

# Fiscal Year 2024 Budget Slides

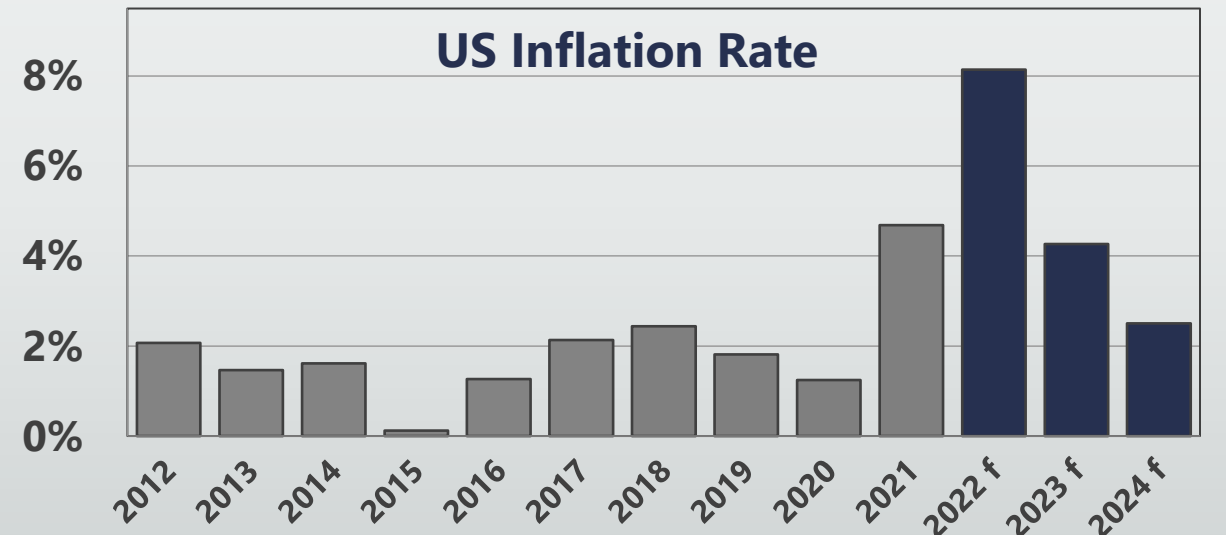
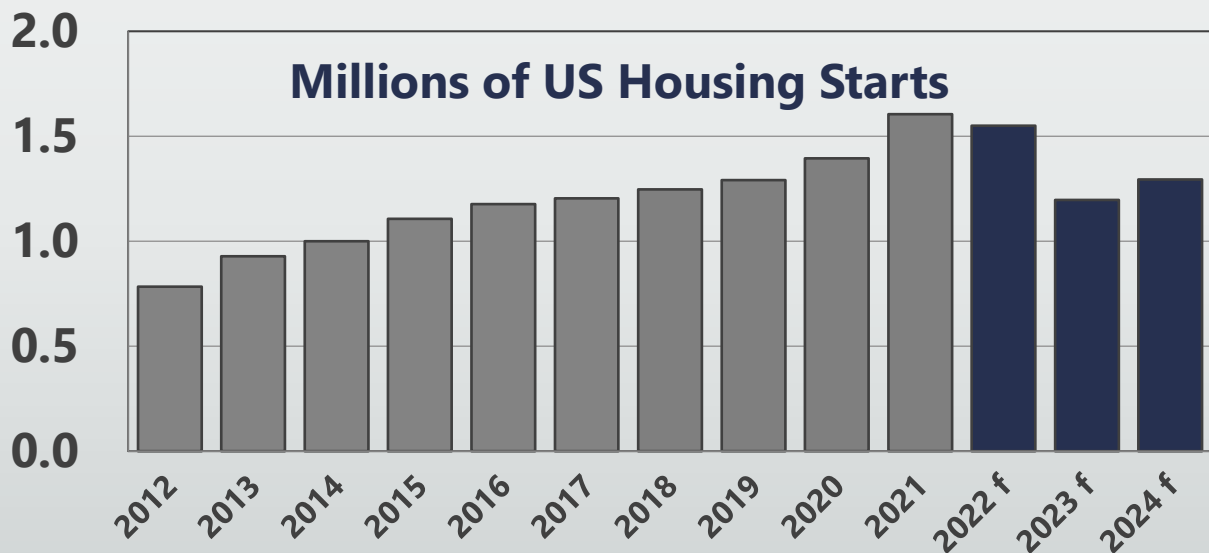
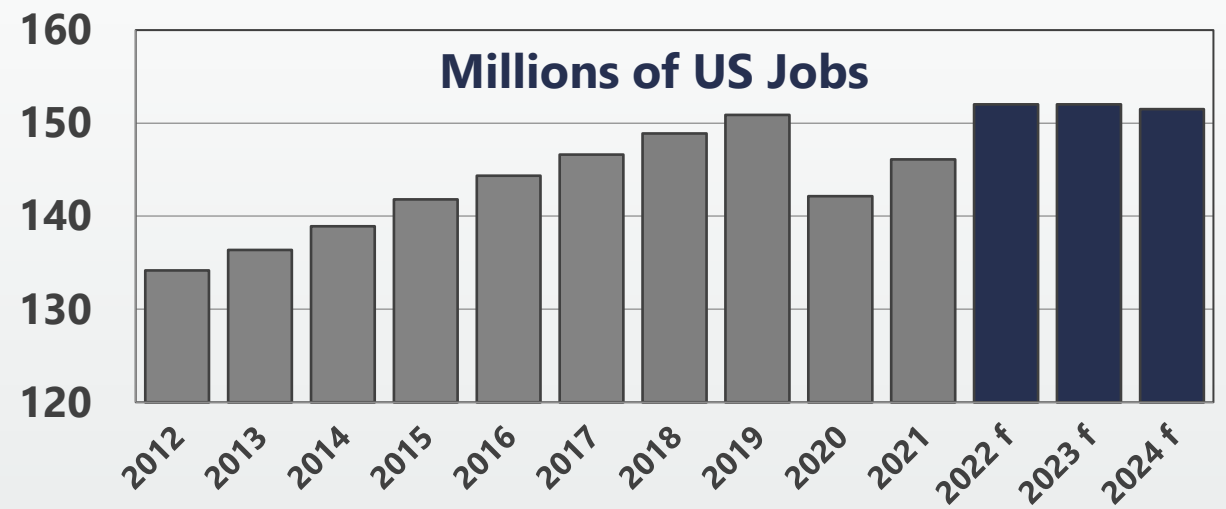
