrease of \$1.8 million in general funds, along with a corresponding increase in federal fund expenditure authority, is due to the FMAP rate change.

The ongoing budget for the Department of Health includes an increase of \$0.6 million in general funds and a decrease of \$1.3 million in other fund expenditure authority. This includes increases of 13.0 FTE and \$0.6 million in general funds for additional staff within the Office of Disease Prevention Services. There is also a decrease of \$1.3 million in other fund expenditure authority due to updated correctional healthcare projections.

To address the safety of our state's citizens, a progressive criminal justice system is in place. The ongoing budget for the Department of Corrections includes increases of \$0.1 million in federal fund expenditure authority and \$1.2 million in other fund expenditure authority, as well as a decrease of \$0.2 million in general funds. The general fund increases throughout the department include: \$0.4 million for community transition placements, \$0.3 million for parole agents, \$0.2 million for juvenile community corrections, \$0.1 million for re-entry specialists, \$0.1 million for an offender management system, and \$0.1 million for a manager of compliance and risk. Also included are general fund decreases of \$1.3 million in general funds for correctional healthcare and \$0.2 million due to food services and utilities. The increases of \$0.1 million in federal fund expenditure authority and \$1.2 million in other fund expenditure authority are for juvenile community corrections and Pheasantland Industries.

The Governor is recommending an increase of \$9.6 million in general funds, \$4.4 million in federal fund expenditure authority, and \$11.4 million in other fund expenditure authority for a market adjustment for state employees' salaries of 2.4%.

SUMMARY OF RECOMMENDED BUDGET ADJUSTMENTS

State Aid, Technical Colleges, Higher Education, and Education

- Includes State Aid to K-12 Education, Technical Colleges, Higher Education, and the Department of Education.
- \$23.6M increase out of \$60.3M total ongoing general fund increase.
- \$882.4M out of \$1.8B or 49.2% of total ongoing general funds.
- \$1.7B out of \$5.1B or 33.0% of total ongoing funds.

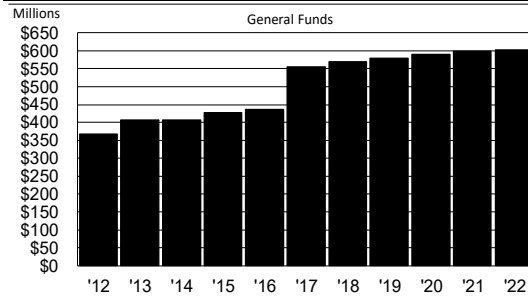
State Aid to K-12 Education	FTE	General	Federal	Other
State Aid to General Education		\$19,228,094		
Sparsity		\$113,652		
Total	0.0	\$19,341,746	\$0	\$0

- Increase of \$19,228,094 in general funds for State Aid to General Education due to 2.4% inflation on the target teacher salary and an increase in enrollments.
- Increase of \$113,652 in general funds for sparsity payments due to 2.4% inflation and increased enrollment in sparse districts.

State Aid to Technical Colleges	FTE	General	Federal	Other
Maintenance and Repair		\$714,508		
Technical College Formula		\$299,901		
Instructor Salary Support		\$76,029		
Bond Payments		(\$453,451)		
Total	0.0	\$636,987	\$0	\$0

- Increase of \$714,508 in general funds for years 3 and 4 of a 6-year plan to reach 2% of replacement value for maintenance and repair of state-owned buildings at the Technical Colleges.
- Increase of \$299,901 in general funds for the Technical Colleges formula due to 2.4% inflation on the per student allocation and a decreased number of students.
- Increase of \$76,029 for 2.4% inflation of the instructor salary support pool.
- Decrease of \$453,451 in general funds to align funding with bond payment schedules and savings based on paying off two bonds ahead of schedule.

State Aid to Schools



Note: Includes Technical Colleges and does not include stimulus in lieu of general funds

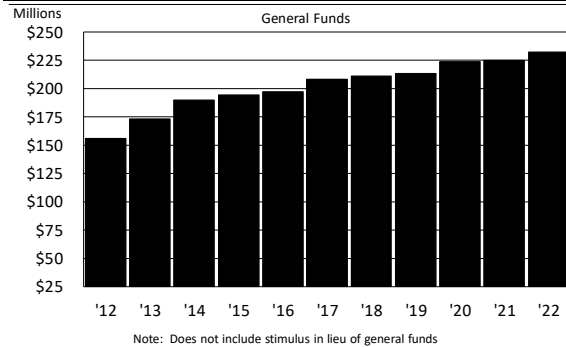
Education	FTE	General	Federal	Other
Electronic Records Program		\$109,956		
Birth to Three		(\$982)	\$982	
Rethink Education Models Grant			\$1,867,623	
Total	0.0	\$108,974	\$1,868,605	\$0

- Increase of \$109,956 in general funds to update and maintain the electronic records system.
- Decrease of \$982 in general funds and an increase of \$982 in federal fund expenditure authority in the Birth to Three program due to the change in the Federal Medical Assistance Percentage (FMAP).
- Increase of \$1,867,623 in federal fund expenditure authority for the Rethink Education Models grant.

Board of Regents	FTE	General	Federal	Other
Maintenance and Repair		\$3,654,196		
Critical Deferred Maintenance Lease Payment		(\$6,243)		
Utilities		(\$129,267)		
Expenditure Authority Adjustments	(2.0)		\$75,000	\$2,518,666
Respiratory Care Program				
Total	(2.0)	\$3,518,686	\$75,000	\$2,518,666

- Increase of \$3,654,196 in general funds to fund maintenance and repair at 1.75% of replacement value.
- Decrease of \$6,243 in general funds for the lease payment adjustment for critical deferred maintenance.
- Decrease of \$129,267 in general funds for utility expenses.
- Decrease of 2.0 FTE, increase of \$75,000 in federal fund expenditure authority, and increase of \$2,518,666 in other fund expenditure authority for anticipated expenses, tuition, and fees.
- Transfer of respiratory care program from Dakota State University to South Dakota State University.

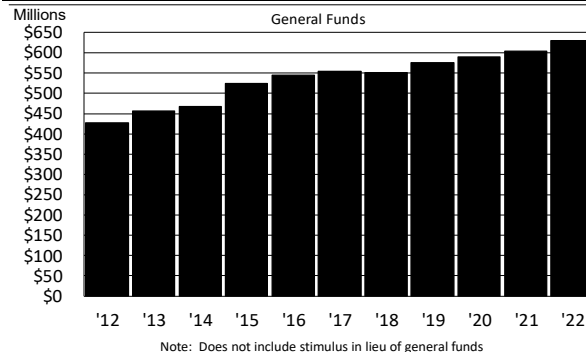
Board of Regents



Health, Human, and Social Services

- Includes Departments of Health, Human Services, and Social Services.
- \$22.0M increase out of \$60.3M total ongoing general fund increase.
- \$630.0M out of \$1.8B or 35.1% of total ongoing general funds.
- \$1.7B out of \$5.1B or 33.3% of total ongoing funds.

Health, Human, and Social Services



Health	FTE	General	Federal	Other
Office of Disease Prevention Services Staff	13.0	\$525,654		
Health Protection Inspections		\$18,263		
Rural Residency Track		\$7,618	\$19,072	
Informational Boards				\$32,954
Correctional Healthcare				(\$1,338,355)
Total	13.0	\$551,535	\$19,072	(\$1,305,401)

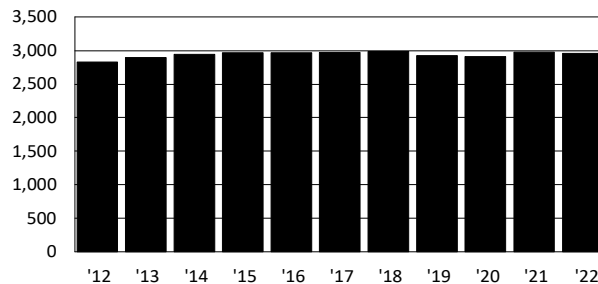
- Increases of 13.0 FTE and \$525,654 in general funds for additional staff within the Office of Disease Prevention Services. The increase is for 3 additional Disease Intervention Specialists, 5 Public Health Assistants, and converting 3 contracted Epidemiologists and 2 contracted Informaticians to state employees.

- Increase of \$18,263 in general funds for the increase in the Department of Public Safety inspection rate.
- Increases of \$7,618 in general funds and \$19,072 in federal fund expenditure authority for 2.4% provider inflation and FMAP changes within the Rural Residency Program.
- Increase of \$32,954 in other fund expenditure authority for various increases for the department's informational boards.
- Decrease of \$1,338,355 of other fund expenditure authority within Correctional Health due to updated projections and provider inflation.

Human Services	FTE	General	Federal	Other
Provider Inflation		\$4,396,376	\$5,766,541	\$133,294
Targeted Provider Inflation		\$3,542,340	\$5,011,975	
Developmental Disabilities		\$2,043,585	\$2,891,418	
Access Critical Nursing Home Expansion		\$1,035,057	\$1,464,477	
South Dakota Developmental Center	(6.0)	(\$136,128)	(\$192,603)	
Federal Medical Assistance Percentage		(\$1,765,880)	\$1,828,919	(\$63,039)
Total	(6.0)	\$9,115,350	\$16,770,727	\$70,255

- Increases of \$4,396,376 in general funds, \$5,766,541 in federal fund expenditure authority, and \$133,294 for provider inflation of 2.4%.
- Increases of \$3,542,340 in general funds and \$5,011,975 in federal fund expenditure authority for targeted provider inflation increase of 40% movement to 100% of reimbursement methodology.
- Increases of \$2,043,585 in general funds and \$2,891,418 in federal fund expenditure authority in the Division of Developmental Disabilities for an increase in eligibles and continuum of care to home and community-based services as individuals transition out of the South Dakota Developmental Center.
- Increases of \$1,035,057 in general funds and \$1,464,477 in federal fund expenditure authority to expand three additional nursing facilities to access critical designation.
- Decreases of 6.0 FTE, \$136,128 in general funds, and \$192,603 in federal fund expenditure authority for changes in personal services due to the right sizing initiative, utilities, and food service at the South Dakota Developmental Center.
- Decreases of \$1,765,880 in general funds and \$63,039 in other fund expenditure authority with a corresponding increase in federal fund expenditure authority for the change in FMAP.

