

FY2023 Budget Slides

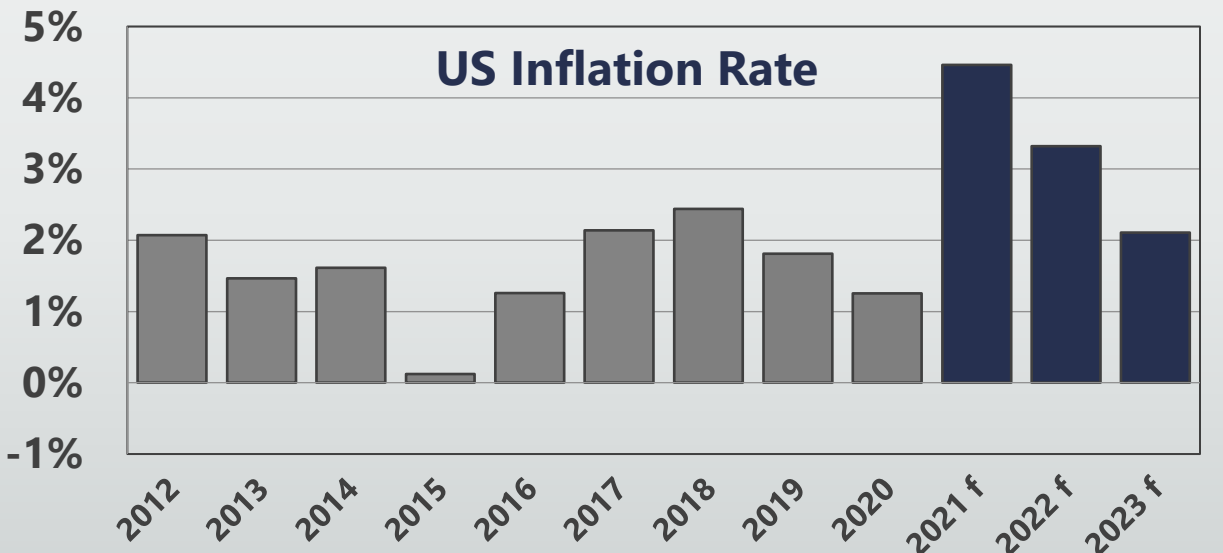
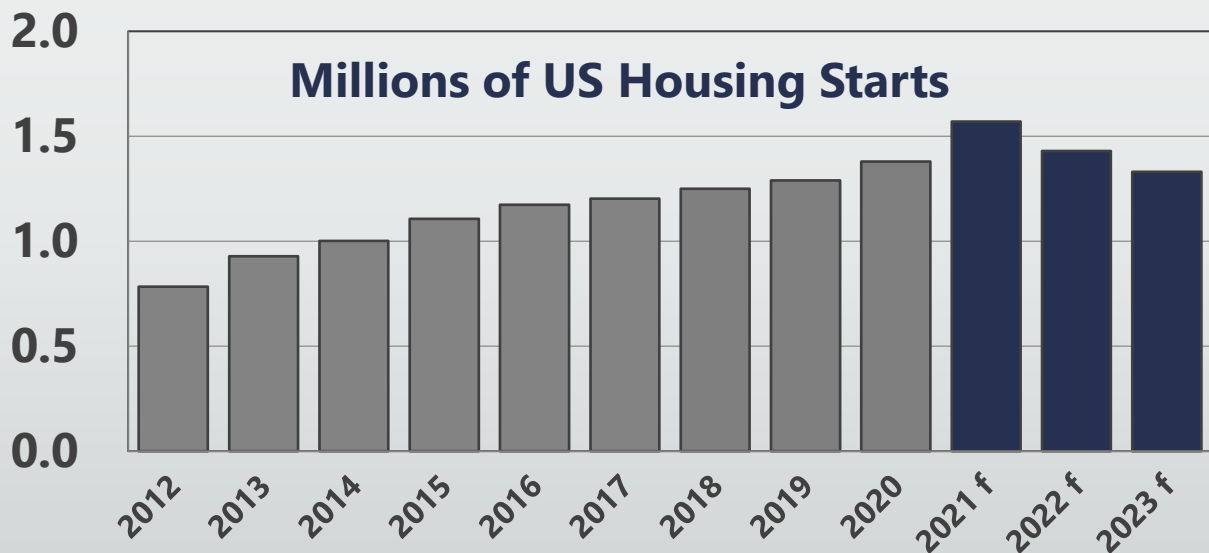
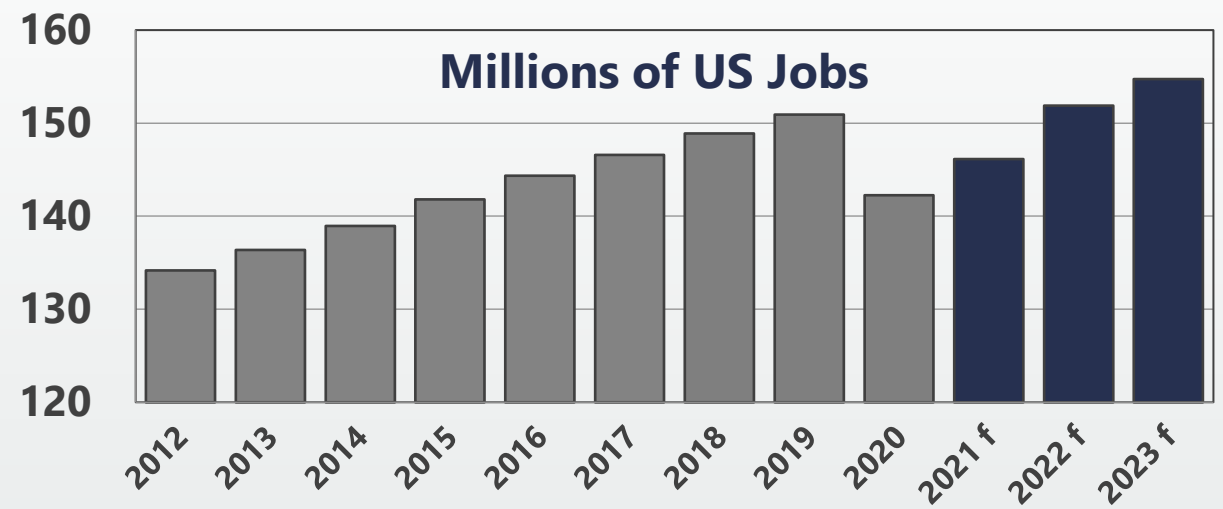
