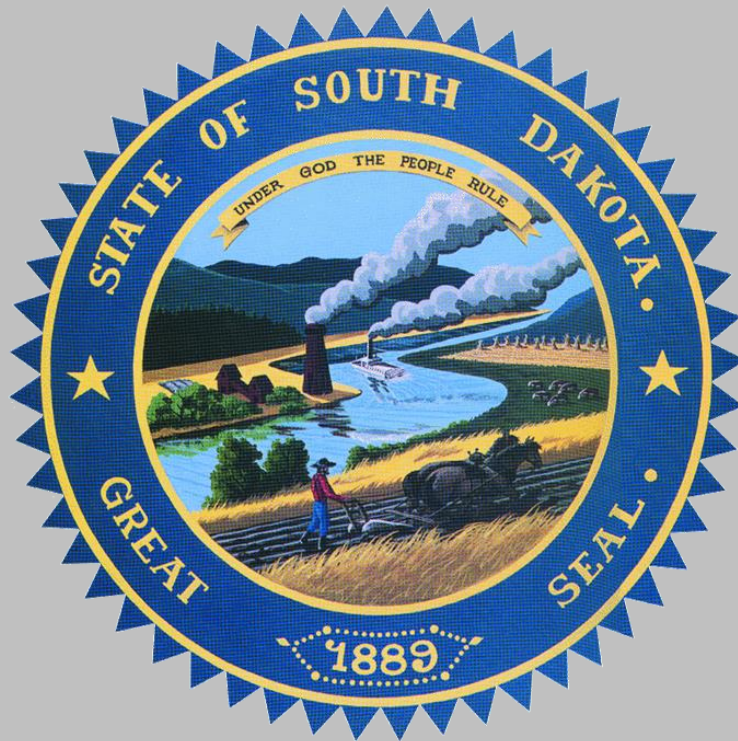


# **STATE OF SOUTH DAKOTA SUMMARY OF GOVERNOR'S BUDGET FISCAL YEAR 2024**

**OUR 134<sup>TH</sup> YEAR OF A BALANCED BUDGET**



**KRISTI NOEM, GOVERNOR**

# TABLE OF CONTENTS

<b>SUMMARY OVERVIEW .....</b>	<b>1</b>
<b>UNITED STATES AND SOUTH DAKOTA ECONOMIC FORECAST.....</b>	<b>2</b>
<b>UNITED STATES ECONOMY .....</b>	<b>2</b>
<b>SOUTH DAKOTA ECONOMY .....</b>	<b>6</b>
<b>REVENUE ESTIMATE SUMMARY .....</b>	<b>9</b>
<b>BUDGET RESERVE &amp; GENERAL REVENUE REPLACEMENT FUNDS .....</b>	<b>12</b>
<b>COMPARISON BETWEEN LEGISLATIVE AND REVISED ESTIMATE FOR FY2023 .....</b>	<b>13</b>
<b>COMPARISON BETWEEN FY2022 AND FY2023 REVENUE COLLECTIONS.....</b>	<b>14</b>
<b>COMPARISON BETWEEN FY2023 AND FY2024 REVENUE COLLECTIONS.....</b>	<b>15</b>
<b>GENERAL FUND RECEIPTS .....</b>	<b>16</b>
<b>TAX EXPENDITURES.....</b>	<b>17</b>
<b>RECOMMENDED EXPENDITURES .....</b>	<b>22</b>
<b>SUMMARY OF RECOMMENDED BUDGET ADJUSTMENTS AND REORGANIZATIONS.....</b>	<b>25</b>
<b>SPECIAL APPROPRIATION RECOMMENDATIONS .....</b>	<b>43</b>
<b>GOVERNOR’S RECOMMENDATION FOR STATE EMPLOYEE COMPENSATION .....</b>	<b>49</b>
<b>GOVERNOR’S FY2024 GENERAL FUND RECOMMENDATIONS .....</b>	<b>50</b>
<b>GENERAL FUND CONDITION STATEMENT.....</b>	<b>51</b>
<b>TOTAL STATE GOVERNMENT BUDGET (EXCLUDING INFORMATIONAL BUDGETS).....</b>	<b>52</b>
<b>INFORMATIONAL BUDGETS CONTAINED IN THE GENERAL     APPROPRIATIONS BILL.....</b>	<b>53</b>
<b>TOTAL STATE GOVERNMENT BUDGET (INCLUDING INFORMATIONAL BUDGETS) .....</b>	<b>54</b>

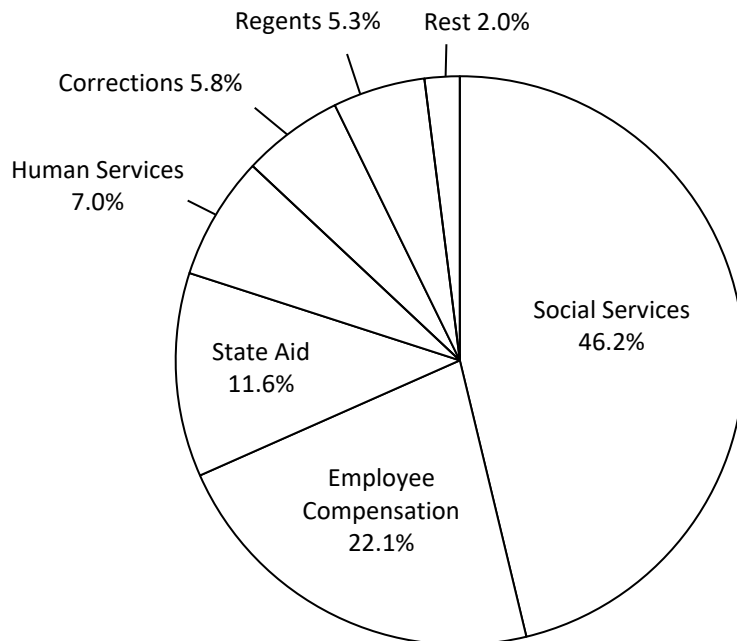
## SUMMARY OVERVIEW

Governor Noem is recommending a budget (including special and continuing appropriations) for FY2024 totaling \$7,257,693,886 in total funds and 14,063.4 FTE. For FY2024, the Governor is proposing a general fund budget of \$2,199,552,276 which is an increase of \$208,215,801 over the adopted FY2023 budget. This includes an increase of \$491,893 in continuing appropriations. The proposed FY2024 general fund budget is distributed as follows:

- \$835.5 million, or 38.0%, for Health, Human, and Social Services
- \$711.6 million, or 32.4%, for State Aid to Education
- \$270.2 million, or 12.3%, for Higher Education
- \$133.0 million, or 6.0%, for Corrections
- \$92.9 million, or 4.2%, for the Legislature, Unified Judicial System, Public Utilities Commission, and Elected Officials
- \$24.5 million, or 1.1%, for Agriculture and Natural Resources, and Game, Fish & Parks
- \$131.9 million, or 6.0%, for the Remainder of State Government

The table below depicts the FY2024 recommended general fund increases, excluding special and continuing appropriations.

### FY2024 General Fund Increases



#### TOTAL INCREASE: \$207,723,908

Social Services	\$96.0M
Employee Compensation	\$46.0M
State Aid	\$24.1M
Human Services	\$14.6M
Board of Regents	\$10.9M
Corrections	\$12.0M
Rest of State Government	\$4.1M

# **UNITED STATES AND SOUTH DAKOTA ECONOMIC FORECASTS**

## **UNITED STATES ECONOMY**

### **RECENT ECONOMIC ACTIVITY**

Following the economic fallout from the COVID-19 pandemic, which caused real GDP to fall in the first and second quarters of 2020, the United States experienced five quarters of GDP growth through 2021. GDP returned to its pre-pandemic level in the second quarter of 2021. However, real growth subsided in the first half of this year. In 2022, United States GDP fell by 1.6% in the first quarter and 0.6% in the second quarter, followed by growth of 2.5% in the third quarter.