Developmental Disabilities Clients

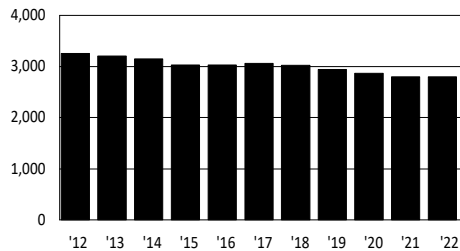


Social Services	FTE	General	Federal	Other
Provider Inflation		\$6,769,143	\$6,547,569	\$14,896
Mandatory Inflation		\$3,772,256	\$4,714,773	
Targeted Provider Inflation		\$1,799,819	\$540,451	
Child Protection Adoptions and Guardianships	1.0	\$1,294,209	\$448,847	
Electronic Health Records Data Hosting		\$179,345		
Auxiliary Placement		\$150,000		
Human Services Center		(\$108,246)	(\$5,738)	
Federal Medical Assistance Percentage		(\$1,547,291)	\$1,547,291	
Child Care Direct Assistance			\$1,569,817	
Total	1.0	\$12,309,235	\$15,363,010	\$14,896

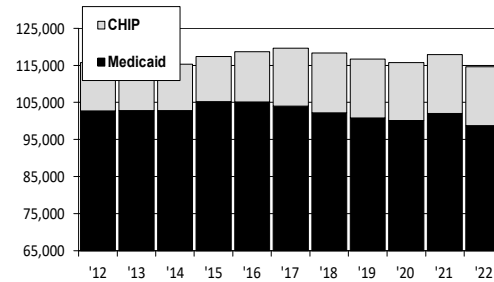
- Increases of \$6,769,143 in general funds, \$6,547,569 in federal fund expenditure authority, and \$14,896 in other fund expenditure authority for 2.4% provider inflation.
- Increases of \$3,772,256 in general funds and \$4,714,773 in federal fund expenditure authority for mandatory increases for Federally Qualified Health Centers, Rural Health Clinics, Prescription Drugs, Medicare Parts A, B, D and crossover co-pays.
- Increases of \$1,799,819 in general funds and \$540,451 in federal fund expenditure authority for targeted provider inflation increase of 40% movement to 100% of reimbursement methodology.
- Increases of \$1,294,209 in general funds and \$448,847 in federal fund expenditure authority for an additional 77 adoption and 38 guardianship subsidies and 1.0 FTE for an Adoption Specialist in Child Protection Services.
- Increase of \$179,345 in general funds for data hosting support for Human Service Center's Electronic Health Records.
- Increase of \$150,000 in general funds for disability level II rates in the Auxiliary Placement Program.
- Decreases of \$108,246 in general funds and \$5,738 in federal fund expenditure authority at the Human Services Center due to food services and utilities adjustments.
- Decrease of \$1,547,291 in general funds with a corresponding increase in federal fund expenditure authority for the change in FMAP.

- Increase of \$1,569,817 in federal fund expenditure authority due to an increase in the Child Care Block Grant allocation.

TANF Case Load in
South Dakota



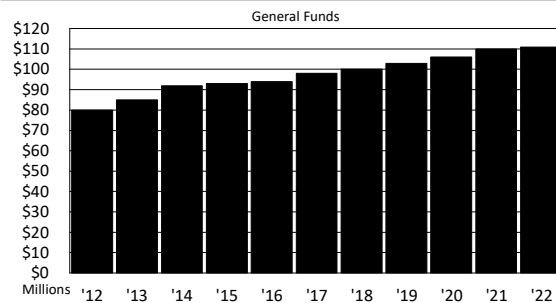
Medical Assistance Case
Loads in South Dakota



Corrections

- Includes the Department of Corrections.
- \$222K decrease out of \$60.3M total ongoing general fund increase.
- \$111.2M out of \$1.8B or 6.2% of total ongoing general funds.
- \$121.4M out of \$5.1B or 2.4% of total ongoing funds.

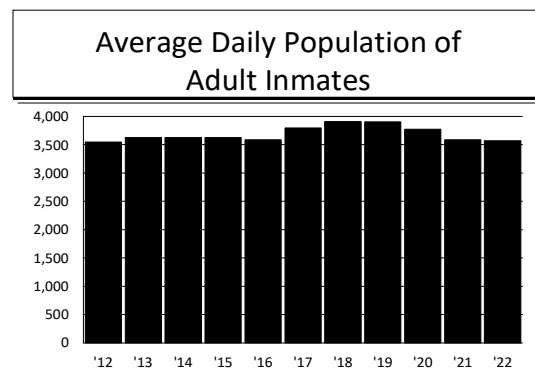
Corrections



Note: Does not include stimulus in lieu of general funds

Corrections	FTE	General	Federal	Other
Community Transition Program Placements		\$422,942		
Parole Agents	5.0	\$321,916		
Juvenile Community Corrections		\$225,380	\$108,401	
PreP Re-Entry Specialists	2.0	\$135,674		
Comprehensive Offender Management System		\$105,000		
Manager of Compliance and Risk	1.0	\$87,128		
Food Services and Utilities		(\$190,916)		
Correctional Healthcare		(\$1,329,443)		
Pheasantland Industries	1.0			\$1,180,235
Total	9.0	(\$222,319)	\$108,401	\$1,180,235

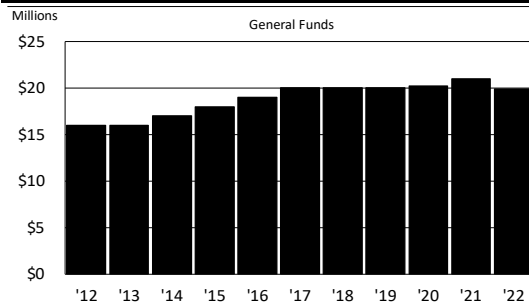
- Increase of \$422,942 in general funds for 26 parolees in the Community Transition Program to be housed in community placements.
- Increases of 5.0 FTE and \$321,916 in general funds for additional parole agents to lower the parole caseload.
- Increases of \$225,380 in general funds and \$108,401 in federal fund expenditure authority for 2.4% provider inflation, FMAP changes, and movement toward 100% of methodology for providers within Juvenile Community Corrections.
- Increases of 2.0 FTE and \$135,674 in general funds for a PreP Re-Entry Specialist at the Sioux Falls Community Work Center and the Yankton Community Work Center.
- Increase of \$105,000 in general funds for the maintenance of the Comprehensive Offender Management System.
- Increases of 1.0 FTE and \$87,128 in general funds for a manager of compliance and risk.
- Decrease of \$190,916 in general funds for changes in food services and utilities for all facilities.
- Decrease of \$1,329,443 in general funds in Correctional Healthcare due to updated projections.
- Increases of 1.0 FTE and \$1,180,235 in other fund expenditure authority for a Prison Shop Foreman at the South Dakota Women's Prison and increased production expenses.



Agriculture and Natural Resources and Game, Fish, and Parks

- Includes Departments of Agriculture and Natural Resources and Game, Fish, and Parks.
- \$1.9M decrease out of \$60.3M total ongoing general fund increase.
- \$19.9M out of \$1.8B or 1.1% of total ongoing general funds.
- \$180.4M out of \$5.1B or 3.6% of total ongoing funds.

Agriculture, Natural Resources, and Game, Fish, and Parks



Agriculture and Natural Resources	FTE	General	Federal	Other
Animal Industry Board Meat Inspector	1.0	\$33,256	\$33,256	
DENR/SDDA Merger Position Savings	(5.0)	(\$281,170)	(\$67,294)	(\$148,254)
Move Wildland Fire to DPS	(48.9)	(\$1,649,144)	(\$3,155,690)	(\$359,896)
Informational Budgets				\$2,493,950
State Fair				\$300,000
RC&F Good Neighbor Authority				\$200,000
ADRDL Bond Payment				(\$3,299)
Total	(52.9)	(\$1,897,058)	(\$3,189,728)	\$2,482,501

- Increases of 1.0 FTE, \$33,256 in general funds, and \$33,256 in federal fund expenditure authority for a meat inspector position in the Animal Industry Board due to increased demand for meat inspections.
- Decreases of 5.0 FTE, \$281,170 in general funds, \$67,294 in federal fund expenditure authority, and \$148,254 in other fund expenditure authority due to position savings as a result of the Department of Agriculture and Department of Environment and Natural Resources merger.
- Decreases of 48.9 FTE, \$1,649,144 in general funds, \$3,155,690 in federal fund expenditure authority, and \$359,896 in other fund expenditure authority to move the Division of Wildland Fire to the Department of Public Safety.
- Increase of \$2,493,950 in other fund expenditure authority to align the informational budgets with anticipated expenditures.
- Increase of \$300,000 in other fund expenditure authority in the State Fair to align authority with anticipated expenditures.
- Increase of \$200,000 in other fund expenditure authority to establish a Good Neighbor Authority budget in Resource Conservation and Forestry. This is a partnership with the US Forest Service.
- Decrease of \$3,299 in other fund expenditure authority for the annual bond payment for the Animal Disease Research Diagnostic Lab (ADRDL).