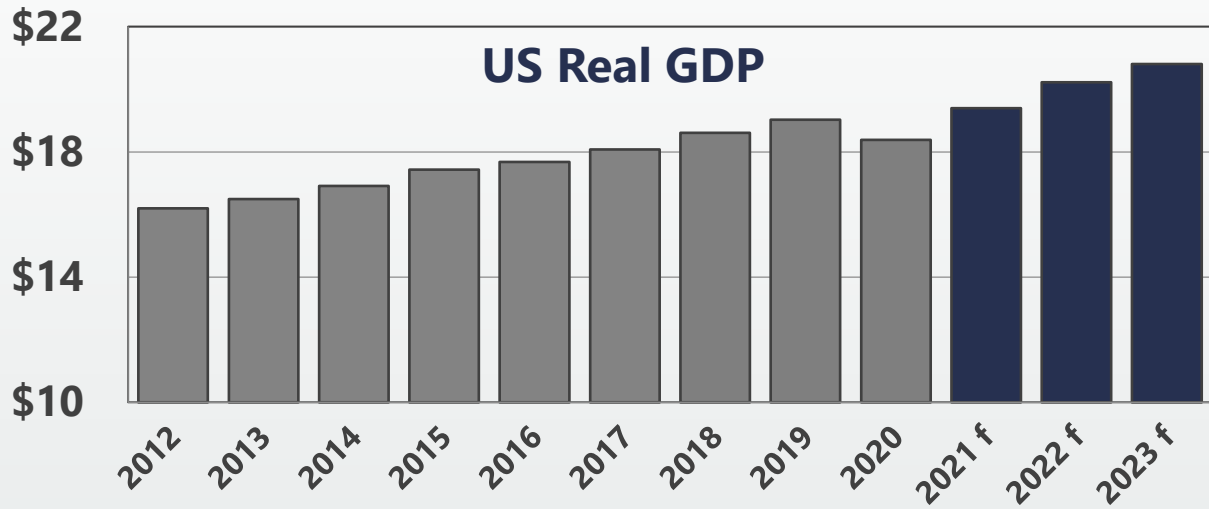
These slides are provided as a supplement to the slides included in the Governor's presentation that was delivered on December 7, 2021.