Employment was hit especially hard by the pandemic. Nonfarm employment declined by more than 20 million jobs in the Spring of 2020. More than half of those jobs were recovered by the end of 2020, and nonfarm employment has continued to grow since that time. On average, more than half a million jobs were added each month in 2021. Growth has continued in 2022, with payrolls surpassing their pre-pandemic high this Summer. The trend in payroll gains is weakening, however. Nonfarm employment rose 261,000 jobs in October and has averaged less than 300,000 the last three months.

Congress appropriated trillions in relief bills in an effort to mitigate the economic effects of the pandemic. This stimulus boosted personal incomes, but also contributed to high inflation levels beginning in 2021. Personal saving rates increased drastically in 2020 and 2021 but have fallen in 2022 as personal income growth slowed and inflation persisted. Personal saving rates were 7.6% in 2018, 8.8% in 2019, 16.8% in 2020, and 11.8% in 2021. The forecast is for personal saving rate to finish 2022 at 3.6% before increasing to 5.2% and 7.2% in 2023 and 2024, respectively.

The Federal Reserve (Fed) 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. In March 2022, the Federal Open Market Committee began increasing the federal funds rate in an effort to reduce inflation. In less than eight months, the federal fund target rate went from its effective lower bound of 0 – 0.25% to the current federal funds target rate of 3.75% – 4.00%. The target rate is expected to be increased by the Federal Reserve to a range of 4.50% – 4.75% by March 2023. The Fed also unleashed numerous programs and lending facilities to ensure that credit markets continued to operate properly as well as stimulate 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 nearly \$9 trillion in May 2022.

The following are recent key national economic statistics:

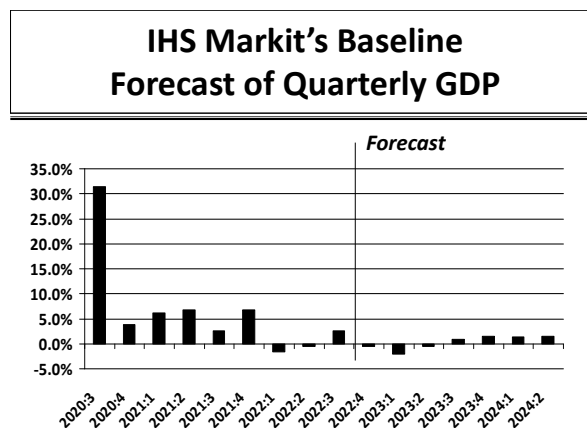
- Estimates indicate real GDP grew 2.9% at an annualized pace in the third quarter of 2022, which followed a decrease of 0.6% in the second quarter.
- The unemployment rate was 3.7% in October. The current rate is 0.9% lower than October of 2021, but 0.1% higher than October of 2019.
- United States personal income increased at an annual rate of 5.7% in the second quarter of 2022. Personal income grew 5.1% in 2019, 6.7% in 2020, and 7.5% in 2021.
- Real personal consumption expenditures increased 2.0% in the second quarter and 1.7% in the third quarter of 2022.

## NATIONAL FORECAST HIGHLIGHTS

*This section summarizes IHS Markit's forecast as of November 2022 for various categories of the U.S. economy. IHS Markit is a leader in providing analytics and expertise to businesses and governments worldwide.*

**Gross Domestic Product (GDP):** Prior to 2020, the United States was in a period of sustained economic expansion. This expansion, which began in 2009, lasted until February 2020. The negative impact to GDP began in March 2020, pulling the first quarter into negative territory, and lasted for two quarters. GDP recovery began with a sharp increase in the third quarter of 2020 due to relaxing pandemic driven lockdowns and large amounts of federal stimulus. GDP gains continued in the fourth quarter of 2020 and all of 2021. However, GDP receded in the first and second quarters of 2022 before rising again in the third quarter of 2022.

In the first three quarters of this year, real GDP change was -1.6%, -0.6%, and 2.9%, respectively, and is expected to be -0.4% in the fourth quarter. In the four quarters in 2023, IHS Markit is projecting GDP change of -2.0%, -0.4%, 1.0%, and 1.6%. In 2024, GDP is forecast to increase 1.3% and 1.6% in the first two quarters.



On an annual basis, GDP grew 2.2% in 2017, 2.9% in 2018, and 2.3% in 2019. It was -2.8% in 2020 before growing 5.9% in 2021. IHS Markit's latest baseline forecast projects real GDP at 1.8% in 2022, -0.5% in 2023, and 1.3% in 2024.

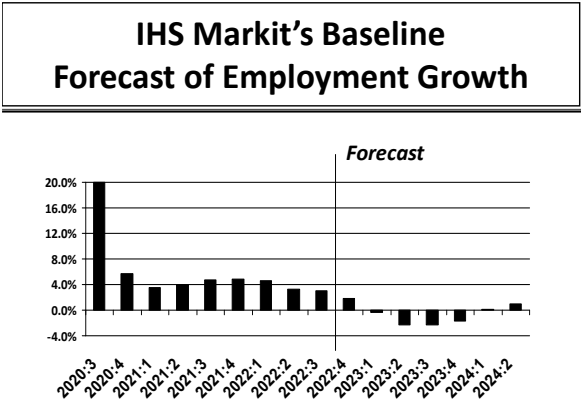
IHS Markit is currently assigning a higher probability of negative (30%) versus positive (15%) risks in the United States economic outlook. The largest risks to the forecast are higher price paths for energy commodities, more pronounced slowdown in foreign growth, and slower correction of supply chain issues. The optimistic scenario assumes stronger growth of consumer spending and a lower path of energy prices.

**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. Growth of 1.4% realized in the third quarter of 2022 was a slowdown from growth of 2.0% in the second quarter. Consumer spending is expected to slow in the short term due to tighter financial conditions and reduced real household net worth. Real personal consumption expenditures grew 2.0% in 2019, declined 3.0% in 2020, before increasing 8.3% in 2021. The forecast projects real personal consumption expenditures at 2.7% in 2022, 0.8% in 2023, and 1.1% in 2024. Consumer confidence fell recently due to concerns over rising borrowing costs, as well as declining asset values. The University of Michigan's index of consumer confidence fell 3.1 points in November, registering at 56.8. This is, however, above the record low of 50.0 reached in June 2022.

The personal savings rate (as a percentage of disposable income) declined to 3.3% in the third quarter of 2022, well below the pre-pandemic level of 7.3%. The personal saving rate has declined rapidly since peaking at 33.8% in April 2020. Households accumulated approximately \$2.4 trillion in excess savings in 2020 and early 2021 due to saving a large portion of direct stimulus payments and reduced discretionary spending. The accumulated savings has supported a higher level of spending and lower savings rate for some time. The IHS Markit base forecast calls for the savings rate to increase to approximately 5.2% in 2023 and 7.2% in 2024.

**EMPLOYMENT:** The latest United States payroll employment report indicated total nonfarm employment grew by 261,000 jobs in October. Labor markets remain tight, but October’s employment report did show signs of softness. The expectation is for employment to peak late in 2022 before declining in the first quarter of 2023. Employment is expected to grow at 1.8% in the fourth quarter of 2022. For 2023, employment is projected at -0.3%, -2.3%, -2.3%, and -1.6% for each quarter. The labor force participation rate was 62.2% in October. After being driven down during the pandemic, the participation rate has trended sideways for much of 2022. IHS Markit forecasts that labor force participation will remain flat into 2023.