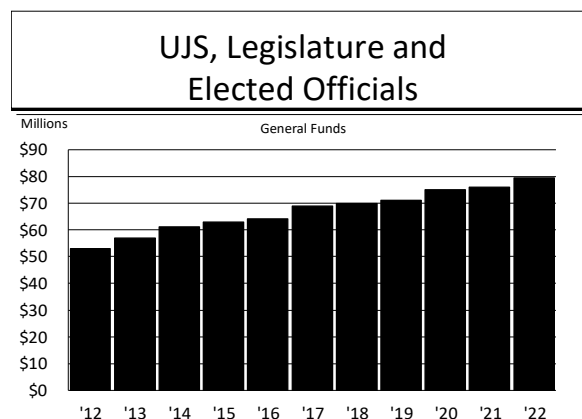
Game, Fish, and Parks	FTE	General	Federal	Other
Bond Payments		(\$590)		
Division of Wildlife Operations			\$485,531	\$6,957,440

Division of Parks & Recreation Capital Development			\$283,000	\$1,118,080
Division of Parks & Recreation Operations			(\$7,730)	\$851,196
Division of Wildlife Capital Development			(\$242,500)	\$232,500
Total	0.0	(\$590)	\$518,301	\$9,159,216

- Decrease of \$590 in general funds based on changes in bond payments.
- Increases of \$485,531 in federal fund expenditure authority and \$6,957,440 in other fund expenditure authority to reflect activity-based cost increases in the Division of Wildlife maintenance and operations budget.
- Increases of \$283,000 in federal fund expenditure authority and \$1,118,080 in other fund expenditure authority to align the budget with anticipated costs from the capital development project list in the Division of Parks and Recreation.
- Decrease of \$7,730 in federal fund expenditure authority and an increase of \$851,196 in other fund expenditure authority to reflect activity-based cost increases in the maintenance and operations budget of the state parks system.
- Decrease of \$242,500 in federal fund expenditure authority and an increase of \$232,500 in other fund expenditure authority to align the budget with anticipated costs from the capital development project list in the Division of Wildlife.

Legislature, Unified Judicial System, Public Utilities Commission, and Elected Officials

- Includes the Legislature, Unified Judicial System, Public Utilities Commission, Office of the Attorney General, Secretary of State, School and Public Lands, Office of the State Auditor, and Office of the State Treasurer.
- \$1.3M increase out of \$60.3M total ongoing general fund increase.
- \$79.4M out of \$1.8B or 4.4% of total ongoing general funds.
- \$167.1M out of \$5.1B or 3.3% of total ongoing funds.



Legislature	FTE	General	Federal	Other
Legislator Salary		\$61,114		
Legislative Research Council Software Licenses		\$17,818		
Total	0.0	\$78,932	\$0	\$0

- Increase of \$61,114 in general funds in the Legislative Research Council to align the budget with projected legislator salaries for FY2022. The legislator salary is set to equal one-fifth of South Dakota median household income.
- Increase of \$17,818 in general funds in the Legislative Research Council for an increase in the software licenses costs.

Unified Judicial System	FTE	General	Federal	Other
Various Positions	6.0	\$239,608		\$75,450
Miscellaneous Operating Expenses		\$152,954		\$41,500
Security Coordinator	1.0	\$91,671		
Problem Solving Court Services Officer	1.0	\$69,677		
Provider Inflation		\$67,772		
IT Operating Expenses				\$307,946
Total	8.0	\$621,682	\$0	\$424,896

- Increases of 6.0 FTE, \$239,608 in general funds, and \$75,450 in other fund expenditure authority for additional positions and to convert several positions from part-time to full-time. The positions include a circuit court administrative assistant, deputy court clerks, court services secretaries and a senior computer support specialist.
- Increases of \$152,954 in general funds and \$41,500 in other fund expenditure authority for operating expenses related to the new positions, drug court expenses, interpreter services and court services officer training.
- Increases of 1.0 FTE and \$91,671 in general funds for a security coordinator position.
- Increases of 1.0 FTE and \$69,677 in general funds for a problem-solving court services officer.
- Increase of \$67,772 in general funds for 2.4% provider inflation.
- Increase of \$307,946 in other fund expenditure authority for Odyssey Redaction System and various increases and decreases.

Public Utilities Commission	FTE	General	Federal	Other
Budget Alignments			(\$10,867)	(\$6,732)
One Call Notification Board Informational Budget Adjustments				\$127,225
Total	0.0	\$0	(\$10,867)	\$120,493

- Decreases of \$10,867 in federal fund expenditure authority and \$6,732 in other fund expenditure authority to align the Public Utilities Commission budget with anticipated expenditures.
- Increase of \$127,225 in other fund expenditure authority to align the One Call Notification Board with anticipated expenditures.

Attorney General	FTE	General	Federal	Other
DCI Special Agents	3.0	\$283,803		
DCI Rent and Operating Expenses		\$102,000		
Annual Maintenance Costs		\$98,500		\$77,184

Legal Services Support Staff	1.0	\$60,276		
Lab Operating Expenses		\$60,000		
Victim Witness Specialist	1.0	\$17,456	\$69,816	
Forensic Scientist	1.0			\$82,275
Law Enforcement Training Operating Expenses				\$30,000
Total	6.0	\$622,035	\$69,816	\$189,459

- Increases of 3.0 FTE and \$283,803 in general funds for three Special Agents within the Division of Criminal Investigation. These positions will focus their efforts on drug related investigations within South Dakota.
- Increase of \$102,000 in general funds for rent costs within the Division of Criminal Investigation and surveillance equipment.
- Increases of \$98,500 in general funds and \$77,184 in other fund expenditure authority for annual maintenance costs for various systems.
- Increases of 1.0 FTE and \$60,276 in general funds for a legal services support staff position.
- Increase of \$60,000 in general funds for lab supplies.
- Increases of 1.0 FTE, \$17,456 in general funds, and \$69,816 in federal fund expenditure authority for a victim witness specialist.
- Increases of 1.0 FTE and \$82,275 in other fund expenditure authority for a forensic scientist position.
- Increase of \$30,000 in other fund expenditure authority for an online law enforcement training resource.

Secretary of State	FTE	General	Federal	Other
No changes				
Total	0.0	\$0	\$0	\$0

- No recommended changes to the FY22 budget.

School and Public Lands	FTE	General	Federal	Other
No changes				
Total	0.0	\$0	\$0	\$0

- No recommended changes to the FY22 budget.

State Auditor	FTE	General	Federal	Other
Operating Expenses		\$1,350		
Total	0.0	\$1,350	\$0	\$0

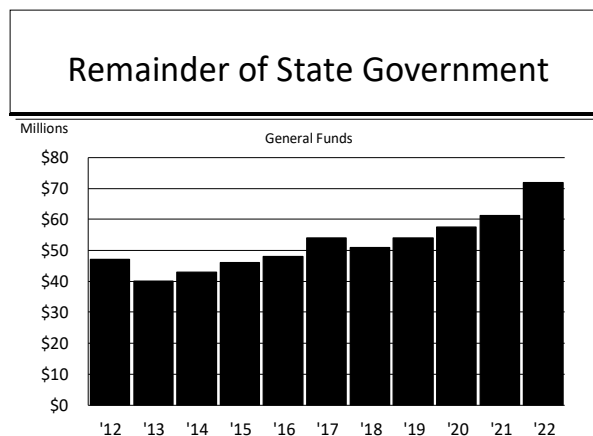
- Increase of \$1,350 in general funds to align budget with anticipated operating expenses.

State Treasurer	FTE	General	Federal	Other
Personal Services				\$268,263
Incentive Funding				\$704,180
Contractual Services				(\$62,483)
Total	0.0	\$0	\$0	\$909,960

- Increase of \$268,263 in other fund expenditure authority for promotional increases at the South Dakota Investment Council.
- Increase of \$704,180 in other fund expenditure authority to maintain funding of the incentive program at 200% of prior year base salaries of investment positions.
- Decrease of \$62,483 in other fund expenditure authority for various changes in contractual services at the South Dakota Investment Council.

Remainder of State Government

- Includes the Departments of Executive Management, Military, Veterans' Affairs, Revenue, Tourism, Tribal Relations, Transportation, Labor and Regulation, Retirement, and Public Safety.
- \$15.5M increase out of \$60.3M total ongoing general fund increase.
- \$71.8M out of \$1.8B or 4.0% of total ongoing general funds.
- \$1.2B out of \$5.1B or 24.3% of total ongoing funds.



Executive Management	FTE	General	Federal	Other
State Employee Salary Policy Pool		\$9,572,887	\$4,381,984	\$11,363,347
Statewide Maintenance and Repair		\$1,934,080		(\$250,000)
South Dakota Marketing		\$1,000,000		
Bureau Billings Pool		\$762,620	\$695,682	\$844,204
Captive Insurance Premium		\$256,345	\$18,289	\$972,856
State Radio Position		\$128,635	(\$128,635)	
BFM Legal Consultant		50,000		
GOED Unutilized FTE	(7.0)		(\$508,879)	
Statewide Utilities				\$329,210
Remote Teleworker & End-Point Protection				\$250,000
Internal Control Software				\$169,000
Maintain Geographic Information Systems				\$140,000
Microsoft Support				\$105,000
Financial Systems Maintenance				\$75,582
Power BI Visual Reporting Tool				\$65,000

Science & Technology Authority				(\$1,000,000)
Total	(7.0)	\$13,704,567	\$4,458,441	\$13,064,199

- Increases of \$9,572,887 in general funds, \$4,381,984 in federal fund expenditure authority, and \$11,363,347 in other fund expenditure authority in the Bureau of Finance and Management (BFM) to be put in a funding pool to be distributed to state agencies for 2.4% salary policy.
- Increase of \$1,934,080 in general funds and decrease of \$250,000 in other fund expenditure authority to fund statewide maintenance and repair at 1.75% of replacement value.
- Increase of \$1,000,000 in general funds within the Governor's Office of Economic Development for a statewide marketing plan.
- Increases of \$762,620 in general funds, \$695,682 in federal fund expenditure authority, and \$844,204 in other fund expenditure authority in the Bureau of Finance and Management to be put in a funding pool to be distributed to state agencies for bureau billings.
- Increases of \$256,345 in general funds, \$18,289 in federal fund expenditure authority, and \$972,856 in other fund expenditure authority for an increase in the captive insurance premium.
- Increase of \$128,635 in general funds and a decrease of \$128,635 in federal fund expenditure authority for a pay change for a position within State Radio.
- Increase of \$50,000 in general funds for the Bureau of Finance and Management to contract with a legal consultant.
- Decreases of 7.0 FTE and \$508,879 in federal fund expenditure authority within the Governor's Office of Economic Development due to unutilized positions.
- Increase of \$329,210 in other fund expenditure authority within the Bureau of Administration statewide utilities per EnergyCAP.
- Increase of \$250,000 in other fund expenditure authority within the Bureau of Information and Telecommunications for improved software protection for work-from-home employees.
- Increase of \$169,000 in other fund expenditure authority within the Bureau of Finance and Management for the Governance, Risk Management, and Control Software used for internal control reporting.
- Increase of \$140,000 in other fund expenditure authority within the Bureau of Information and Telecommunications for maintenance of the Geographic Information Systems.
- Increase of \$105,000 in other fund expenditure authority within the Bureau of Information and Telecommunications for a Microsoft support tool.
- Increase of \$75,582 in other fund expenditure authority within the Bureau of Finance and Management for annual maintenance costs related to the state's financial systems.
- Increase of \$65,000 in other fund expenditure authority within the Bureau of Information and Telecommunications for a Power Business Intelligence Visual Reporting Tool.
- Decrease of \$1,000,000 in other fund expenditure authority within the Governor's Office of Economic Development to align the Science and Technology Authority's budget with anticipated expenditures.