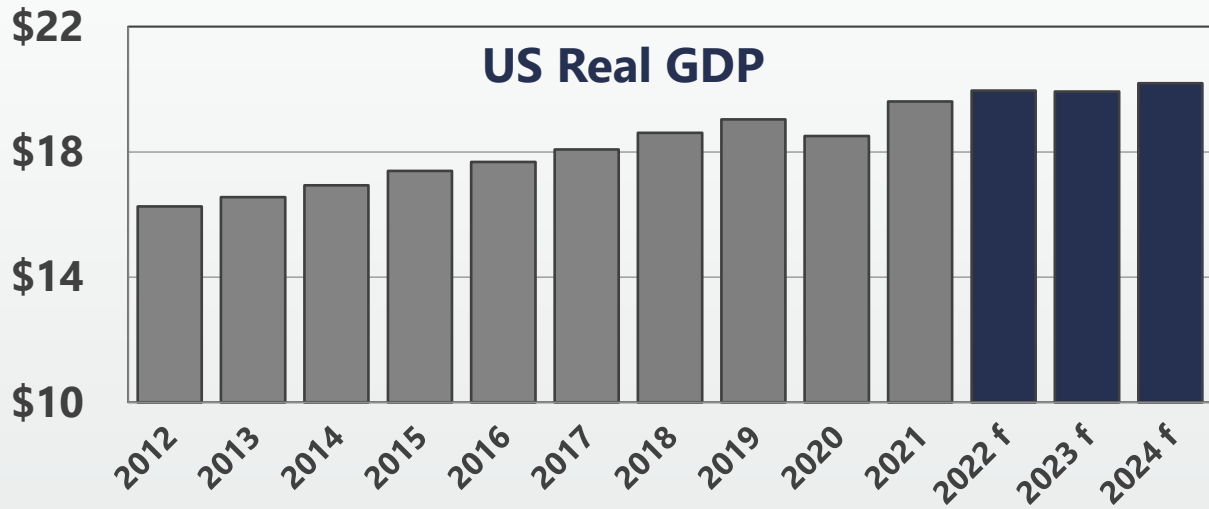
These slides are provided as a supplement to the slides included in the Governor's presentation that was delivered on December 6, 2022.