ECONOMIC OUTLOOK

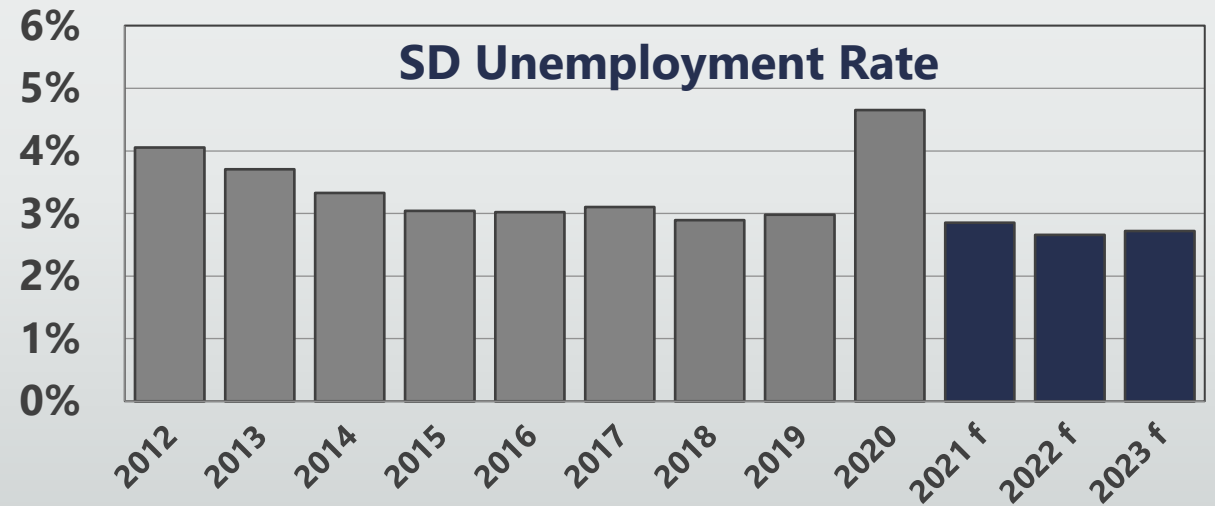
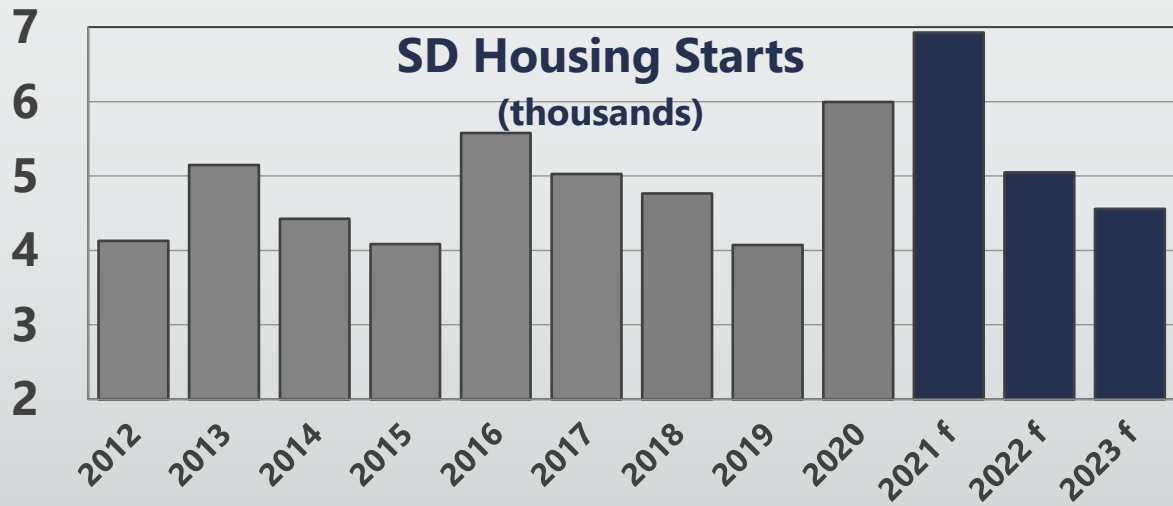