Military	FTE	General	Federal	Other
Utilities		\$21,073	\$60,789	
Total	0.0	\$21,073	\$60,789	\$0

- Increases of \$21,073 in general funds and \$60,789 in federal fund expenditure authority for utilities per EnergyCAP.

Veterans' Affairs	FTE	General	Federal	Other
FMAP		(\$27,887)	\$27,887	
Food Services				\$67,855
Utilities				\$4,134
Total		(\$27,887)	\$27,887	\$71,989

- Decrease of \$27,887 in general funds and increase of \$27,887 in federal fund expenditure authority for FMAP adjustments.
- Increase of \$67,855 in other fund expenditure authority to right-size the food services' budget.
- Increase of \$4,134 in other fund expenditure authority for utilities per EnergyCAP.

Revenue	FTE	General	Federal	Other
Sales Ratio Study Maintenance Fees		15,000		
Motor Vehicle Kiosk Contract				\$250,000
Motor Vehicle Title Processor	1.0			\$44,065
Total	1.0	\$15,000	\$0	\$294,065

- Increase of \$15,000 in general funds for ongoing maintenance and support for the Ratio Study module within the new Property Tax system.
- Increase \$250,000 in other fund expenditure authority for ongoing costs associated with additional Kiosks used by the Motor Vehicle Division.
- Increases of 1.0 FTE and \$44,065 in other fund expenditure authority for a Title Processor within the Motor Vehicle Division.

Tourism	FTE	General	Federal	Other
No changes				
Total	0.0	\$0	\$0	\$0

- No recommended changes to the FY22 budget.

Tribal Relations	FTE	General	Federal	Other
No changes				
Total	0.0	\$0	\$0	\$0

- No recommended changes to the FY22 budget.

Transportation	FTE	General	Federal	Other
No changes				
Total	0.0	\$0	\$0	\$0

- No recommended changes to the FY22 budget.

Labor and Regulation	FTE	General	Federal	Other
RA System Development			\$1,000,000	
Fraud and Compliance (RA) Staff	10.0		\$597,566	
Total	10.0	\$0	\$1,597,566	\$0

- Increase of \$1,000,000 in federal fund expenditure authority to improve portions of the Reemployment Assistance (RA) computer system.
- Increases of 10.0 FTE and \$597,566 in federal fund expenditure authority for fraud and compliance (RA) staff.

Retirement	FTE	General	Federal	Other
Capital Assets				(\$47,000)
Additional Legal Counsel Staff				\$0
Total	0.0	\$0	\$0	(\$47,000)

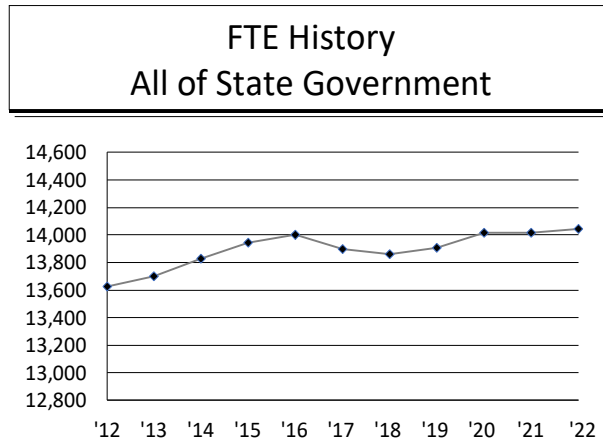
- Decrease of \$47,000 in other fund expenditure authority due to the completion of a new conference room, therefore, excess authority is not needed.
- Transferring other fund expenditure authority from operating expenses to personal services to allow for additional legal counsel.

Public Safety	FTE	General	Federal	Other
Move Wildland Fire to DPS	48.9	\$1,649,144	\$3,155,690	\$359,896
Metrologist	1.0	\$70,807		
Wildland Fire Adjustments	(3.6)	\$30,304	\$303,048	
State Radio Contract		\$24,481		
Victims' Compensation Fund				\$14,558
Total	46.3	\$1,774,736	\$3,458,738	\$374,454

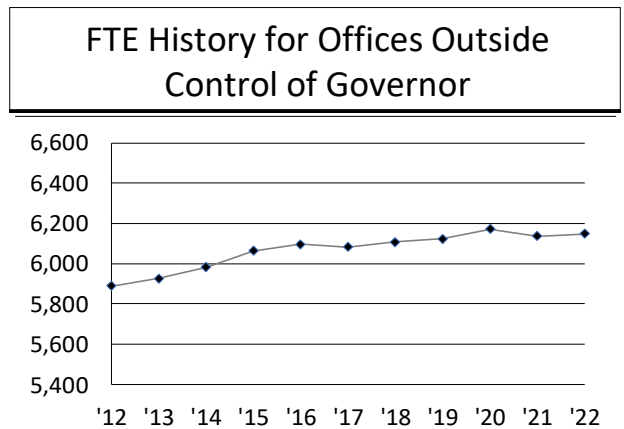
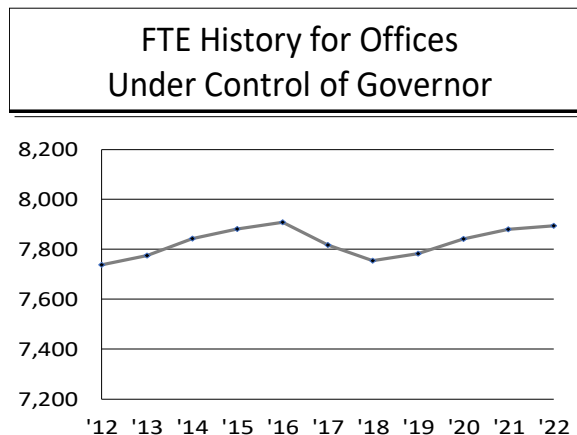
- Increases of 48.9 FTE, \$1,649,144 in general funds, \$3,155,690 in federal fund expenditure authority, and \$359,896 in other fund expenditure authority to move the Division of Wildland Fire to the Department of Public Safety.
- Increases of 1.0 FTE and \$70,807 in general funds for a second metrologist at the Metrology Lab.
- Increase of \$30,304 in general funds for capital assets in Wildland Fire. Decrease of 3.6 FTE and increase of \$303,048 in federal fund expenditure authority due to shifts in work and to align the budget with anticipated grants.
- Increase of \$24,481 in general funds for Central South Dakota and Pennington County state radio contracts.
- Increase of \$14,558 in other fund expenditure authority for 2.4% provider inflation in the Victim's Compensation Fund.

Full-Time Equivalent Employee Change

- The total appropriated FTE across all of state government rose from 13,627.9 in FY2012 to a recommended level of 14,043.0 for FY2022.
- This is an increase of 415.1, or 3.0%, over the decade. The recommended change in FTE for FY2022 is an increase of 26.4 across state government.



- For offices outside the control of the Governor, total appropriated FTE changed from 5,889.4 in FY2012 to a recommended level of 6,148.8 for FY2022. This is a net increase of 259.4, or 4.5%, over the decade.
- The recommended changes for these offices in the FY2022 budget are an increase of 12.0 FTE.
- For agencies under direct control of the Governor, total appropriated FTE changed from 7,738.5 in FY2012 to a recommended level of 7,894.2 for FY2022. This is a net increase of 155.7, or 2.0%, over the decade.
- The recommended changes for these agencies in the FY2022 budget are an increase of 14.4 FTE.



Summary of Reorganizations

Department of Agriculture: A reorganization is recommended between the Department of Agriculture and the Department of Environment and Natural Resources. The budget reorganization merges the Department of Agriculture and the Department of Environment and Natural Resources to form the new Department of Agriculture and Natural Resources.

Department of Environment and Natural Resources: A reorganization is recommended between the Department of Agriculture and the Department of Environment and Natural Resources. The budget reorganization merges the Department of Agriculture and the Department of Environment and Natural Resources to form the new Department of Agriculture and Natural Resources.

Department of Agriculture: A reorganization is recommended between the Department of Agriculture and the Department of Public Safety. The budget reorganization moves the Division of Wildland Fire from the Department of Agriculture to the Department of Public Safety.

Department of Public Safety: A reorganization is recommended between the Department of Agriculture and the Department of Public Safety. The budget reorganization moves the Division of Wildland Fire from the Department of Agriculture to the Department of Public Safety.