# **ECONOMIC OUTLOOK**

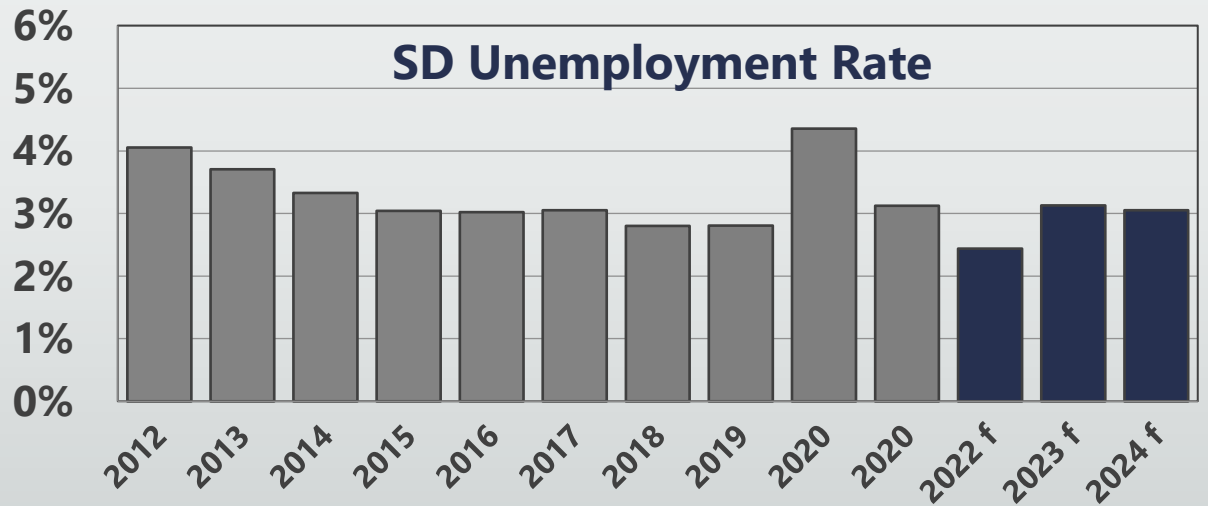
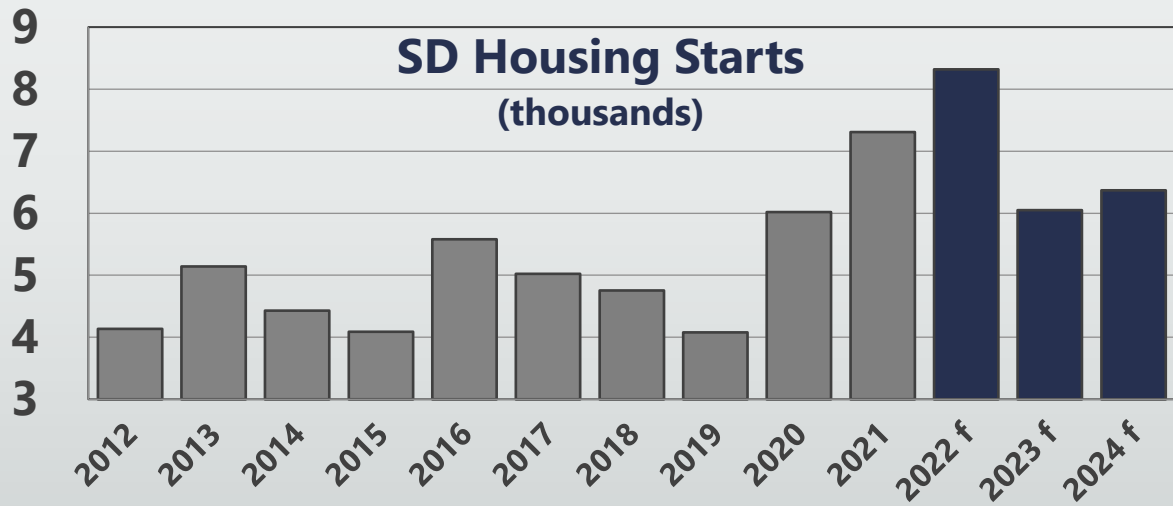