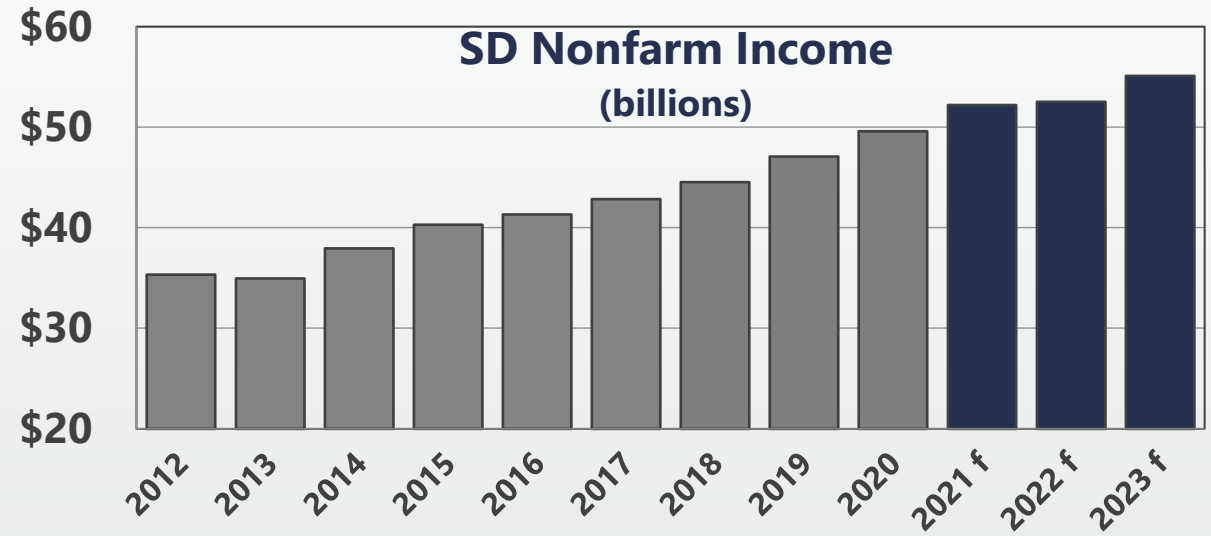
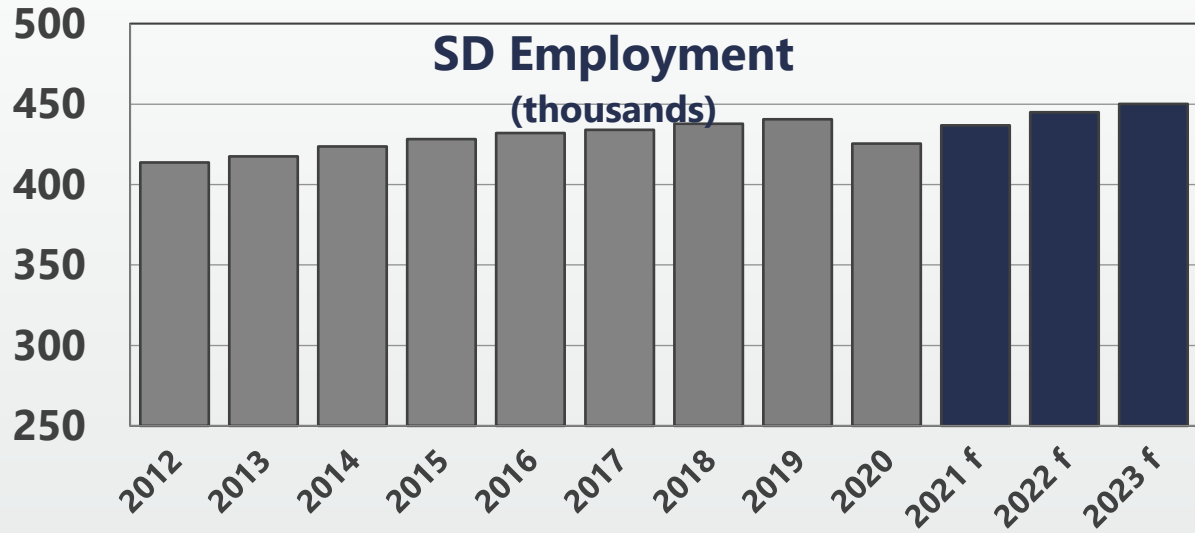
Economic Assumptions