SPECIAL APPROPRIATION RECOMMENDATIONS

FY2021 EMERGENCY SPECIAL APPROPRIATIONS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
Broadband Expansion		\$ 100,000,000			\$ 100,000,000
Technical Colleges Bond Payoff		\$ 21,669,906			\$ 21,669,906
Livestock Complex		\$ 12,000,000		\$ 7,000,000	\$ 19,000,000
Meat Processing Grants		\$ 5,000,000			\$ 5,000,000
Dam Maintenance		\$ 5,000,000			\$ 5,000,000
Marijuana Implementation		\$ 4,161,502			\$ 4,161,502
Ellsworth Airforce Base Recreational Center		\$ 3,200,000			\$ 3,200,000
STAR Academy		\$ 1,740,000			\$ 1,740,000
Fire Suppression Fund		\$ 973,514			\$ 973,514
South Dakota Women's Prison Adjacent Property		\$ 910,000			\$ 910,000
Rural Recruitment Assistance Programs		\$ 811,967			\$ 811,967
SDDC Vacant Building Demolition		\$ 794,645			\$ 794,645
Sioux Falls Readiness Center		\$ 500,000	\$ 1,500,000		\$ 2,000,000
Custer State Park - Bison Visitor Center		\$ 500,000		\$ 4,500,000	\$ 5,000,000
Tax Refunds for the Elderly and Disabled		\$ 450,000			\$ 450,000
Extraordinary Litigation Fund		\$ 400,000			\$ 400,000
Veterans' Bonus Program		\$ 400,000			\$ 400,000
USS Pierre		\$ 100,000			\$ 100,000
Cold Storage Building - Sioux Falls			\$ 396,000		\$ 396,000
Governor's 2021 Omnibus Water Funding Bill			\$ 75,000	\$ 14,000,000	\$ 14,075,000
Coordinated Conservation Fund				\$ 500,000	\$ 500,000
TOTAL FY2021 EMERGENCY SPECIAL APPROPRIATIONS	0.0	\$ 158,611,534	\$ 1,971,000	\$ 26,000,000	\$ 186,582,534

NOTE: FY2021 emergency special appropriations become available for expenditure upon passage of the bill and are included in the FY2021 column of the General Fund Condition Statement.

The Governor is recommending total emergency special appropriations of \$158,611,534 in general funds, \$1,971,000 in federal fund expenditure authority, and \$26,000,000 in other fund expenditure authority. The following paragraphs highlight each recommended emergency special appropriation.

- **Broadband Expansion:** The Governor is recommending \$100,000,000 in general funds to increase access to broadband services throughout South Dakota.
- **Technical Colleges Bond Payoff:** The Governor is recommending \$21,669,906 in general funds to pay off two bonds ahead of schedule.
- **Livestock Complex:** The Governor is recommending \$12,000,000 in general funds and \$7,000,000 in other fund expenditure authority to construct a livestock complex at the State Fair.
- **Meat Processing Grants:** The Governor is recommending \$5,000,000 in general funds for a meat processing grant program to assist South Dakota meat processors in responding to market and workforce disruptions due to the pandemic.
- **Dam Maintenance:** The Governor is recommending \$5,000,000 in general funds for costs associated with dam maintenance, including the replacement of the Elm Lake Dam.
- **Marijuana Implementation:** The Governor is recommending \$4,161,502 in general funds for various expenses related to the implementation of commercial marijuana sales and use within the state.
- **Ellsworth Airforce Base Recreational Center:** The Governor is recommending \$3,200,000 in general funds to support a new recreational centers on Ellsworth Airforce Base to support Airmen and Airwomen and their families.
- **STAR Academy:** The Governor is recommending \$1,740,000 in general funds for the demolition of the Administration building on the STAR property in western South Dakota.
- **Fire Suppression Fund:** The Governor is recommending \$973,514 in general funds to be deposited into the Fire Suppression Fund for costs related to the suppression of wildfires in South Dakota.
- **South Dakota Women's Prison Adjacent Property:** The Governor is recommending \$910,000 in general funds to purchase property adjacent to the South Dakota Women's Prison for maintenance space and expansion of programming for inmates.
- **Rural Recruitment Assistance Programs:** The Governor is recommending \$811,967 in general funds to recruit medical professionals to rural communities.
- **SDDC Vacant Building Demolition:** The Governor is recommending \$794,645 in general funds to demolish Dakota Hall and the root cellar at the South Dakota Developmental Center in Redfield.
- **Sioux Falls Readiness Center:** The Governor is recommending \$500,000 in general funds and \$1,500,000 in federal fund expenditure authority for the construction of a National Guard Readiness Center in Sioux Falls.

- **Custer State Park - Bison Visitor Center:** The Governor is recommending \$500,000 in general funds and \$4,500,000 in other fund expenditure authority to construct a bison visitor center near the corrals in Custer State Park to enhance visitor experience.
- **Tax Refunds for the Elderly and Disabled:** The Governor is recommending \$450,000 in general funds for tax refunds to elderly and disabled individuals who meet income guidelines.
- **Extraordinary Litigation Fund:** The Governor is recommending \$400,000 in general funds be deposited into the Extraordinary Litigation Fund to fund litigation expenses which are not eligible to be paid under SDCL 3-22-1.
- **Veterans' Bonus Program:** The Governor is recommending \$400,000 in general funds to continue the veterans' bonus program within the Department of Veterans' Affairs.
- **USS Pierre:** The Governor is recommending \$100,000 in general funds to support the commissioning of USS Pierre, the Littoral Combat Ship.
- **Cold Storage Building- Sioux Falls:** The Governor is recommending \$396,000 in federal fund expenditure authority for an expansion of the military motor vehicle storage building at Joe Foss Field in Sioux Falls.
- **Governor's 2021 Omnibus Water Funding Bill:** The Governor is recommending \$75,000 in federal fund expenditure authority and \$14,000,000 in other fund expenditure authority for water development, solid waste, and water quality improvement projects throughout the state.
- **Coordinated Conservation Fund:** The Governor is recommending \$500,000 in other fund expenditure authority for the continued assistance of promoting conservation practices to reduce erosion, improve cropland and grazing conditions, improve surface water, and enhance habitat.

FY2021 GENERAL BILL AMENDMENTS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
Regional Crisis Diversion Centers		\$ 8,364,225	\$ 11,607,659		\$ 19,971,884
State Airplane Purchase		\$ 5,000,000			\$ 5,000,000
Technical Colleges Equipment		\$ 3,366,196			\$ 3,366,196
Emergency Vehicle Operations Course		\$ 2,434,501			\$ 2,434,501
Black Hills Radio Coverage		\$ 2,400,000			\$ 2,400,000
Educator Certification Website, Database, and Application System Update		\$ 1,531,755			\$ 1,531,755
Reemployment Assistance Indirect Costs Related to COVID-19		\$ 999,294			\$ 999,294
K-12 Civics/History Curriculum		\$ 900,000			\$ 900,000
Bureau Billings		\$ 873,856	\$ 838,949	\$ 1,037,314	\$ 2,750,119
Community Transition Program		\$ 455,885			\$ 455,885
SDSU Ag Experiment Station - Precision Ranching		\$ 453,200			\$ 453,200
Hot Springs State Radio Tower Equipment		\$ 400,000			\$ 400,000
Reliance State Radio Tower Equipment		\$ 400,000			\$ 400,000
USD Animal Resource Center Equipment		\$ 355,000			\$ 355,000
Virtual Crisis Care Grant Extension		\$ 285,000			\$ 285,000
Office of Disease Prevention Services Staff	6.5	\$ 262,827			\$ 262,827
Virtual School Website, Registration, and Reporting System		\$ 200,000			\$ 200,000
Missing Person Clearinghouse		\$ 175,000			\$ 175,000
DCI Office Space and Equipment		\$ 160,062			\$ 160,062
Captive Insurance Premium		\$ 155,899	\$ 8,978	\$ 452,083	\$ 616,960
Sales Ratio Study Software		\$ 150,000			\$ 150,000
State Veterans' Home Security System		\$ 150,000			\$ 150,000
Metrology Lab Equipment		\$ 107,985			\$ 107,985
DNA Cold Cases		\$ 100,000			\$ 100,000
BHSU West River Health Sciences Center		\$ 90,000			\$ 90,000
State Veterans' Home Nursing Capacity		\$ 88,534	\$ 164,420		\$ 252,954
Virtual Crisis Care Grant Expansion		\$ 75,000			\$ 75,000
Wildland Fire Skid Steer		\$ 69,565			\$ 69,565
Statutory Salary for Legislators		\$ 61,114			\$ 61,114
State Veterans' Cemetery Sprinkler System		\$ 60,000			\$ 60,000
Tribal Relations Website		\$ 50,000			\$ 50,000
Office of the State Auditor - Personal Services		\$ 26,500			\$ 26,500
State Aid Funding for Impacted Student Enrollment		\$ -			\$ -
Legislative Per Diem		\$ (47,565)			\$ (47,565)
Technical Colleges Formula		\$ (106,287)			\$ (106,287)
Drug/DUI Court Treatment		\$ (120,419)			\$ (120,419)
Statewide Utilities Adjustments		\$ (396,059)	\$ (23,825)	\$ 250,512	\$ (169,372)
Dual Credit		\$ (525,485)			\$ (525,485)
SDDC Personal Services Reduction		\$ (534,425)	\$ (741,662)		\$ (1,276,087)
Statewide Food Services Adjustments		\$ (661,972)		\$ 54,845	\$ (607,127)
Correctional Healthcare Adjustment		\$ (2,087,067)		\$ (2,087,067)	\$ (4,174,134)
Medicare Part D Clawback Savings		\$ (4,400,000)			\$ (4,400,000)
Correctional Healthcare Personal Services Savings (CRF)		\$ (5,318,659)			\$ (5,318,659)
Court Services Officers Personal Services Savings (CRF)		\$ (5,765,265)			\$ (5,765,265)
Human Services Center Personal Services Savings (CRF)		\$ (12,331,832)			\$ (12,331,832)
Correctional Officer and Parole Agent Personal Services Savings (CRF)		\$ (20,921,979)			\$ (20,921,979)
FY2020 Enhanced FMAP and Claims Carryover		\$ (39,152,704)			\$ (39,152,704)
FY2021 Enhanced FMAP		\$ (41,820,047)	\$ 13,940,016		\$ (27,880,031)
CARES Act CANS Expenditure Authority			\$ 16,711,083		\$ 16,711,083
CARES Act Expenditure Authority			\$ 8,076,969		\$ 8,076,969
Reemployment Assistance Staff	10.0		\$ 597,566		\$ 597,566
State Veterans' Home Pergola/Balcony Enclosure			\$ 163,800	\$ 88,200	\$ 252,000
State Veterans' Home Employee Housing			\$ 98,150	\$ 52,850	\$ 151,000
Secretary of State Online Voter Registration			\$ 42,500		\$ 42,500
State Database Brittle Fund				\$ 10,000,000	\$ 10,000,000
State Radio Upgrade				\$ 4,620,920	\$ 4,620,920
BIT Server and Infrastructure Upgrades				\$ 2,846,386	\$ 2,846,386
Pheasantland Industries				\$ 1,121,522	\$ 1,121,522
USD Other Fund Expenditure Authority	2.0			\$ 329,230	\$ 329,230
State Veterans' Home Solar Panels				\$ 269,190	\$ 269,190
CEDAR Tax System				\$ 200,000	\$ 200,000
Audit Division - Alteryx Data Analysis Software				\$ 150,000	\$ 150,000
TOTAL FY2021 GENERAL BILL AMENDMENTS	18.5	\$ (103,988,367)	\$ 51,484,603	\$ 19,385,985	\$ (33,117,779)

NOTE: FY2021 general bill amendments are changes needing to be made to the FY2021 General Appropriations Act and are included in the FY2021 column of the General Fund Condition Statement.