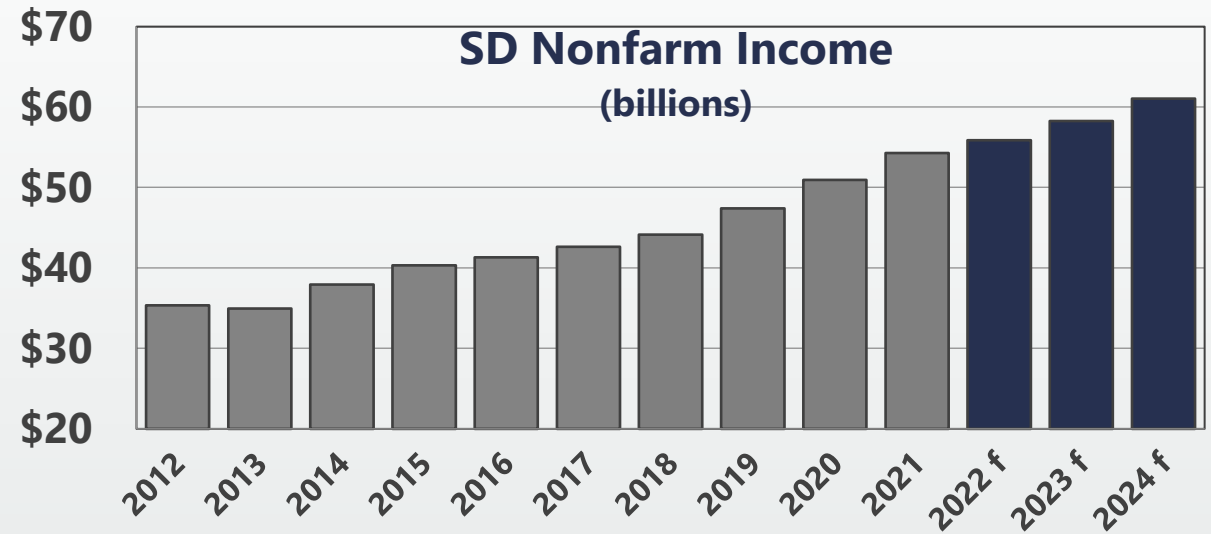
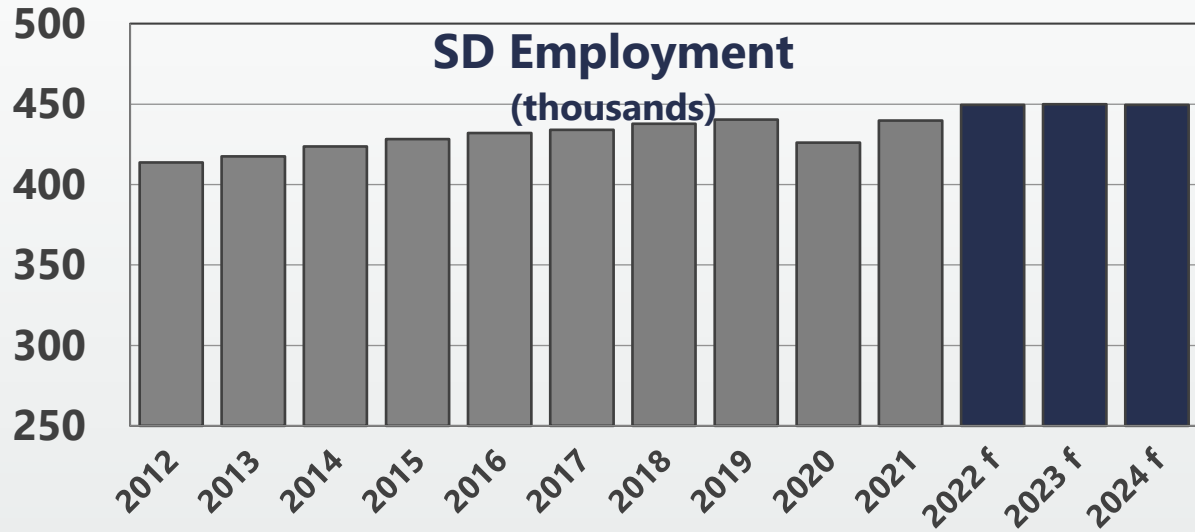
# Economic Assumptions