The unemployment rate in October was 3.7%, up from 3.5% in September 2022. The unemployment rate is expected to begin trending up, after trending sideways for most of 2022. On an annual basis, the unemployment rate was 3.9% in 2018, 3.7% in 2019, 8.1% in 2020, and 5.4% in 2021. It is forecasted to be 3.7% in 2022, 4.9% in 2023, and 5.3% in 2024.



**HOUSING:** Housing has been hit especially hard by the recent tightening of financial conditions. Rising interest rates and decreasing affordability have led to a slowdown in housing starts. Homebuilder sentiment is low, as evidenced by the National Association of Home Builders index at 33 in November. This is the lowest level of the index in a decade and 50 points lower than it was in November 2021. Builders’ pessimism is the result of higher labor costs and lower demand from homebuyers. Existing home sales in the third quarter were at a 4.77 million unit annual rate. Housing starts in the third quarter were at a rate of 1.46 million units. Housing prices are elevated, with the Federal Housing Finance Agency Housing Price Index increasing by 12.4% from the third quarter of 2021 to the third quarter of 2022. However, the rate of house price growth has significantly decelerated.

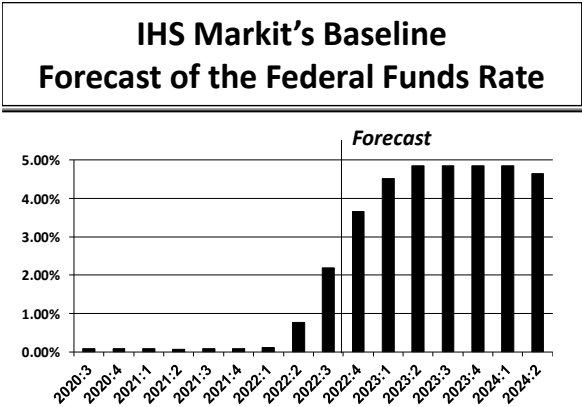
Total housing starts are projected to be 1.55 million units in 2022, 1.20 million units in 2023, and 1.29 million units in 2024. In 2019, 2020, and 2021, total housing starts were 1.29 million, 1.40 million and 1.61 million units, respectively.

**INFLATION:** Inflation remains high, but is expected to ease over the next several months. The Consumer Price Index (CPI) was at 7.8% in October year over year, on a seasonally adjusted basis. This follows seven consecutive months over 8.0%, with a peak of 9.0% in June 2022. Annual inflation measures are expected to decline through 2024. The Federal Open Market Committee (FOMC) has reiterated its intent to quell inflation by increasing its policy rate by 75 basis points at four consecutive meetings.

The CPI increased 1.8% in 2019, 1.2% in 2020, and 4.7% in 2021. The CPI is forecast to grow 8.1% in 2022, 4.2% in 2023, and 2.5% in 2024. The Producer Price Index for finished goods increased 0.8% in 2019 before declining 1.3% in 2020, and then increasing 8.9% in 2021. The current forecast calls for increases of 13.5% in 2022, 2.3% in 2023, and 0.9% in 2024.

**MONETARY AND FISCAL POLICY:** Monetary and fiscal policies were extremely aggressive in response to the COVID-19 pandemic. The Federal Reserve utilized traditional easing programs 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 nearly \$9 trillion in May 2022.

In March 2022, the Federal Open Market Committee began increasing the federal funds rate in an effort to reduce inflation. In less than eight months, the federal fund target rate went from its effective lower bound of 0 – 0.25% to the current federal funds target rate of 3.75% – 4.00%. The target rate is expected to be increased by the Federal Reserve to a range of 4.50% – 4.75% by March 2023.



The economic forecast includes the Infrastructure Investment and Jobs Act, the Consolidated Appropriations Act of 2022, and the Inflation Reduction Act. Pandemic relief payments are expected to shrink to near zero in 2023.

The unified federal deficit for federal fiscal year (FFY) 2021 was nearly \$2.6 trillion, which is approximately \$0.8 trillion less than the FFY2020 deficit. IHS Markit forecasts deficits of \$1.3 trillion for FFY2022, \$1.2 trillion for FFY2023, and \$1.5 trillion for FFY2024.

**INTERNATIONAL:** Real foreign GDP is projected to slow from 3.1% in 2022 to 1.2% in 2023. The forecast includes the tariffs enacted in 2017 by the United States and China. As global growth slows, the price of Brent crude oil is projected to ease to approximately \$87/barrel in 2023 and 2024.

**RISKS TO THE FORECAST**

Economic risks to the baseline forecast are reflected in alternate scenarios. There are upside risks as the result of stronger productivity, an improving supply chain, and faster resolution to the Russia-Ukraine conflict. The downside risks stem from continued conflict with Russia and Ukraine, higher energy prices, and continued supply chain issues. IHS Markit assigns greater probability to the negative risks versus the positive risks at this time.

A 15% probability exists for United States economic growth being stronger than the baseline forecast. In IHS Markit’s optimistic scenario, GDP is projected to increase by 1.9% in 2022, 0.7% in 2023, and 1.3% in 2024. The optimistic scenario assumes a more robust response from consumers and businesses to the Infrastructure Investment and Jobs Act. The optimistic scenario also assumes that business fixed investment remains elevated relative to the baseline due to strong demand and cashflows.

The pessimistic scenario assumes that consumer spending slumps. IHS Markit assigns a 30% probability to this scenario. Weaker consumer demand and persistent supply chain issues could cause businesses to scale back investment plans. The price of Brent oil rises much higher than the baseline under this scenario. Unemployment rates under this scenario would also be higher than the baseline.

## ***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 has a strong, growing economy. In the second quarter of 2022, total nonfarm employment increased 2.2% over the same period a year ago and grew 2.3% in the third quarter. Real Gross State Product (GSP) is projected to finish 2022 1.0% higher than a year ago. And, since 2019, South Dakota leads the nation in per capita personal income growth.

The following are some recent key South Dakota economic statistics:

- South Dakota recovered nonfarm employment losses more quickly than the United States, surpassing its February 2020 payroll level in November 2021 – nearly a year before the United States exceeded its February 2020 level. South Dakota nonfarm employment grew at 3.2% in 2021 and is projected to finish 2022 at 2.2%.
- The unemployment rate in South Dakota in October of 2022 was 2.4%. This was 1.3% below the national rate of 3.7%.
- Housing starts surged in 2020 through 2022 due to high demand and low mortgage rates. Housing starts will remain elevated in 2022 before a projected decline in 2023.

### ***COUNCIL OF ECONOMIC ADVISORS***

*The Council of Economic Advisors, which has been in existence since 1991, consists of twelve members that encompass business and economic experts from around 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 \$2.9 billion in 2021. The number of estimated visitors in South Dakota totaled approximately 13.5 million, spending an estimated \$4.4 billion statewide. Visitation was up approximately 30% from 2020.

The tourism sector is an integral part of the South Dakota economy. Tourism activity set many records in 2021 with visitor spending surpassing 2019 levels, and room revenues and demand also setting new highs.

Tourism activity has remained strong in 2022, and through September visitor spending is estimated to be up over 5% year over year. Year to date, airport arrivals are up 13% over 2021, while hotel room nights are up 0.5%.