The Governor is recommending total general bill amendments of 18.5 FTE, (\$103,988,367) in general funds, \$51,484,603 in federal fund expenditure authority, and \$19,385,985 in other fund expenditure authority. The following paragraphs highlight the recommended changes to the FY2021 General Bill.

- **Regional Crisis Diversion Centers:** The Governor is recommending increases of \$8,364,225 in general funds and \$11,607,659 in federal fund expenditure authority for startup costs for the creation of regional crisis diversion centers operated by community support providers.
- **State Airplane Purchase:** The Governor is recommending an increase of \$5,000,000 in general funds for the purchase of a new state airplane to enhance travel safety.
- **Technical Colleges Equipment:** The Governor is recommending an increase of \$3,366,196 in general funds for equipment purchases at the technical colleges.
- **Emergency Vehicle Operations Course:** The Governor is recommending an increase of \$2,434,501 in general funds to reconstruct the Emergency Vehicle Operations Course where all law enforcement officers are trained to safely operate their vehicles.
- **Black Hills Radio Coverage:** The Governor is recommending an increase of \$2,400,000 in general funds for additional coverage of state radio in the Black Hills.
- **Educator Certification Website, Database, and Application System Update:** The Governor is recommending an increase of \$1,531,755 in general funds to update and redesign Department of Education's Educator Certification system.
- **Reemployment Assistance Indirect Costs Related to COVID-19:** The Governor is recommending an increase of \$999,294 in general funds to assist with Department of Labor and Regulation's indirect costs.
- **K-12 Civics/ History Curriculum:** The Governor is recommending an increase of \$900,000 in general funds to develop civics and history curriculum.
- **Bureau Billings:** The Governor is recommending increases of \$873,856 in general funds, \$838,949 in federal fund expenditure authority, and \$1,037,314 in other fund expenditure authority to be distributed to state agencies for increases in bureau billings.
- **Community Transition Program:** The Governor is recommending an increase of \$455,885 in general funds for twenty six additional community housing placements within Department of Corrections.
- **SDSU Ag Experiment Station - Precision Ranching:** The Governor is recommending an increase of \$453,200 in general funds to integrate technology into the SDSU Cottonwood Field Station to serve as a hub for precision ranching research.
- **Hot Springs State Radio Tower Equipment:** The Governor is recommending an increase of \$400,000 in general funds for additional equipment for the existing Hot Springs state radio tower to expand coverage and increase public safety.
- **Reliance State Radio Tower Equipment:** The Governor is recommending an increase of \$400,000 in general funds for additional equipment for the existing Reliance state radio tower to expand coverage and increase public safety.
- **USD Animal Resource Center Equipment:** The Governor is recommending an increase of \$355,000 in general funds to upgrade equipment and software in the Animal Resource Center to allow studies of candidate compounds and to acquire equipment for the production of vaccines.
- **Virtual Crisis Care Grant Extension:** The Governor is recommending an increase of \$285,000 in general funds to extend the Unified Judicial System's Virtual Crisis Care Pilot through FY2022.
- **Office of Disease Prevention Services Staff:** The Governor is recommending increases of 6.5 FTE and \$262,827 in general funds for additional staff within the Office of Disease Prevention Services due to the increase of reportable diseases in South Dakota.
- **Virtual School Website, Registration, and Reporting System:** The Governor is recommending an increase of \$200,000 in general funds to update the South Dakota Virtual School website and registration and reporting system.
- **Missing Persons Clearinghouse:** The Governor is recommending an increase of \$175,000 in general funds to develop a new missing persons clearinghouse website.
- **DCI Office Space and Equipment:** The Governor is recommending an increase of \$160,062 in general funds to furnish office space and provide equipment for new DCI special agents.
- **Captive Insurance Premium:** The Governor is recommending increases of \$155,899 in general funds, \$8,978 in federal fund expenditure authority, and \$452,083 in other fund expenditure authority for an increase in the Property and Casualty Captive insurance premium.
- **Sales Ratio Study Software:** The Governor is recommending \$150,000 to replace the Sales Ratio Study Software in the Department of Revenue which will support the statutorily required audit of real estate sales in the state.
- **State Veterans' Home Security System:** The Governor is recommending an increase of \$150,000 in general funds for a new security system at the South Dakota State Veterans' Home to ensure adequate safety of residents.
- **Metrology Lab Equipment:** The Governor is recommending an increase of \$107,985 in general funds to purchase equipment for the Metrology Lab.
- **DNA Cold Cases:** The Governor is recommending an increase of \$100,000 in general funds to send all DNA for cold cases out for analysis.
- **BHSU West River Health Sciences Center:** The Governor is recommending an increase of \$90,000 to enhance infrastructure and student support, as well as marketing and recruitment at the West River Health Sciences Center.
- **State Veterans' Home Nursing Capacity:** The Governor is recommending increases of \$88,534 in general funds and \$164,420 in federal fund expenditure authority to allow for additional nursing space if necessary.

- **Virtual Crisis Care Grant Expansion:** The Governor is recommending an increase of \$75,000 in general funds to allow six additional counties to the Virtual Crisis Care Grant Pilot.
- **Wildland Fire Skid Steer:** The Governor is recommending an increase of \$69,565 in general funds for the purchase of a skid steer to aid in fire suppression efforts.
- **Statutory Salary for Legislators:** The Governor is recommending an increase of \$61,114 in general funds to align the budget for legislator salaries in FY2021.
- **State Veterans' Cemetery Sprinkler System:** The Governor is recommending an increase of \$60,000 in general funds for a sprinkler system at the State Veterans' Cemetery in Sioux Falls.
- **Tribal Relations Website:** The Governor is recommending an increase of \$50,000 in general funds to update the Department of Tribal Relations and Indian Education websites.
- **Office of the State Auditor - Personal Services:** The Governor is recommending an increase of \$26,500 in general funds to cover the retirement payout of a long-time state employee.
- **State Aid Funding for Impacted Student Enrollment:** The Governor is recommending a redistribution of current existing state aid to general education budget to provide funding to K-12 school districts based on their 2020 fall enrollment.
- **Legislative Per Diem:** The Governor is recommending a decrease of \$47,565 in general funds to align legislator per diem in FY2021 due to a 37-day legislative session.
- **Technical Colleges Formula:** The Governor is recommending a decrease of \$106,287 in general funds due to updated full-time equivalent student numbers.
- **Drug/DUI Court Treatment:** The Governor is recommending a decrease of \$120,419 in general funds to align with projected clients for the remainder of FY21.
- **Statewide Utilities Adjustments:** The Governor is recommending decreases of \$396,059 in general funds and \$23,825 in federal fund expenditure authority and an increase of \$250,512 in other fund expenditure authority due to utility cost projections.
- **Dual Credit:** The Governor is recommending a decrease of \$525,485 in general funds due to lower than projected dual credit enrollments.
- **SDDC Personal Services Reduction:** The Governor is recommending decreases of \$534,425 in general funds and \$741,662 in federal fund expenditure authority to align with anticipated personal services expenditures in FY2021.
- **Statewide Food Services Adjustments:** The Governor is recommending a decrease of \$661,972 in general funds and an increase of \$54,845 in other fund expenditure authority due meal rate and population changes at state facilities.
- **Correctional Healthcare Adjustment:** The Governor is recommending decreases of \$2,087,067 in general funds and \$2,087,067 in other fund expenditure authority to right-size correctional healthcare based on previous years' expenditures, patient count, and inflation.
- **Medicare Part D Clawback Savings:** The Governor is recommending a decrease of \$4,400,000 in general funds due to 6.2% enhanced FMAP.
- **Correctional Healthcare Personal Services Savings (CRF):** The Governor is recommending a decrease of \$5,318,659 in general funds due to coding FY2021 payroll for substantially dedicated public health employees at the clinics within the correctional facilities to the Coronavirus Relief Fund.
- **Court Services Officers Personal Services Savings (CRF):** The Governor is recommending a decrease of \$5,765,265 in general funds due to coding FY2021 payroll for substantially dedicated public safety employees to the Coronavirus Relief Fund.
- **Human Services Center Personal Services Savings (CRF):** The Governor is recommending a decrease of \$12,331,832 in general funds due to coding FY2021 payroll for substantially dedicated public health employees at Human Services Center to the Coronavirus Relief Fund.
- **Correctional Officer and Parole Agent Personal Services Savings (CRF):** The Governor is recommending a decrease of \$20,921,979 in general funds due to coding FY2021 payroll for substantially dedicated public safety employees at the correctional facilities to the Coronavirus Relief Fund.
- **FY2020 Enhanced FMAP and Claims Carryover:** The Governor is recommending a decrease of \$39,152,704 in general funds to the FY2021 budgets in the Departments of Social Services and Human Services to spend the carryover funds from FY2020 due to enhanced FMAP savings and delayed Medicaid claims.
- **FY2021 Enhanced FMAP:** The Governor is recommending a decrease of \$41,820,047 in general funds and an increase of \$13,940,016 in federal fund expenditure authority due to three quarters of general fund savings and one additional quarter of federal fund expenditure authority needed because of the 6.2% enhanced FMAP. The 6.2% enhanced FMAP will continue until the end of the quarter that the public health emergency ends.
- **CARES Act CANS Expenditure Authority:** The Governor is recommending an increase of \$16,711,083 in federal fund expenditure authority for the National School Lunch Program.
- **GOED CARES Act Expenditure Authority:** The Governor is recommending \$8,076,969 in federal fund expenditure authority for Community Development Block Grant funding that was awarded through the CARES Act.
- **Reemployment Assistance Staff:** The Governor is recommending an increase of 10.0 FTE and \$597,566 in federal fund expenditure authority to assist with the increased workload associated with the growth in RA claims.
- **State Veterans' Home Pergola/Balcony Enclosure:** The Governor is recommending increases of \$163,800 in federal fund expenditure authority and \$88,200 in other fund expenditure authority for a pergola and balcony enclosure at the State Veterans' Home.
- **State Veterans' Home Employee Housing:** The Governor is recommending increases of \$98,150 in federal fund expenditure authority and \$52,850 in other fund expenditure authority to expand employee housing at the State Veterans' Home.