- **No economic recession included in the state or national forecast**
- **US real GDP growth forecast: 5.5% in 2021 and 4.3% in 2022**
- **SD real GDP growth forecast: 4.4% in 2021 and 2.4% in 2022**
- **Includes Infrastructure Investment and Jobs Act (IIJA)**
- **Price pressures to ease next year and into 2023**

IHS Markit US Economy Forecast

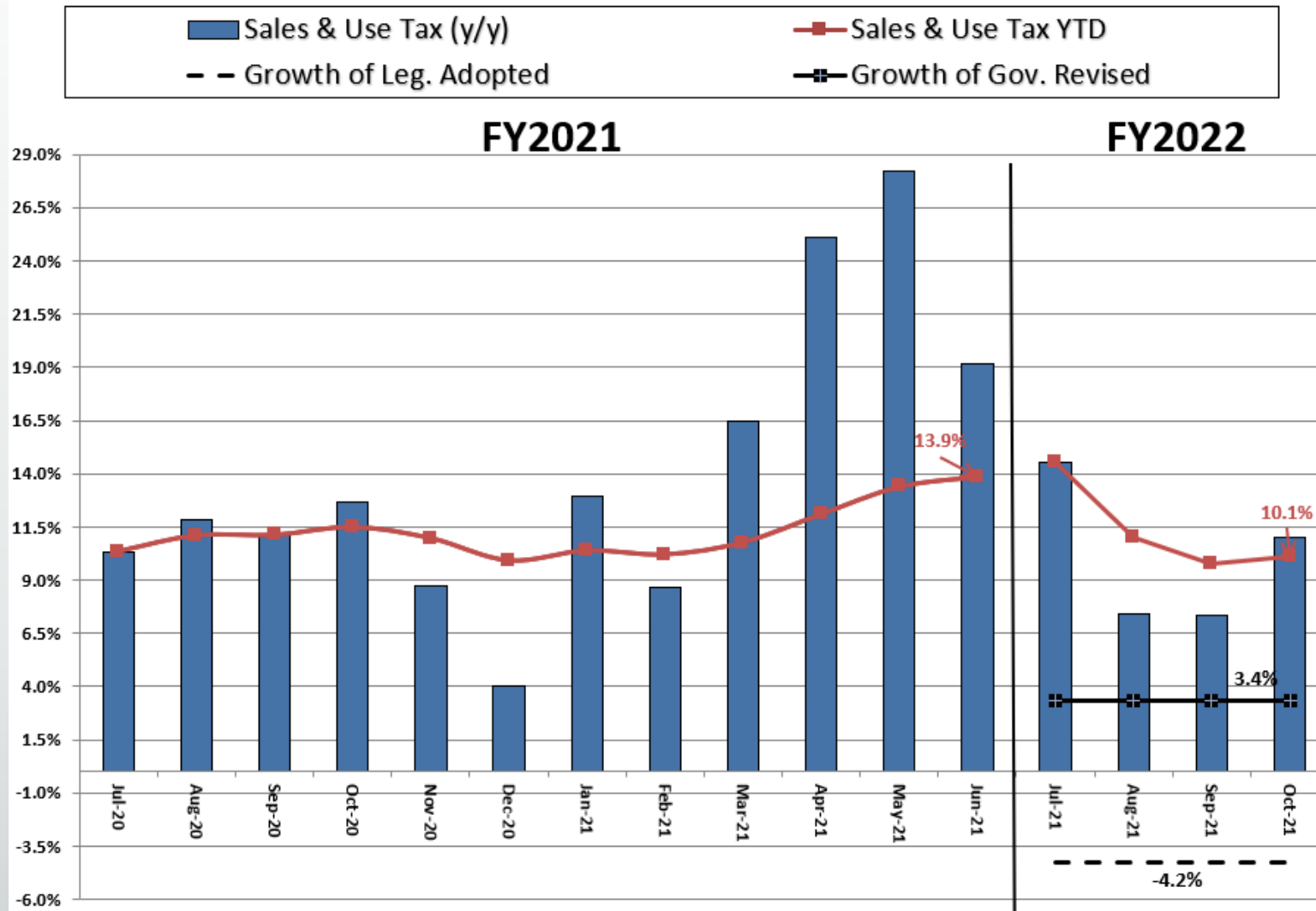


SD Economy Forecast



REVENUES

Recent Growth in Sales and Use Tax



FY2022 Adopted vs. Revised Ongoing Receipts (millions)