**AGRICULTURE:** In 2021, the agricultural economy in South Dakota produced cash receipts of \$11.9 billion, which was an increase of \$3.1 billion from 2020 cash receipts. Crops generated \$7.0 billion, and livestock generated \$5.0 billion in 2021. Income from crops increased \$2.2 billion, while cash receipts from animals and products increased by \$0.9 billion.

Overall, crop production levels are expected to be weaker in 2022 compared to last year. According to the National Agricultural Statistics Service (NASS), as of November 1<sup>st</sup>, corn production is projected to be 656 million bushels, down 11% from 2021 production. Corn acres harvested is estimated at 5.25 million acres, which is down 4% from a year ago. The corn yield is estimated to be 125 bushels per acre, down 9 bushels from last year. Soybean production is expected to be 197 million bushels, down 9% from a year ago, with a yield of 39 bushels per acre, a decrease of 1 bushel from the 2021 yield. Soybean acres harvested is estimated at 5.05 million, down 6% from last year. Sorghum for grain production is forecast to be 15.6 million bushels, up 16% from last year with 205,000 acres for harvest estimated, which is down 2% from last year.

South Dakota feedlots with capacities of 1,000 or more head contained 210,000 cattle on feed as of November 1<sup>st</sup>, which is down 9% from last year. Placements during October totaled 72,000 head, which is down 5% from last year. Fed cattle marketings were 45,000 head, unchanged from last year. The inventory of all hogs and pigs as of September 1<sup>st</sup> was up 3% from a year ago but down 2% from June. The June to August pig crop total was 1.79 million head, up 11% from a year ago.

The agriculture sector in South Dakota has been supported by several large government programs over the past several years. The Markets Facilitation Payments (MFP) program was established to support commodities impacted by trade disputes. The program paid out over \$526 million to producers in South Dakota. 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. Over \$1.3 billion was received in the state between the two tranches of this program.

Weather conditions in 2022 were very dry. In early July, NASS estimated that approximately 30% of topsoil and subsoil moisture supplies were short or very short. However, soil moisture levels declined throughout the summer and fall. As of late November, 88% of topsoil supplies are rated short or very short and 84% of subsoil supplies are rated short or very short. The Council is specifically concerned with yields due to drought, high input prices, and the global economy.

**CONSTRUCTION:** So far in fiscal year 2023, construction activity has been extremely strong. Contractor’s Excise Tax, which is a good indicator of overall construction activity, is up 24.8% through the first four months of activity in the fiscal year compared to the prior year. Housing construction remains strong. The Council expects housing activity to slow as interest rates increase.

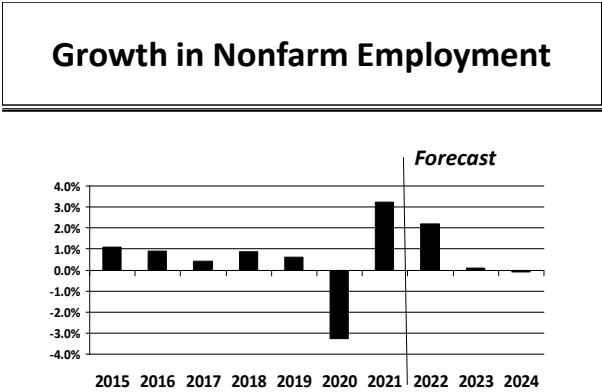
***SOUTH DAKOTA FORECAST HIGHLIGHTS***

*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.*

Comparatively, South Dakota’s economy is expected to weather a potential recession better than most of the nation. This forecast accounts for that expected performance.

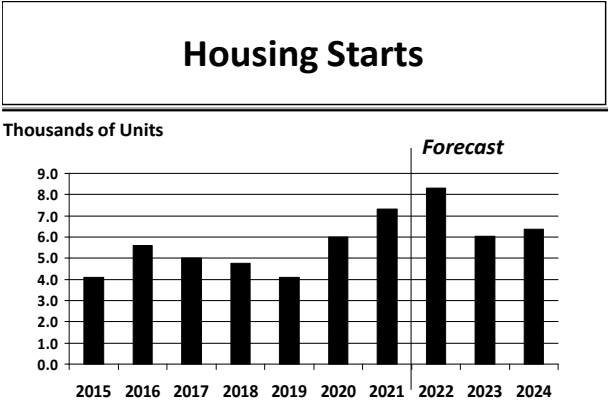
**EMPLOYMENT:** South Dakota has several advantages over other states, which account for its ability to grow employment. Some of these advantages include a pro-business environment, a central geographic location, a low cost of doing business, and a high quality of life. A challenge the state continues 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.

Prior to 2020, South Dakota’s employment situation had been stable for about a decade. From 2011-2019, nonfarm employment growth averaged 1% per year. Nonfarm employment declined 3.3% in South Dakota in 2020 but rebounded strongly. Employment grew 3.2% in 2021 and is projected to finish 2022 at 2.2%. For 2023 and 2024, nonfarm employment is projected at 0.1% and -0.1%, respectively.



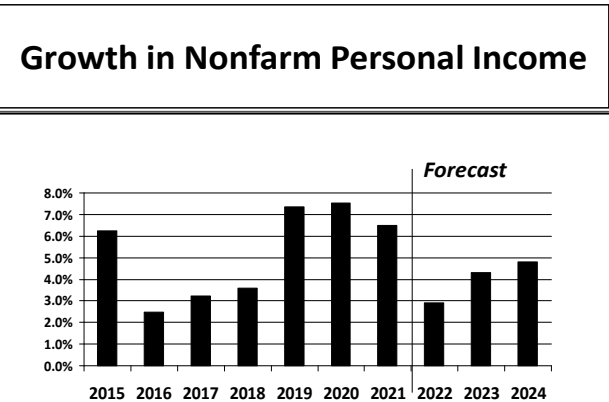
**HOUSING/CONSTRUCTION:** In 2016, South Dakota experienced a surge in housing starts at approximately 5,600 units. Housing starts declined from 2017 to 2019, but rebounded strongly in 2020 and 2021 on the strength of low mortgage rates and high demand.

The housing market is anticipated to remain strong in 2022 before leveling in 2023 and 2024. Higher prices and rising interest rates will be a challenge in the housing sector. Housing starts were 7,310 in 2021 and are projected to be 8,320 in 2022, 6,050 in 2023, and 6,370 in 2024.



**INCOME:** From 2011 to 2021, South Dakota’s total personal income growth averaged 5% per year. Growth rates have been much higher recently, boosted by farm income. In 2020 and 2021, personal income grew by 9.9% and 7.6%, respectively. Personal income is forecast to grow 4.0% in 2022, 2.5% in 2023, and 3.6% in 2024.

From 2011 to 2021, nonfarm income also averaged 5% per year. Nonfarm income grew 7.3% in 2019, 7.5% in 2020, and 6.5% in 2021. Nonfarm income in South Dakota is forecast to grow 2.9% in 2022, 4.3% in 2023, and 4.8% in 2024.



**RISKS TO THE FORECAST**

The Council of Economic Advisors sees some risks to the current forecast. These risks include rising interest rates and their effect on South Dakota’s economy. There is also concern for continued inflation, and the effect it may have on businesses’ profit margins. In addition, workforce continues to be a concern. With low unemployment levels and an aging population, workforce shortages pose a threat to future growth. In the agriculture sector, drought and increased input prices pose potential risks to the forecast.

Positive developments potentially improving the economic outlook in South Dakota include continued population growth and infrastructure investments.