- **Secretary of State Online Voter Registration:** The Governor is recommending an increase of \$42,500 in federal fund expenditure authority for an online voter registration system.
- **State Database Brittle Fund:** The Governor is recommending an increase of \$10,000,000 in other fund expenditure authority to allow for the Bureau of Information and Telecommunications to perform various statewide database upgrades.
- **State Radio Upgrade:** The Governor is recommending an increase of \$4,620,920 in other fund expenditure authority for the Bureau of Information and Telecommunications to utilize funding that was appropriated during the 2019 Legislative Session for the state radio infrastructure upgrade.
- **BIT Server and Infrastructure Upgrades:** The Governor is recommending an increase of \$2,846,386 in other fund expenditure authority within the Bureau of Information and Telecommunications to do various server and infrastructure upgrades.
- **Pheasantland Industries:** The Governor is recommending an increase of \$1,121,522 in other fund expenditure authority due to increased production at Pheasantland Industries.
- **USD Other Fund Expenditure Authority:** The Governor is recommending increases of 2.0 FTE and \$329,230 in other fund expenditure authority for the USD graduate nursing program.
- **State Veterans' Home Solar Panels:** The Governor is recommending an increase of \$269,190 in other fund expenditure authority for solar panels at the State Veterans' Home.
- **CEDAR Tax System Study:** The Governor is recommending \$200,000 in other fund authority for the Department of Revenue to conduct a study and create a workplan for the replacement of the CEDAR tax system.
- **Audit Division - Alteryx Data Analysis Software:** The Governor is recommending \$150,000 in other fund authority for the Department of Revenue to pilot the use of data analysis software in its audit selection process to reduce the number of no finding audits.

FY2021 EXPENDITURE TRANSFERS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
Trust Fund		\$ 50,000,000			\$ 50,000,000
State Database Brittle Fund		\$ 10,000,000			\$ 10,000,000
Aeronautics Fund		\$ 4,000,000			\$ 4,000,000
State Fair Cash Shortfall		\$ 721,582			\$ 721,582
TOTAL FY2021 EXPENDITURE TRANSFERS	0.0	\$ 64,721,582	\$ -	\$ -	\$ 64,721,582

NOTE: FY2021 expenditure transfers are included in the FY2021 column of the General Fund Condition Statement.

The Governor is recommending total expenditure transfers of \$64,721,582 in general funds. The following paragraphs highlight the recommended expenditure transfers.

- **Trust Fund:** The Governor is recommending \$50,000,000 in general funds be transferred to the Health Care Trust Fund. This will increase ongoing general fund revenue in future years that will support health care related programs.
- **State Database Brittle Fund:** The Governor is recommending \$10,000,000 in general funds be transferred to a newly created fund within the Bureau of Information and Telecommunications to upgrade various statewide databases.
- **Aeronautics Fund:** The Governor is recommending \$4,000,000 in general funds be transferred to the Aeronautics Fund for the state's share in Airport Improvement Program projects.
- **State Fair Cash Shortfall:** The Governor is recommending \$721,582 in general funds be transferred to the State Fair Fund due to the revenue loss at the state fair because of the pandemic.

**GOVERNOR NOEM'S RECOMMENDATION FOR THE FY2022
STATE EMPLOYEE COMPENSATION PLAN**

	<u>GENERAL FUNDS</u>	<u>FEDERAL FUNDS</u>	<u>OTHER FUNDS</u>	<u>TOTAL FUNDS</u>
MARKET ADJUSTMENT:	\$ 9,572,887	\$ 4,381,984	\$11,363,347	\$ 25,318,218

The Governor is recommending a 2.4% market adjustment for state employees.

HEALTH INSURANCE:	\$ (5,178,162)	\$ (2,281,620)	\$ (5,097,814)	\$ (12,557,596)
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A decrease to the employer paid portion of the State Employee Health Insurance Plan is being recommended.

ARTIFICIAL MINIMUMS AND EQUITY ADJUSTMENTS	\$ 5,178,162	\$ 2,281,620	\$ 5,097,814	\$ 12,557,596
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The Governor is recommending to use Health Insurance savings to reinvest in employees by raising the artificial minimums and equitably addressing compression issues for longer term employees.

TOTAL COST OF RECOMMENDED STATE EMPLOYEE COMPENSATION PLAN:	<u>\$ 9,572,887</u>	<u>\$ 4,381,984</u>	<u>\$11,363,347</u>	<u>\$ 25,318,218</u>
REMAINING FY2021 POOL:	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL INCREASE FOR RECOMMENDED STATE EMPLOYEE COMPENSATION PLAN:	<u>\$ 9,572,887</u>	<u>\$ 4,381,984</u>	<u>\$11,363,347</u>	<u>\$ 25,318,218</u>

For FY2022, the components of the state employee compensation plan are recommended as a pool in the Bureau of Finance and Management to be distributed to agencies following the passage of the General Appropriations Act.

**GOVERNOR'S RECOMMENDED FY2022
GENERAL FUND BASE BUDGET**

GENERAL BILL	FTE EXPANSION/ (REDUCTION)	GENERAL FUND EXPANSION/ (REDUCTION)	TOTAL GENERAL FUND RECOMMENDATION
Administration	0.0	1,934,080	18,040,313
Agriculture and Natural Resources	(52.9)	(1,897,058)	13,454,254
Attorney General	6.0	622,035	13,249,843
Corrections	9.0	(222,319)	111,242,138
Education (Excluding State Aid and Technical Colleges)	0.0	108,974	18,316,698
State Aid to Education		19,341,746	601,717,447
Technical Colleges		636,987	30,654,877
Finance and Management	0.0	1,068,965	2,088,847
Employee Compensation Package		9,572,887	9,572,887
Game, Fish, and Parks	0.0	(590)	6,434,621
Office of the Governor (Excluding GOED)	0.0	0	2,615,576
Governor's Office of Economic Development	(7.0)	1,000,000	11,513,499
Health	13.0	551,535	10,252,602
Human Resources	0.0	0	302,239
Human Services	(6.0)	9,115,350	188,097,990
Information and Telecommunications	0.0	128,635	7,946,849
Labor and Regulation	10.0	0	2,285,184
Legislature	0.0	78,932	11,371,449
Military	0.0	21,073	4,085,842
Public Safety	46.3	1,774,736	6,468,730
Public Utilities Commission	0.0	0	625,150
Regents	(2.0)	3,518,686	231,750,811
Retirement	0.0	0	0
Revenue	1.0	15,000	899,496
School and Public Lands	0.0	0	597,343
Secretary of State	0.0	0	1,116,080
Social Services	1.0	12,309,235	431,667,848
State Auditor	0.0	1,350	1,392,379
State Treasurer (Including Investment Council)	0.0	0	576,800
Tourism	0.0	0	0
Transportation	0.0	0	595,214
Tribal Relations	0.0	0	711,782
Unified Judicial System	8.0	621,682	50,483,303
Veterans' Affairs	0.0	(27,887)	4,659,253
TOTAL FY2022 GENERAL BILL RECOMMENDATIONS	26.4	60,274,034	1,794,787,344
BREAKDOWN			
Executive Branch	14.4	25,879,729	839,063,399
Unified Judicial System and Other Elected Officials	14.0	1,323,999	82,027,923
State Aid	0.0	19,341,746	601,717,447
Technical Colleges	0.0	636,987	30,654,877
Board of Regents	(2.0)	3,518,686	231,750,811
Employee Compensation Package	0.0	9,572,887	9,572,887
TOTAL FY2022 GENERAL BILL RECOMMENDATIONS	26.4	60,274,034	1,794,787,344

GENERAL FUND CONDITION STATEMENT

	ACTUAL FY2019	ACTUAL FY2020	REVISED FY2021	PROJECTED FY2022
RECEIPTS				
Sales and Use Tax	\$ 1,025,401,209	\$ 1,072,830,649	\$ 1,140,054,313	\$ 1,145,342,839
Lottery	123,815,501	122,489,001	134,800,192	135,752,140
Contractor's Excise Tax	113,163,617	123,723,519	136,916,541	137,126,867
Insurance Company Tax	90,347,541	93,271,112	95,978,625	97,850,017
Unclaimed Property Receipts	48,573,600	47,308,472	40,000,000	40,000,000
Tobacco Taxes	49,971,217	51,066,112	50,904,325	50,358,530
Bank Franchise Tax	17,256,120	12,060,604	14,889,195	15,604,949
Other	172,674,484	176,873,668	191,119,732	181,218,040
One-Time Receipts	9,238,118	7,507,674	57,466,993	0
Transfer from Budget Reserves	6,603,463	14,859,866	0	0
Obligated Cash Carried Forward	16,898,828	19,354,553	41,617,499	0
TOTAL RECEIPTS	<u>\$ 1,673,943,697</u>	<u>\$ 1,741,345,230</u>	<u>\$ 1,903,747,415</u>	<u>\$ 1,803,253,382</u>
EXPENDITURES				
General Bill Excl. State Aid to Education	\$ 1,047,547,576	\$ 1,108,832,248	\$ 1,048,149,242	\$ 1,193,069,897
State Aid to Education	542,382,355	550,465,975	582,375,701	601,717,447
Emergency Special Appropriations	28,210,626	30,359,659	158,611,534	0
Continuous Appropriations/Transfers	18,549,759	13,238,832	72,949,825	8,466,038
TOTAL EXPENDITURES	<u>\$ 1,637,690,316</u>	<u>\$ 1,702,896,714</u>	<u>\$ 1,862,086,302</u>	<u>\$ 1,803,253,382</u>
TRANSFERS				
Budget Reserve Fund	\$ 16,898,828	\$ 19,354,553	\$ 41,617,499	\$ 0
TOTAL TRANSFERS	<u>\$ 16,898,828</u>	<u>\$ 19,354,553</u>	<u>\$ 41,617,499</u>	<u>\$ 0</u>
Beginning Unobligated Cash Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net (Receipts less Expend./Transfers)	<u>\$ 19,354,553</u>	<u>\$ 19,093,963</u>	<u>\$ 43,614</u>	<u>\$ 0</u>
OBLIGATIONS AGAINST CASH				
Budget Reserve Fund	\$ (19,354,553)	\$ (19,093,963)	\$ 0	\$ 0
Total Obligations Against Cash	<u>(19,354,553)</u>	<u>(19,093,963)</u>	<u>0</u>	<u>0</u>
Net Adjustments for Accruals				
Ending Unobligated Cash Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 43,614</u>	<u>\$ 0</u>