Source	Adopted FY2022	Revised FY2022	Change
Sales and Use Tax	\$1,157.6	\$1,250.1	+ \$92.5
Lottery	139.4	161.1	+ 21.7
Contractor's Excise Tax	141.6	147.6	+ 6.0
Insurance Company Tax	97.4	100.6	+ 3.3
Unclaimed Property	45.3	40.0	(5.3)
Licenses, Permits, and Fees	70.4	70.6	+ 0.2
Tobacco Taxes	52.5	51.1	(1.4)
Other Ongoing Receipts	<u>129.1</u>	<u>141.5</u>	<u>+12.4</u>
Total Ongoing Receipts	\$1,833.3	\$1,962.7	+ \$129.3

*Totals may not sum due to rounding

FY2022 & FY2023 Revenue Forecast

(millions)

Source	Adopted FY2022	Revised FY2022	Recommended FY2023	Revised FY2022 vs. FY2023
Sales and Use Tax	\$1,157.6	\$1,250.1	\$1,255.9	+ \$5.8
Lottery	139.4	161.1	164.0	+ 2.9
Contractor's Excise Tax	141.6	147.6	150.2	+ 2.6
Insurance Company Tax	97.4	100.6	104.2	+ 3.6
Unclaimed Property	45.3	40.0	40.0	0.0
Licenses, Permits, and Fees	70.4	70.6	70.7	+ 0.1
Tobacco Taxes	52.5	51.1	50.0	(1.1)
Other Ongoing Receipts	<u>129.1</u>	<u>141.5</u>	<u>140.9</u>	<u>(0.6)</u>
Total Ongoing Receipts	\$1,833.3	\$1,962.7	\$1,975.9	+ \$13.2

*Totals may not sum due to rounding

Ongoing Revenue Available

	FY2023
Current Year Revised Ongoing Revenue Growth	\$129.3M
<i>FY2021 Revenue Growth (Actual Above Adopted)</i>	<i>\$57.9M</i>
<i>FY2022 Ongoing Revenue Growth</i>	<i>\$71.4M</i>
Projected Ongoing Revenue Growth	\$13.2M
Ongoing Revenue Left on Bottom Line (FY2022)	<u>\$15.0M</u>
Total FY2023 Revenue Available	\$157.6M

*Totals may not sum due to rounding

One-Time Revenue in FY2022

	General Funds
FY2022 Revised Ongoing Revenue	\$129,338,531
<i>FY2021 Revenue Growth (Actual Above Adopted)</i>	<i>\$57,885,979</i>
<i>FY2022 Ongoing Revenue Growth</i>	<i>\$71,452,552</i>
FY2022 Revised One-time Revenue	\$18,193,147
Transfer from Budget Reserve	\$28,012,008
Revenue Left on Bottom Line (FY2022)	<u>\$40,000,000</u>
Total FY2022 Revenue Available	\$215,543,686

**FY2022
MID-YEAR
ADJUSTMENTS**

FY2022 Recommendation Detail

	General Funds
FY2022 Revenue Available	\$215,543,686
FY2022 General Bill Reductions	\$98,915,841
FY2022 General Bill Increases	(\$33,414,790)
FY2022 Expenditure Transfers	(\$9,138,000)
FY2022 Emergency Special Appropriations	(\$271,843,737)
FY2022 Continuous Appropriation Adjustment	<u>(\$63,000)</u>
Bottom Line	\$0

FY2022 General Bill Amendments

Reductions	General Funds
FY2022 Enhanced FMAP	\$49,228,784
CRF Public Health and Public Safety Payroll	\$39,061,505
State Aid Revision	\$8,800,000
Dual Credit Reduction	\$615,291
South Dakota Developmental Center Personal Services	\$574,353
Drug/DUI Court Treatment	\$265,583
Food Services	\$189,321
Technical Colleges Formula	<u>\$181,004</u>
Total FY2022 General Bill Amendment Reductions	\$98,915,841

FY2022 General Bill Amendments

Increases	General Funds
Changes in Medicaid and CHIP Eligibles	\$25,371,738
Victims Services - Grant Supplement	\$3,291,000
Correctional Healthcare	\$1,052,672
Home and Community-Based Medical Supplies	\$763,031
Wildland Fire Equipment	\$680,000
Drill Rig/Water Trucks for Geological Survey	\$675,000
Developmental Disabilities Eligibles and Utilization	\$574,353
Various Statewide Utilities	\$315,242
IT Systems and Updates	\$217,650