- **Baseline national forecast is for a mild recession through mid-2023**
- **Recession is projected to be “investment-led”**
- **Real consumer spending expected to slow, but remain positive**
- **Inflation slows to 4.2% in 2023 and 2.5% in 2024**
- **Fed raises policy rate to the range of 4.50%-4.75% by March**
- **Pandemic relief payments shrink to near zero in 2023**

# IHS Markit US Economy Forecast

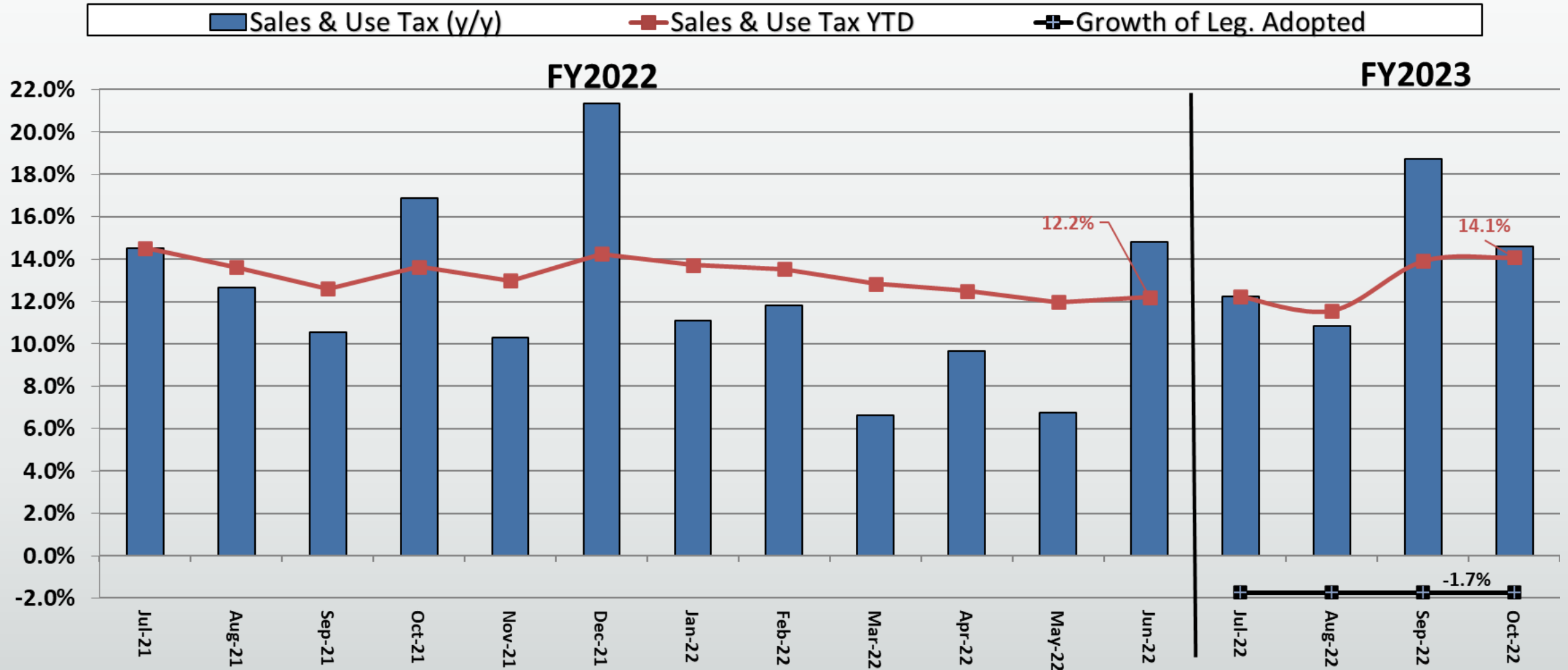


# SD Economy Forecast



# REVENUES

# Recent Growth in Sales and Use Tax



# FY2023 Adopted vs. Revised Ongoing Receipts

(millions)

Revenue Source	Adopted FY2023	Revised FY2023	Change
Sales and Use Tax	1,331.6	1,467.5	135.9
Lottery	170.5	175.8	5.2
Contractor's Excise Tax	152.2	177.6	25.4
Insurance Company Tax	101.7	110.1	8.4
Unclaimed Property	47.0	70.7	23.6
Licenses, Permits, and Fees	72.8	75.7	3.0