## REVENUE ESTIMATE SUMMARY

General fund receipts for FY2023 are forecast at \$2,392.8 million. Ongoing receipts comprise \$2,268.9 million of the total. One-time revenues comprise \$123.9 million of the total, which includes \$14,625 in bank franchise tax prior year revenue, \$8.4 million in unexpended carryovers and specials, and \$115.5 million of obligated cash carried forward from FY2022. The ongoing estimate for FY2023 includes an increase of \$142.5 million from actual FY2022 ongoing receipts. Categories forecasted to show major increases in FY2023 over FY2022 actuals include the sales and use tax (+\$110.6M), contractor's excise tax (+\$21.8M), insurance company tax (+\$6.1M), unclaimed property receipts (+\$5.6M), and lottery (+\$4.1M). The category forecast for the biggest decrease from FY2022 actual receipts is investment interest and income (-\$5.7M).

The revised ongoing estimate for FY2023 is \$202.8 million higher than the ongoing estimate adopted during the 2022 legislative session. Major positive adjustments for the revised FY2023 estimate compared to the adopted FY2023 estimate are for sales and use tax (+\$135.9M), contractor's excise tax (+\$25.4M), unclaimed property receipts (+\$23.6M), insurance company tax (+\$8.4M), lottery (+\$5.2M), and bank franchise tax (+\$4.8M). The most significant negative revisions compared to the adopted FY2023 estimate are for tobacco taxes (-\$3.2M) and investment income and interest (-\$2.0M).

General fund receipts for FY2024 are projected to be \$2,199.6 million, of which all receipts are considered ongoing. The forecast for ongoing receipts in FY2024 is a decrease of \$69.4 million from the revised FY2023 projection. The most significant source of growth is from insurance company tax (+\$4.1M). Categories forecasted for significant decreases in FY2024 are sales and use tax (-\$58.5M) and unclaimed property receipts (-\$19.0M). The decrease in sales tax is due to the proposal to eliminate sales tax on groceries.

### CURRENT REVENUE FORECAST (Dollars in Millions)

	<u>FY2023</u>	<u>FY2024</u>
Sales and Use Tax	1,467.5	1,408.9
Lottery	175.8	178.5
Contractor's Excise Tax	177.6	178.2
Insurance Company Tax	110.1	114.2
Unclaimed Property	70.7	51.7
Tobacco Taxes	47.6	46.4
Other Ongoing Revenues	219.7	221.6
One-Time Receipts	8.4	0.0
Obligated Cash Carried Forward	<u>115.5</u>	<u>0.0</u>
<b>Total Revenue</b>	<b><u>2,392.8</u></b>	<b><u>2,199.6</u></b>

### 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 64.1% of ongoing general fund revenue. Between FY2000 and FY2022, the sales and use tax grew from \$432.1 million to \$1,385.2 million, which was an average annual increase of 5.5%. Over the past thirteen 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 a 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. In FY2021 and FY2022, sales tax grew

by historic amounts (14.0% and 13.3%) due to increased consumer spending driven by strong personal income growth and federal government stimulus.

Net collections from the sales and use tax in FY2022 were \$1,385.2 million, which was an increase of \$162.3 million compared to FY2021. FY2022 collections included \$28.3 million in one-time sales and use tax due to a large audit. Through the first four months of FY2023, sales and use tax collections to the general fund were \$542.0 million, which is an increase of 14.1% from the first four months of FY2022. For the revised FY2023 estimate, the sales and use tax is forecast at \$1,467.5 million, which is an increase of \$110.6 million, or 8.2%, compared to the FY2022 ongoing collections. For FY2024, the sales and use tax is forecast at \$1,408.9 million, which is a decrease of \$58.5 million, or 4.0%, over the revised FY2023 estimate. The FY2024 sales and use tax projection includes a reduction of \$102.4 million due to the Governor's recommendation to eliminate the sales tax on groceries.

### ***LOTTERY***

Collections from lottery activities account for approximately 8.1% of ongoing general fund revenues. In FY2023, lottery collections are anticipated at \$175.8 million, which includes the general fund's share of instant lottery ticket sales of \$7.0 million, 70% or \$5.3 million from the online lottery net income, and \$163.4 million in video lottery receipts. In FY2024, lottery receipts are projected at \$178.5 million, which includes \$7.2 million from instant lottery income, 70% or \$5.4 million from online lottery net income, and \$165.8 million from the state's share of video lottery receipts. In FY2021 and FY2022, video lottery receipts were \$147.8 million and \$161.0 million, respectively. So far in FY2023, video lottery receipts are up 17.9% through the first four months compared to the prior year; however, much of the increase is due to the timing of receipts to the general fund.

### ***CONTRACTOR'S EXCISE TAX***

The collection of contractor's excise tax accounts for approximately 8.1% 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 \$47.6 million in FY2000 to \$155.8 million in FY2022, representing an average annual increase of 5.9%. In FY2022, net collections to the general fund from the contractor's excise tax grew \$11.4 million, or 7.9%, from FY2021. Through the first four months of FY2023, net contractor's excise tax collections were \$73.3 million, an increase of 24.8% compared to the first four months of FY2022. Contractor's excise tax collections for FY2023 are forecast to be \$177.6 million, an increase of \$21.8 million, or 14.0%, compared to FY2022 collections. FY2024 collections are forecast at \$178.2 million, an increase of \$0.6 million, or 0.3%, compared to the revised FY2023 estimate.

### ***INSURANCE COMPANY TAX***

Collections from the insurance company tax account for approximately 5.2% of ongoing general fund revenues. From FY2000 to FY2022, insurance company tax collections grew from \$39.5 million to \$104.0 million, which was an average annual increase of 4.5%. In FY2022, insurance company tax collections increased by \$7.0 million, or 7.2%, compared to FY2021. For FY2023, insurance company tax collections are forecast at \$110.1 million, which is an increase of \$6.1 million, or 5.9%, over FY2022 collections. For FY2024, insurance company tax collections are forecast to be \$114.2 million, which is an increase of \$4.1 million, or 3.7%, over the revised FY2023 estimate. These estimates are affected by the passage of SB 159 during the 2016 legislative session and SB 71 during the 2022 legislative session, which allow tax credits for insurance companies dedicated to scholarships for students attending private schools.

### ***UNCLAIMED PROPERTY***

Historically, collections from unclaimed property have been relatively small but now represent approximately 2.4% of ongoing general fund revenues. Unclaimed property has been remitted to the State since the 1980's. From FY1997

to FY2010, collections to the general fund ranged from \$0.4 million to \$8.0 million. 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. From FY2014 to FY2020, collections fell from \$59.8 million to \$47.3 million, net of property claims. In FY2021 and FY2022, unclaimed property collections increased to \$62.8 million and \$65.1 million, respectively, due to increased remittances and reduced property claims. For FY2023, unclaimed property revenue is forecast at \$70.7 million after projected claims are paid through the remainder of the fiscal year. The forecast for FY2024 is \$51.7 million.

### ***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 FY2022, cigarette taxes totaled \$42.8 million, while the other tobacco products tax totaled \$11.6 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 \$49.4 million in FY2022. General fund receipts from tobacco taxes are projected at \$47.6 million in FY2023 and \$46.4 million in FY2024.

### ***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 FY2023, collections from other ongoing revenues are projected to be \$219.7 million, approximately 9.7% of total ongoing general fund revenues. In FY2024, collections from other ongoing revenues are projected at \$221.6 million.

### ***ONE-TIME RECEIPTS***

In FY2023, collections from one-time receipts are projected to be \$8.4 million. These one-time receipts include \$8.4 million in unexpended carryovers and \$14,625 in bank franchise tax prior year revenue.