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FY2022 General Bill Amendments

Increases	General Funds
Black Hills State University Ellsworth Airforce Base Contract	\$209,080
Crime Scene Response Vehicle	\$149,750
Legislative Salaries and Per Diem	\$84,224
Office of the State Auditor Operating Expenses	<u>\$31,050</u>
Total General Bill Amendment Increases	\$33,414,790

Expenditure Transfers	General Funds
Court Security Fund	\$5,000,000
IT Modernization Fund	<u>\$4,138,000</u>
Total	\$9,138,000

FY2022 Emergency Special Appropriations

Emergency Specials	General Funds
Workforce Housing Infrastructure	\$150,000,000
Dakota State University Cyber Program Expansion	\$30,000,000
Rapid City Community Work Center for Women	\$28,012,008
Custer State Park Expansion	\$9,890,640
Cultural Heritage Center Renovation	\$8,881,785
Lake Area Tech. College Advanced Manufacturing Lab Space	\$7,500,000
Richmond Dam Replacement	\$6,500,000
Flood Repair Projects	\$5,600,000
Mitchell Tech. College Agriculture and Diesel Power Space	\$5,000,000

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FY2022 Emergency Special Appropriations

Emergency Specials	General Funds
Southeast Tech. College Health Sciences Simulation Equip.	\$4,500,000
Emergency and Disaster Fund	\$2,946,882
Rapid City Firearms Range Complex	\$2,500,000
Volunteer Fire Service Assistance	\$2,000,000
Reemployment Assistance System Upgrade	\$1,500,000
Extraordinary Litigation Fund	\$1,500,000
Wildland Fire Suppression Fund	\$1,059,318
Rural Recruitment Assistance Programs	\$1,028,104
Wagner National Guard Readiness Center Addition	\$1,000,000

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FY2022 Emergency Special Appropriations

Emergency Specials	General Funds
State Radio Towers	\$750,000
Capitol Lake Master Plan	\$500,000
Sioux Falls National Guard Readiness Center	\$500,000
Tax Refunds for the Elderly and Disabled	\$450,000
National Guard Cold Storage Replacement	<u>\$225,000</u>
Total Emergency Special Appropriations	\$271,843,737

FY2022 Recommendation Detail

	General Funds
FY2022 Revenue Available	\$215,543,686
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FY2022 Expenditure Transfers	(\$9,138,000)
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Bottom Line	\$0

FY2023 EXPENSES

Ongoing Revenue Available

	FY2023
Current Year Revised Ongoing Revenue Growth	\$129.3M
<i>FY2021 Revenue Growth (Actual Above Adopted)</i>	<i>\$57.9M</i>
<i>FY2022 Ongoing Revenue Growth</i>	<i>\$71.4M</i>
Projected Ongoing Revenue Growth	\$13.2M
Ongoing Revenue Left on Bottom Line (FY2022)	<u>\$15.0M</u>
Total FY2023 Revenue Available	\$157.6M

*Totals may not sum due to rounding

Ongoing Expense Overview

- **6.0% increase for medical provider reimbursement rates**
 - **CPI-U inflationary rate is 2.0%**
- **6.0% increase to target teacher salaries**
 - **CPI-W inflationary rate is 2.6%**
- **6.0% increase for technical colleges per student allocation and instructor salary support pool**
 - **CPI-W inflationary rate is 2.6%**
- **6.0% increase in salaries for state employees, plus targeted increases for specific job classes**
- **Rebase special education disability reimbursement rates**

Ongoing Expense Overview

- **6.0% increase for medical provider reimbursement rates**
- **6.0% increase to target teacher salaries**
- **6.0% increase for technical colleges per student allocation and instructor salary support pool**
- **6.0% increase in salaries for state employees, plus targeted increases for specific job classes**
- **Rebase special education disability reimbursement rates**

FY2023 Recommended Expense Summary

	FY2023
6% Inflation for Education, Healthcare Providers, State Employees	\$104,312,967
Mandatory Increases	\$48,834,523
Discretionary Increases	\$4,191,805
Continuous Appropriation	<u>\$216,190</u>
Total FY2023 General Fund Expense Summary	\$157,555,485