Tobacco Taxes	50.8	47.6	(3.2)
Other Ongoing Receipts	<u>139.5</u>	<u>144.0</u>	<u>4.4</u>
<b>Total FY2023 Receipts</b>	<b>\$2,066.1</b>	<b>\$2,268.9</b>	<b>\$202.8</b>

\*Totals may not sum due to rounding



# FY2023 and FY2024 Revenue Forecast

(millions)

Source	Adopted FY2023	Revised FY2023	Recommended FY2024	Revised FY2023 vs. Rec. FY2024
Sales and Use Tax	1,331.6	1,467.5	1,408.9	(58.5)
Lottery	170.5	175.8	178.5	2.7
Contractor's Excise Tax	152.2	177.6	178.2	0.6
Insurance Company Tax	101.7	110.1	114.2	4.1
Unclaimed Property	47.0	70.7	51.7	(19.0)
Licenses, Permits, and Fees	72.8	75.7	76.8	1.1
Tobacco Taxes	50.8	47.6	46.4	(1.2)
Other Ongoing Receipts	<u>139.5</u>	<u>144.0</u>	<u>144.8</u>	<u>0.8</u>
<b>Total Receipts</b>	<b>\$2,066.1</b>	<b>\$2,268.9</b>	<b>\$2,199.6</b>	<b>(\$69.4)</b>

\*Totals may not sum due to rounding

# One-Time Revenue Available

(millions)