SOURCE: State of South Dakota Bureau of Finance and Management

NOTE: This document was prepared on a cash basis for budgeting purposes and reflects obligations against cash. The totals may not add due to rounding.

TOTAL STATE GOVERNMENT BUDGET (Excluding Informational Budgets)

GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2019	ACTUAL FY 2020	BUDGETED FY 2021	REQUESTED FY 2022	GOVERNOR'S RECOMMENDED FY 2022	RECOMMENDED INC/(DEC) FY 2022
FUNDING SOURCE:						
General Funds	\$ 1,589,929,931	\$ 1,659,298,222	\$ 1,734,513,310	\$ 1,774,804,539	\$ 1,794,787,344	\$ 60,274,034
Federal Funds	1,073,438,013	1,277,027,108	1,300,880,885	1,331,448,067	1,341,708,690	40,827,805
Other Funds	711,048,432	686,195,854	848,048,825	855,575,770	867,753,972	19,705,147
Total	\$ 3,374,416,377	\$ 3,622,521,184	\$ 3,883,443,020	\$ 3,961,828,376	\$ 4,004,250,006	\$ 120,806,986
EXPENDITURE DETAIL:						
Personal Services	\$ 776,601,851	\$ 838,192,589	\$ 894,252,473	\$ 900,277,383	\$ 921,741,022	\$ 27,488,549
Operating Expenses	2,597,814,526	2,784,328,595	2,989,190,547	3,061,550,993	3,082,508,984	93,318,437
Total	\$ 3,374,416,377	\$ 3,622,521,184	\$ 3,883,443,020	\$ 3,961,828,376	\$ 4,004,250,006	\$ 120,806,986
Staffing Level FTE:	10,475.2	10,460.6	11,957.7	12,010.2	11,989.1	31.4

SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2021	GOVERNOR'S RECOMMENDED FY 2022	RECOMMENDED INC/(DEC) FY 2022
General Funds	\$ 127,572,992	\$ 8,466,038	\$ (119,106,954)
Federal Funds	1,455,546,379	6,000,000	(1,449,546,379)
Other Funds	67,109,561	1,283,270	(65,826,291)
Total	\$ 1,650,228,932	\$ 15,749,308	\$ (1,634,479,624)
Staffing Level FTE:	18.5	0.0	(18.5)

TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2021	GOVERNOR'S RECOMMENDED FY 2022	RECOMMENDED INC/(DEC) FY 2022
General Funds	\$ 1,862,086,302	\$ 1,803,253,382	\$ (58,832,920)
Federal Funds	2,756,427,264	1,347,708,690	(1,408,718,574)
Other Funds	915,158,386	869,037,242	(46,121,144)
Total	\$ 5,533,671,952	\$ 4,019,999,314	\$ (1,513,672,638)
Staffing Level FTE:	11,976.2	11,989.1	12.9

INFORMATIONAL BUDGETS CONTAINED IN THE GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2019	ACTUAL FY 2020	BUDGETED FY 2021	REQUESTED FY 2022	GOVERNOR'S RECOMMENDED FY 2022	RECOMMENDED INC/(DEC) FY 2022
FUNDING SOURCE:						
General Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal Funds	358,533,850	550,314,821	468,736,850	469,662,449	469,104,803	367,953
Other Funds	580,665,526	518,847,712	570,844,397	580,662,133	580,662,133	9,817,736
Total	\$ 939,199,377	\$ 1,069,162,532	\$ 1,039,581,247	\$ 1,050,324,582	\$ 1,049,766,936	\$ 10,185,689
EXPENDITURE DETAIL:						
Personal Services	\$ 233,938,723	\$ 232,676,758	\$ 258,370,095	\$ 258,097,822	\$ 258,097,822	(\$ 272,273)
Operating Expenses	705,260,654	836,485,774	781,211,152	792,226,760	791,669,114	10,457,962
Total	\$ 939,199,377	\$ 1,069,162,532	\$ 1,039,581,247	\$ 1,050,324,582	\$ 1,049,766,936	\$ 10,185,689
Staffing Level FTE:	2,760.7	2,623.2	2,058.9	2,053.9	2,053.9	(5.0)

INFORMATIONAL BUDGETS

South Dakota Housing Development Authority
 SD Science & Technology Authority
 SD Ellsworth Development Authority
 South Dakota Building Authority
 SD Health & Educational Facilities Authority
 Education Enhancement Funding Corporation
 Risk Management Administration
 Risk Management Claims
 Lottery Instant and On-Line Operations
 Commission on Gaming
 American Dairy Association
 Wheat Commission
 Oilseeds Council
 Soybean Research and Promotion
 Brand Board
 Corn Utilization Council
 Board of Veterinary Medical Examiners
 SD Pulse Crops Council
 Division of Wildlife
 Wildlife Development and Improvement
 Snowmobile Trails Program
 Board of Counselor Examiners
 Board of Psychology Examiners
 Board of Social Work Examiners
 Board of Addiction & Prevention Professionals
 Board of Chiropractic Examiners
 Board of Dentistry
 Board of Hearing Aid Dispensers
 Board of Funeral Service
 Board of Medical and Osteopathic Examiners
 Board of Nursing
 Board of Nursing Home Administrators
 Board of Examiners in Optometry

Board of Pharmacy
 Board of Podiatry Examiners
 Board of Massage Therapy
 Board of Language and Speech Pathology
 Board of Certified Professional Midwives
 Board of Accountancy
 Board of Barber Examiners
 Cosmetology Commission
 Plumbing Commission
 Board of Technical Professions
 Electrical Commission
 Real Estate Commission
 Abstractors Board of Examiners
 SD Athletic Commission
 Trust Captive Insurance Company
 Highway Construction Contracts
 911 Coordination Board
 Tuition and Fee Fund
 Board of Regents Research
 Army Guard
 Air National Guard
 Regulated Response Fund
 Livestock Cleanup
 Petroleum Release Fund
 PUC Administration
 Grain Warehouse
 Fixed Utilities
 Pipeline Safety
 One-Call Notification Board
 State Bar Association
 Insurance Fraud Unit
 Unclaimed Property Fund

TOTAL STATE GOVERNMENT BUDGET (Including Informational Budgets)

GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2019	ACTUAL FY 2020	BUDGETED FY 2021	REQUESTED FY 2022	GOVERNOR'S RECOMMENDED FY 2022	RECOMMENDED INC/(DEC) FY 2022
FUNDING SOURCE:						
General Funds	\$ 1,589,929,931	\$ 1,659,298,222	\$ 1,734,513,310	\$ 1,774,804,539	\$ 1,794,787,344	\$ 60,274,034
Federal Funds	1,431,971,864	1,827,341,929	1,769,617,735	1,801,110,516	1,810,813,493	41,195,758
Other Funds	1,291,713,959	1,205,043,565	1,418,893,222	1,436,237,903	1,448,416,105	29,522,883
Total	\$ 4,313,615,753	\$ 4,691,683,716	\$ 4,923,024,267	\$ 5,012,152,958	\$ 5,054,016,942	\$ 130,992,675
EXPENDITURE DETAIL:						
Personal Services	\$ 1,010,540,573	\$ 1,070,869,347	\$ 1,152,622,568	\$ 1,158,375,205	\$ 1,179,838,844	\$ 27,216,276
Operating Expenses	3,303,075,180	3,620,814,369	3,770,401,699	3,853,777,753	3,874,178,098	103,776,399
Total	\$ 4,313,615,753	\$ 4,691,683,716	\$ 4,923,024,267	\$ 5,012,152,958	\$ 5,054,016,942	\$ 130,992,675
Staffing Level FTE:	13,235.9	13,083.9	14,016.6	14,064.1	14,043.0	26.4

SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2021	GOVERNOR'S RECOMMENDED FY 2022	RECOMMENDED INC/(DEC) FY 2022
General Funds	\$ 127,572,992	\$ 8,466,038	\$ (119,106,954)
Federal Funds	1,455,546,379	6,000,000	(1,449,546,379)
Other Funds	67,109,561	1,283,270	(65,826,291)
Total	\$ 1,650,228,932	\$ 7,649,308	\$ (1,634,479,624)
Staffing Level FTE:	18.5	0.0	(18.5)

TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2021	GOVERNOR'S RECOMMENDED FY 2022	RECOMMENDED INC/(DEC) FY 2022
General Funds	\$ 1,862,086,302	\$ 1,803,253,382	\$ (58,832,920)
Federal Funds	3,225,164,114	1,816,813,493	(1,408,350,621)
Other Funds	1,486,002,783	1,449,699,375	(36,303,408)
Total	\$ 6,573,253,199	\$ 5,069,766,250	\$ (1,503,486,949)
Staffing Level FTE:	14,035.1	14,043.0	7.9