FY2023 Recommended Expense Summary

	General Funds
6% Inflation	\$104,312,967
<i>State Aid to K-12 Education</i>	<i>\$42,597,281</i>
<i>Healthcare Provider Inflation</i>	<i>\$32,243,213</i>
<i>State Employee Salary Policy</i>	<i>\$27,963,326</i>
<i>Technical Colleges Formula</i>	<i>\$1,509,147</i>
Mandatory Increases	\$48,834,523
<i>Changes in Eligibles, Utilization and Costs</i>	<i>\$18,094,618</i>
<i>Federal Medical Assistance Percentage (FMAP)</i>	<i>\$13,940,040</i>
<i>Mandatory Inflation</i>	<i>\$6,476,068</i>
<i>State Aid to K-12 (Expansion and Rebase)</i>	<i>\$4,818,019</i>
<i>Maintenance & Repair</i>	<i>\$2,358,167</i>
<i>Utilities</i>	<i>\$1,061,202</i>
<i>Pay Changes (Judge Pay and Legislator Salaries)</i>	<i>\$596,701</i>
<i>Various Increases/Decreases</i>	<i>\$1,489,708</i>

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FY2023 Recommended Expense Summary

	General Funds
Discretionary Increases	\$4,191,805
<i>DOH: EMS Telehealth, Bright Start Expansion</i>	<i>\$2,184,783</i>
<i>DOE: Tourism Promotion Tax Distribution</i>	<i>\$846,697</i>
<i>DLR: Adult Education and Literacy Rebase</i>	<i>\$495,420</i>
<i>BOR: NSU E-Learning, USD Coyote Business Consulting, SDDS Harrisburg Contract</i>	<i>\$429,050</i>
<i>ATG: Various Positions, Medicaid Fraud System</i>	<i>\$267,432</i>
<i>BFM: Deputy Commissioner</i>	<i>\$149,381</i>
<i>SPL: Land Agent</i>	<i>\$99,497</i>
<i>DOR: Property Tax Specialist</i>	<i>\$70,046</i>
<i>DHS: SDDC Personal Services</i>	<i>(\$350,501)</i>
Continuous Appropriation	\$216,190
Total FY2023 General Fund Increases	\$157,555,485

Bottom Line

	FY2022	FY2023
Revenue Available	\$215,543,686	\$157,555,485
Mid-Year Expense Reductions	\$98,915,841	\$0
Mid-Year Expense Increases and Transfers	(\$42,552,790)	\$0
Emergency Special Appropriations	(\$271,843,737)	\$0
Ongoing Expense Adjustments	\$0	(\$157,339,295)
Continuous Appropriation Adjustments	<u>(\$63,000)</u>	<u>(\$216,190)</u>
Bottom Line	\$0	\$0

One-Time Federal Authority Recommendations

One-Time Federal Authority	Federal Authority
ARPA State Fiscal Recovery Funds & Capital Project Funds	\$895,712,722
Pandemic Related Federal Grants	\$622,719,163
10% FMAP Federal Authority	\$80,700,000
6.2% Enhanced FMAP Federal Authority	\$47,361,286
CRF Public Health & Public Safety Payroll	\$39,061,505
Various Federal Authority Increases	<u>\$59,613,979</u>
Total FY2022 Federal Authority Recommendations	\$1,745,168,655

* ARPA = American Rescue Plan Act of 2021

** CRF = Coronavirus Relief Funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act

ARPA One-Time State Fiscal Recovery Funds

ARPA One-Time State Fiscal Recovery Funds	Federal Authority
Environmental Funding Projects (Local)	\$600,000,000
Environmental Funding Projects (State)	\$60,000,000
Workforce Housing Infrastructure	\$50,000,000
Broadband	\$50,000,000
LIFEPAK Replacement Initiative	\$11,610,222
Reemployment Assistance System Upgrade	\$6,500,000
Capitol Lake Master Plan	\$3,000,000
Emergency Medical Services Telehealth Services	<u>\$1,737,500</u>
Total One-Time ARPA State Fiscal Recovery Funds	\$782,847,722

ARPA One-Time Capital Projects Funds

ARPA One-Time Capital Projects Funds	Federal Authority
SD Public Health Lab Expansion and Remodel	\$69,615,000
NSU Lincoln Hall Renovations and Expansion	\$29,500,000
BHSU West River Nursing Renovation and Expansion	\$8,000,000
Women's Prison Healthcare Improvements	<u>\$5,750,000</u>
Total One-Time Capital Projects Funds	\$112,865,000