	FY2023
Current Year Revised Revenue Growth	202.8
One-Time Revenue Growth	8.4
Revenue Left on Bottom Line (FY2023)	<u>4.8</u>
<b>Total One-Time Revenue Available</b>	<b>\$216.0</b>

\*Totals may not sum due to rounding

# Ongoing Revenue Available

(millions)

	FY2024
Current Year Revised Ongoing Revenue Growth	202.8
Projected Ongoing Revenue Growth (FY2024)	33.0
Ongoing Revenue Left on Bottom Line (FY2023)	74.8
Eliminate Sales Tax on Groceries	<u>(102.4)</u>
<b>Total Ongoing Revenue Available</b>	<b>\$208.2</b>

\*Totals may not sum due to rounding

**FY2023  
MID-YEAR  
ADJUSTMENTS**

# FY2023 Recommendation Detail

	General Funds
Revenue Available	215,986,667
General Bill Reductions	92,871,940
General Bill Increases	(16,897,483)
Expenditure Transfers	(87,031,734)
Emergency Special Appropriations	(204,671,979)
Continuous Appropriation Adjustment	<u>(257,411)</u>
<b>FY2023 Bottom Line</b>	<b>\$0</b>

# FY2023 General Bill Amendments

<b>Expense Reductions</b>	<b>General Funds</b>
6.2% Enhanced FMAP	74,225,960
DOE State Aid to General Education	9,630,400
DHS Eligible Utilization	6,823,744
SDDC Personal Services	516,769
DOC Juvenile Placements	479,157
BOTE Per Student Allocation Formula	474,503
UJS Drug and DUI Courts	415,419
DOE Dual Credit	194,487
BOTE Revenue Bond Payment	<u>111,501</u>
<b>Total FY2023 General Bill Amendment Reductions</b>	<b>\$92,871,940</b>

# FY2023 General Bill Amendments

Increases	General Funds
BOR Cybersecurity Upgrades	5,106,000
DSS Medicaid Expansion Implementation	2,926,362
DOC Hughes County Jail Contract	2,804,400
ATG Computerized Criminal History System	2,257,029
Bureau Billings	1,076,592
Statewide Utilities	1,014,396
ATG Digital Radios	371,243
DOC Staff Communication	355,680
DOM Civil Air Patrol Radios and Devices	309,657
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# FY2023 General Bill Amendments

<b>Increases (continued)</b>	<b>General Funds</b>
Food Services	301,324
DOC Correctional Healthcare	248,655
DPS Operating Expenses	61,402
DPS Wildland Fire PPE	36,000
LRC Session Mileage Reimbursement	<u>28,743</u>
<b>Total General Bill Amendment Increases</b>	<b>\$16,897,483</b>

<b>Expenditure Transfers</b>	<b>General Funds</b>
Incarceration Construction Fund (Male Prison Facility)	<u>87,031,734</u>
<b>Total Expenditure Transfers</b>	<b>\$87,031,734</b>



# FY2023 Emergency Special Appropriations

<b>Emergency Specials</b>	<b>General Funds</b>
BFM Enterprise Resource Planning	70,000,000
DOC Male Prison Facility	25,359,551
DOR Motor Vehicles System Replacement	25,000,000
BHR Paid Family Leave Business Incentives	20,000,000
DOE Stronger Families Scholarships	15,000,000
DOH Public Health Laboratory	12,800,000
BOR Support for Rising Construction Costs	6,750,000
DOT Sisseton Milbank Railroad Project	6,250,000
DANR – State Fair Dakota Events Complex	6,000,000
DPS Emergency and Disaster Fund	2,524,560
<i>...list continued on next slide</i>	