### ***OBLIGATED CASH CARRIED FORWARD***

Obligated cash is the amount of prior year cash carried forward to meet obligations existing at the end of the previous year. For FY2023, the total amount of obligated cash carried forward was \$115.5 million. This was obligated to the General Revenue Replacement Fund and the Budget Reserve Fund from the budget surplus at the end of FY2022.

## 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 be used to address unforeseen expenditure obligations or revenue shortfalls. At the end of FY2020 and FY2022, unobligated general fund cash in the amounts of \$39.3 million and \$7.2 million, respectively, was obligated to the Budget Reserve Fund. These funds were transferred from the general fund into the reserve in FY2021 and FY2023, respectively.

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. At the end of FY2020, FY2021, and FY2022, unobligated general fund cash in the amounts of \$2.3 million, \$91.2 million, and \$108.3 million, respectively, was obligated to the General Revenue Replacement Fund. These funds were transferred from the general fund into the reserve in FY2021, FY2022, and FY2023, respectively. In FY2023, the Governor is recommending a transfer of \$202.6 million from the General Revenue Replacement Fund to the Incarceration Construction Fund to be used for a Men's Prison in the Sioux Falls area. This will leave a projected ending balance of \$43.2 million.

The total estimated reserve balance of \$220.0 million is 10.0% of proposed FY2024 appropriations.

### **BUDGET RESERVE FUND & GENERAL REVENUE REPLACEMENT FUND CONDITION STATEMENT**

	ACTUAL FY2021	ACTUAL FY2022	ESTIMATED FY2023	ESTIMATED FY2024
Budget Reserve Fund Beginning Balance	\$ 130,257,559	\$ 169,583,492	\$ 169,583,492	\$ 176,760,690
Calculations for Maximum Balance in the Fund:				
General Bill Appropriation for Prior Year	1,695,834,919	1,586,704,162	1,767,606,897	1,980,929,790
Budget Reserve Fund Percentage	10%	10%	10%	10%
Maximum Amount in the Fund	169,583,492	158,670,416	176,760,690	198,092,979
Maximum Transferable Amount	39,325,933	(10,913,076)	7,177,198	21,332,289
Amount of General Funds Available				
End of Prior Year	41,617,499	91,208,112	115,478,433	0
Transferred in from General Fund	39,325,933	0	7,177,198	0
Transferred out to General Fund	0	0	0	0
<b>Ending Budget Reserve Fund Balance</b>	<b>\$ 169,583,492</b>	<b>\$ 169,583,492</b>	<b>\$ 176,760,690</b>	<b>\$ 176,760,690</b>
General Revenue Replacement Fund Balance	\$ 44,000,048	\$ 46,291,614	\$ 137,499,726	\$ 43,194,539
General Revenue Replacement Fund Percentage	15%	15%	15%	15%
Maximum Amount in the Fund	254,375,238	238,005,624	265,141,035	297,139,469
Maximum Transferable Amount	210,375,190	191,714,010	127,641,309	253,944,930
Transferred in from General Fund	2,291,566	91,208,112	108,301,235	0
Transferred out to Incarceration Construction Fund	0	0	(202,606,422)	0
<b>Ending General Revenue Replacement Fund Balance</b>	<b>\$ 46,291,614</b>	<b>\$ 137,499,726</b>	<b>\$ 43,194,539</b>	<b>\$ 43,194,539</b>
General Funds Obligated to Reserves	91,208,112	115,478,433	0	0
<b>ENDING TOTAL RESERVES BALANCE</b>	<b>\$ 307,083,218</b>	<b>\$ 422,561,650</b>	<b>\$ 219,955,228</b>	<b>\$ 219,955,228</b>

**NOTE:** The totals may not add due to rounding.

## COMPARISON BETWEEN LEGISLATIVE ADOPTED AND REVISED ESTIMATE FOR FY2023

	LEG ADOPTED FY2023	BFM REVISED FY2023	DOLLAR CHANGE	PERCENT CHANGE
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 1,331,550,501	\$ 1,467,482,227	\$ 135,931,726	10.21
Lottery	170,540,000	175,756,231	5,216,231	3.06
Contractor's Excise Tax	152,237,105	177,624,072	25,386,967	16.68
Insurance Company Tax	101,685,257	110,099,755	8,414,498	8.28
Unclaimed Property Receipts	47,049,387	70,678,824	23,629,437	50.22
Licenses, Permits, and Fees	72,756,235	75,729,924	2,973,689	4.09
Tobacco Taxes	50,781,051	47,618,873	(3,162,178)	(6.23)
Trust Funds	46,397,822	46,307,322	(90,500)	(0.20)
Net Transfers In	22,655,333	24,052,525	1,397,192	6.17
Alcohol Beverage Tax	9,013,182	9,237,650	224,468	2.49
Bank Franchise Tax	17,007,625	21,848,429	4,840,804	28.46
Charges for Goods and Services	15,460,833	15,644,481	183,648	1.19
Telecommunications Tax	2,601,188	2,419,644	(181,544)	(6.98)
Severance Taxes	7,625,358	7,464,373	(160,985)	(2.11)
Investment Income and Interest	15,967,250	13,931,725	(2,035,525)	(12.75)
Alcohol Bev 2% Wholesale Tax	2,816,541	3,048,237	231,696	8.23
<b>TOTAL (ONGOING RECEIPTS)</b>	<b>\$ 2,066,144,668</b>	<b>\$ 2,268,944,292</b>	<b>\$ 202,799,624</b>	<b>9.82</b>
<b>ONE-TIME RECEIPTS</b>				
Bank Franchise Tax Prior Year Revenue	\$ 0	\$ 14,625	\$ 14,625	N/A
Unexpended Carryovers and Specials	0	8,364,225	8,364,225	N/A
Obligated Cash Carried Forward	0	115,478,433	115,478,433	N/A
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<b>\$ 0</b>	<b>\$ 123,857,283</b>	<b>\$ 123,857,283</b>	<b>N/A</b>
<b>GRAND TOTAL</b>	<b>\$ 2,066,144,668</b>	<b>\$ 2,392,801,575</b>	<b>\$ 326,656,907</b>	<b>15.81</b>