# FY2023 Emergency Special Appropriations

<b>Emergency Specials</b>	<b>General Funds</b>
DPS Wildland Fire Suppression Fund	2,463,207
BOR Business Development Programs	2,286,217
BIT Emergency System Upgrades	2,173,400
BOA Extraordinary Litigation Fund	2,000,000
DOH Rural Recruitment Assistance Programs	1,472,986
DPS Wildland Fire – Rapid City Project	1,325,058
DPS Wildland Fire – Hot Springs Project	1,200,000
DANR Black Hills Forest Plan Support	950,000
DOM Sioux Falls Readiness Center	667,000
DOR Tax Refunds for the Elderly and Disabled	<u>450,000</u>
<b>Total Emergency Special Appropriations</b>	<b>\$204,671,979</b>

# FY2023 Recommendation Detail

	General Funds
Revenue Available	215,986,667
General Bill Reductions	92,871,940
General Bill Increases	(16,897,483)
Expenditure Transfers	(87,031,734)
Emergency Special Appropriations	(204,671,979)
Continuous Appropriation Adjustment	<u>(257,411)</u>
<b>FY2023 Bottom Line</b>	<b>\$0</b>

# **FY2024 EXPENSES**

# Ongoing Revenue Available

(millions)

	FY2024
Current Year Revised Ongoing Revenue Growth	202.8
Projected Ongoing Revenue Growth	33.0
Ongoing Revenue Left on Bottom Line (FY2023)	74.8
Repeal of Sales Tax on Groceries	<u>(102.4)</u>
<b>Total Ongoing Revenue Available</b>	<b>\$208.2</b>

\*Totals may not sum due to rounding

# Ongoing Expense Overview

- **5.0% increase to target teacher salaries, 2.0% higher than state law requires**
- **5.0% increase for medical provider reimbursement rates, plus targeted reimbursement rate increases**
- **5.0% increase for technical colleges per student allocation**
- **5.0% increase in salaries for state employees, plus targeted increases for specific job classes**

# FY2024 Recommended Expense Summary

	General Funds
5% Inflation for Education, Healthcare Providers, State Employees	90,683,223
Mandatory Changes	59,431,780
Discretionary Changes	57,608,905
Continuous Appropriations	<u>491,893</u>
<b>Total Recommended Expense Summary</b>	<b>\$208,215,801</b>

# 5% Inflationary Increases

	General Funds
Education	39,301,155
Healthcare Providers	28,227,693
State Employees	<u>23,154,375</u>
<b>Total 5% Inflation Increases</b>	<b>\$90,683,223</b>



# Mandatory Changes

	General Funds
DSS Medicaid Expansion	66,385,019
5% Enhanced Federal Medicaid Assistance Percentage	(53,691,392)
Federal Medicaid Assistance Percentage	20,453,832
Consumer Expansion	14,901,151
Mandatory Inflation	8,462,460
Maintenance and Repair	6,058,099
Pay Changes	5,288,034
Statewide Utilities	2,091,506
State Aid to K-12 Utilization	(13,820,138)
All Other	3,303,209
<b>Total Mandatory Changes</b>	<b>\$59,431,780</b>

# Discretionary Changes

	General Funds
Targeted Provider Reimbursement Rates	22,248,843
State Employee Targeted Pay	11,468,611
State Health Insurance Plan	11,352,210
DSS Appropriate Regional Facilities	5,635,581
100% National Guard Tuition	2,013,775
DSS Pregnancy Health Home	1,112,923
Tourism Promotion Tax Distribution	964,231
All Other	<u>2,812,731</u>
<b>Total Discretionary Changes</b>	<b>\$57,608,905</b>

# Bottom Line

	FY2023	FY2024
Revenue Available	215,986,667	\$208,215,801
Mid-Year Expense Reductions	92,871,940	\$0
Mid-Year Expense Increases and Transfers	(103,929,217)	\$0
Emergency Special Appropriations	(204,671,979)	\$0
Ongoing Expense Adjustments	\$0	(\$207,723,908)
Continuous Appropriation Adjustments	<u>(257,411)</u>	<u>(\$491,893)</u>
<b>Bottom Line</b>	<b>\$0</b>	<b>\$0</b>