**NOTE:** The totals may not add due to rounding.

## COMPARISON BETWEEN ACTUAL FY2022 AND REVISED FY2023 REVENUE COLLECTIONS

	ACTUAL FY2022	BFM REVISED FY2023	DOLLAR CHANGE	PERCENT CHANGE
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 1,356,844,793	\$ 1,467,482,227	\$ 110,637,434	8.15
Lottery	171,609,682	175,756,231	4,146,549	2.42
Contractor's Excise Tax	155,823,772	177,624,072	21,800,300	13.99
Insurance Company Tax	103,995,420	110,099,755	6,104,335	5.87
Unclaimed Property Receipts	65,097,628	70,678,824	5,581,196	8.57
Licenses, Permits, and Fees	75,077,171	75,729,924	652,753	0.87
Tobacco Taxes	49,385,379	47,618,873	(1,766,506)	(3.58)
Trust Funds	43,495,271	46,307,322	2,812,051	6.47
Net Transfers In	25,279,507	24,052,525	(1,226,982)	(4.85)
Alcohol Beverage Tax	9,203,968	9,237,650	33,682	0.37
Bank Franchise Tax	22,511,850	21,848,429	(663,421)	(2.95)
Charges for Goods and Services	14,804,251	15,644,481	840,230	5.68
Telecommunications Tax	2,688,458	2,419,644	(268,814)	(10.00)
Severance Taxes	8,033,942	7,464,373	(569,569)	(7.09)
Investment Income and Interest	19,648,565	13,931,725	(5,716,840)	(29.10)
Alcohol Bev 2% Wholesale Tax	2,909,711	3,048,237	138,526	4.76
<b>TOTAL (ONGOING RECEIPTS)</b>	<b>\$ 2,126,409,366</b>	<b>\$ 2,268,944,292</b>	<b>\$ 142,534,926</b>	<b>6.70</b>
<b>ONE-TIME RECEIPTS</b>				
Bank Franchise Tax Prior Year Revenue	\$ 1,568,296	\$ 14,625	\$ (1,553,671)	(99.07)
One-Time Sales and Use Tax	28,305,843	0	(28,305,843)	(100.00)
Surplus Property	3,061,037	0	(3,061,037)	(100.00)
Unexpended Carryovers and Specials	2,900,492	8,364,225	5,463,733	188.37
Obligated Cash Carried Forward	85,875,130	115,478,433	29,603,302	34.47
Prior Period Adjustment	5,332,982	0	(5,332,982)	(100.00)
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<b>\$ 127,043,781</b>	<b>\$ 123,857,283</b>	<b>\$ (3,186,499)</b>	<b>(2.51)</b>
<b>GRAND TOTAL</b>	<b>\$ 2,253,453,148</b>	<b>\$ 2,392,801,575</b>	<b>\$ 139,348,427</b>	<b>6.18</b>

**NOTE:** The totals may not add due to rounding.

## COMPARISON BETWEEN REVISED FY2023 AND ESTIMATED FY2024 REVENUE COLLECTIONS

	<b>BFM REVISED FY2023</b>	<b>BFM PROJECTED FY2024</b>	<b>DOLLAR CHANGE</b>	<b>PERCENT CHANGE</b>
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 1,467,482,227	\$1,408,938,421	\$ (58,543,806)	(3.99)
Lottery	175,756,231	178,452,976	2,696,745	1.53
Contractor's Excise Tax	177,624,072	178,191,414	567,342	0.32
Insurance Company Tax	110,099,755	114,227,770	4,128,015	3.75
Unclaimed Property Receipts	70,678,824	51,705,829	(18,972,995)	(26.84)
Licenses, Permits, and Fees	75,729,924	76,828,720	1,098,796	1.45
Tobacco Taxes	47,618,873	46,423,628	(1,195,245)	(2.51)
Trust Funds	46,307,322	48,628,510	2,321,188	5.01
Net Transfers In	24,052,525	24,165,364	112,839	0.47
Alcohol Beverage Tax	9,237,650	9,689,739	452,089	4.89
Bank Franchise Tax	21,848,429	19,634,848	(2,213,581)	(10.13)
Charges for Goods and Services	15,644,481	15,742,669	98,188	0.63
Telecommunications Tax	2,419,644	2,343,231	(76,413)	(3.16)
Severance Taxes	7,464,373	8,026,540	562,167	7.53
Investment Income and Interest	13,931,725	13,288,500	(643,225)	(4.62)
Alcohol Bev 2% Wholesale Tax	3,048,237	3,264,117	215,880	7.08
<b>TOTAL (ONGOING RECEIPTS)</b>	<b>\$ 2,268,944,292</b>	<b>\$2,199,552,276</b>	<b>\$ (69,392,016)</b>	<b>(3.06)</b>
<b>ONE-TIME RECEIPTS</b>				
Bank Franchise Tax Prior Year Revenue	\$ 14,625	\$ 0	\$ (14,625)	(100.00)
Unexpended Carryovers and Specials	8,364,225	0	(8,364,225)	(100.00)
Obligated Cash Carried Forward	115,478,433	0	(115,478,433)	(100.00)
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<b>\$ 123,857,283</b>	<b>\$ 0</b>	<b>\$ (123,857,283)</b>	<b>(100.00)</b>
<b>GRAND TOTAL</b>	<b>\$ 2,392,801,575</b>	<b>\$2,199,552,276</b>	<b>(193,249,299)</b>	<b>(8.08)</b>

**NOTE:** The totals may not add due to rounding.

## GENERAL FUND RECEIPTS

	ACTUAL FY2021	ACTUAL FY2022	REVISED FY2023	PROJECTED FY2024
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 1,209,342,342	\$ 1,356,844,793	\$ 1,467,482,227	\$ 1,408,938,421
Lottery	155,527,049	171,609,682	175,756,231	178,452,976
Contractor's Excise Tax	144,448,267	155,823,772	177,624,072	178,191,414
Insurance Company Tax	97,010,439	103,995,420	110,099,755	114,227,770
Unclaimed Property Receipts	62,809,930	65,097,628	70,678,824	51,705,829
Licenses, Permits, and Fees	71,212,896	75,077,171	75,729,924	76,828,720
Tobacco Taxes	52,314,193	49,385,379	47,618,873	46,423,628
Trust Funds	41,628,039	43,495,271	46,307,322	48,628,510
Net Transfers In	23,471,494	25,279,507	24,052,525	24,165,364
Alcohol Beverage Tax	8,767,726	9,203,968	9,237,650	9,689,739
Bank Franchise Tax	18,702,022	22,511,850	21,848,429	19,634,848
Charges for Goods and Services	16,444,429	14,804,251	15,644,481	15,742,669
Telecommunications Tax	3,520,578	2,688,458	2,419,644	2,343,231
Severance Taxes	9,810,601	8,033,942	7,464,373	8,026,540
Investment Income and Interest	18,592,297	19,648,565	13,931,725	13,288,500
Alcohol Beverage 2% Wholesale Tax	2,596,157	2,909,711	3,048,237	3,264,117
<b>SUBTOTAL (ONGOING RECEIPTS)</b>	<b>\$ 1,936,198,459</b>	<b>\$ 2,126,409,366</b>	<b>\$ 2,268,944,292</b>	<b>\$ 2,199,552,276</b>
<b>ONE-TIME RECEIPTS</b>				
Refinancing Gains	\$ 6,745,654	\$ 0	\$ 0	\$ 0
Closeout of SDRC Inc. Funds	3,381,726	0	0	0
Bank Franchise Tax Prior Year Revenue	10,013,790	1,568,296	14,625	0
One-Time Sales and Use Tax	13,486,289	28,305,843	0	0
Surplus Property	0	3,061,037	0	0
Unexpended Carryovers and Specials	4,125,561	2,900,492	8,364,225	0
Obligated Cash Carried Forward	19,093,963	85,875,130	115,478,433	0
Prior Period Adjustments	22,523,535	5,332,982	0	0
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<b>\$ 79,370,518</b>	<b>\$ 127,043,781</b>	<b>\$ 123,857,283</b>	<b>\$ 0</b>
<b>GRAND TOTAL</b>	<b>\$ 2,015,568,977</b>	<b>\$ 2,253,453,148</b>	<b>\$ 2,392,801,575</b>	<b>\$ 2,199,552,276</b>

**NOTE:** The totals may not add due to rounding.

# TAX EXPENDITURES

## Sales and Use Tax Exemptions

**Annual Est. General  
Fund Revenue Loss**

### **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.	\$189,194,553
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.	\$55,773,827
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.	\$108,016,833
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.	\$44,119,216
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.	\$25,609,546
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)	\$27,551,464
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.	\$18,403,200
10-45-12.1: Farm Product Warehousing & Storage	\$10,109,795
10-45-12.1: Agricultural Services, except: Veterinary Services and Animal Specialty Services.	\$9,151,010
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)	\$400,693
10-45-12.1: Forestry Services	\$175,910
10-45-18.6, 10-46-16.6: The sale of swine or cattle semen used for agricultural purposes.	\$240,416
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.	\$3,654,628
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.	\$32,055
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.	\$318,730
10-45-18.5, 10-46-16.5: Feed for nondomestic animals exempted in 10-45-18.4	\$6,165

# 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.	<b>\$345,656,374</b>
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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.	<b>\$204,262,254</b>
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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.	<b>\$38,622,091</b>
10-45-11.1, 10-46-17.3: Goods and services furnished to meet warranty obligation.	<b>N/A</b>
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.	<b>N/A</b>
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.	<b>\$39,685,611</b>
10-45-68, 10-46-56: Sale of credit card processing services to retailers.	<b>\$2,433,195</b>
10-45-12.1: Water Supply	<b>\$7,497,153</b>
10-45-13.1: Membership fees to membership organizations and services provided by membership organizations.	<b>\$8,804,350</b>
10-45-5.2: Sanitary services except for the collection and disposal of solid waste which is specifically listed as subject to sales tax.	<b>\$1,061,022</b>
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)	<b>N/A</b>
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.	<b>N/A</b>
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.	<b>N/A</b>
10-45-12.1: Motion picture rentals to a commercially operated theater primarily engaged in the exhibition of motion pictures.	<b>\$188,240</b>
10-45-5.2: Research, development, and testing services (SIC 8733)	<b>\$7,293,650</b>

# 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.	\$404,897
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.	\$75,978
10-45-90, 10-46-63: Services performed for rodeos by promoters, stock contractors, stock handlers, announcers, judges, and clowns.	\$1,390,408
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.	\$523,120
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).	\$2,974,072
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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.	\$4,334,390
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.	\$8,944,851
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.	\$84,906,374
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.	\$9,875,544
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.	\$15,546,202

### **Social Services**

10-45.12.1: Social services and credit counseling services provided by individual and family social services.	\$5,210,243
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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.	\$6,308,241
10-45-5.1, 10-45-5.6: Coin operated washers and dryers annual license fee is in lieu of sales tax on receipts.	\$52,775
10-45-13.3: Sale of lottery tickets.	\$3,312,650
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.	\$1,379,109

#### **Other Miscellaneous Sales Tax Exemptions**

Mini-storage receipts are not specifically subject to tax and therefore are exempt.	\$1,300,901
10-45-13.4: Library copying charges.	N/A

<b>Total Sales and Use Tax Exemptions</b>	<b>\$1,412,026,964</b>
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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.	\$5,965,743
10-50-18: Distributor discount of 1% of cigarette stamp face value.	\$486,798
13-65-2: Tax credit to insurance companies that contribute to an organization providing educational scholarships to certain students. The bill caps credits at three million five hundred thousand dollars per year.	\$3,500,000

<b>Total Other Tax Expenditures</b>	<b>\$25,678,445</b>
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<b>Grand Total Tax Expenditures</b>	<b>\$1,437,705,409</b>
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Sources: Department of Revenue and Department of Labor and Regulation.

## ***RECOMMENDED EXPENDITURES***

Governor Noem's FY2024 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 improving public safety. 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 \$37.6 million of the \$207.7 million in ongoing general fund increases. In terms of the ongoing budget, this category is 45.7% of the ongoing general funds and 26.9% of the total ongoing funds, which amounts to over \$1.9 billion in total ongoing funding.

The Governor recommends an increase of \$24.1 million in general funds for state aid to education. The increase is due to growth in enrollments and 5.0% inflation on the target teacher salary. The Governor is also recommending an increase of \$0.9 million in general funds and a decrease of \$0.7 million in other fund expenditure authority to eliminate the transfer of the half penny promotion tax distribution from the Department of Tourism to the Department of Education.

The ongoing budget for the Board of Regents contains an increase of \$10.9 million in general funds. Included in this amount is an increase of \$4.0 million in general funds to fund the maintenance and repair budget at 1.75% of the replacement value of the buildings, an increase of \$3.7 in general funds to transfer funding for the Governor's Research Center Program to the Board of Regents from the Governor's Office of Economic Development, an increase of almost \$2.0 million in general funds to reimburse tuition for National Guard members at 100%, and an increase of \$1.2 million due to projected utility expenses. Also included is a decrease of 5.0 FTE, increase \$0.5 million in federal fund authority and decrease \$3.0 million in other fund expenditure authority for various expenditure authority adjustments.

The Governor recommends an ongoing increase of \$1.6 million in general funds for the Technical Colleges. This includes an increase of \$1.4 million in general funds for 5.0% inflation on the per-student allocation and the instructor salary support pool. It also includes an increase of \$0.1 million in general funds to fund the state's share of maintenance and repair at 1.75% of replacement value of state-owned buildings.

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. These Departments account for \$110.8 million of the \$207.7 million in ongoing general fund increases. In terms of the ongoing budget, this category is 38.1% of the general funds and 37.2% of the total funds, which amounts to nearly \$2.7 billion in total funding. The Governor recommends an ongoing increase of \$22.2 million in general funds and \$31.8 million in federal fund expenditure authority to raise community-based health and human service reimbursement rates to 90% of

methodology. This impacts providers within the Department of Social Services, Human Services, and Corrections.

The Department of Social Services' ongoing budget increases by \$96.0 million in general funds and \$643.9 million in federal fund expenditure authority, along with a reduction of \$1.7 million in other fund expenditure authority. Included in this amount is the increase to move targeted community-based provider reimbursement rates to 90% of methodology; an increase of 68.0 FTE, \$66.4 million in general funds, and \$512.6 million in federal fund expenditure authority for Medicaid expansion; increases of \$16.5 million in general funds and \$20.5 million in federal fund expenditure authority for discretionary medical provider inflation of 5.0%; an increase of \$11.7 million in general funds, with a corresponding decrease in federal fund expenditure authority due to the Federal Medical Assistance Percentage (FMAP) rate change; and increases of \$10.1 million in general funds and \$15.5 million in federal fund expenditure authority is recommended for increased Medicaid utilization and costs. It also includes increases of \$8.5 million in general funds and \$6.9 million in federal fund expenditure authority for inflationary adjustments required by the federal government; 1.0 FTE and \$7.3 million in general funds for crisis support services; \$2.3 million in general funds and \$1.7 million in federal fund expenditure authority for subsidized adoptions, guardianships, and placements; and 2.0 FTE, \$1.1 million in general funds, and \$2.1 million in federal fund expenditure authority for pregnancy health homes. There is also a decrease of \$29.6 million in general funds and a corresponding increase in federal fund expenditure authority due to 5% FMAP savings associated with Medicaid Expansion.

The Department of Human Services ongoing budget will increase by \$14.6 million in general funds and \$59.1 million in federal fund expenditure authority. Included in this amount is the increase to move community-based health and human service provider reimbursement rates to 90% of methodology; increases of \$10.8 million in general funds, \$15.1 million in federal fund expenditure authority, and \$0.3 million in other fund expenditure authority for discretionary medical provider inflation of 5.0%; and an increase of \$8.5 million in general funds, a decrease of \$8.8 million in federal fund expenditure authority, and an increase of \$0.3 million in other fund expenditure authority due to the FMAP rate change. There is also a decrease of \$23.6 million in general funds, an increase \$24.4 million in federal fund expenditure authority, and a decrease in \$0.8 million in other fund expenditure authority due to 5% FMAP savings associated with Medicaid Expansion.

The ongoing budget for the Department of Health includes an increase of \$0.2 million in general funds, \$0.2 million in federal fund expenditure authority, and a decrease of \$25.0 million in other fund expenditure authority. The decrease in other fund expenditure authority due to the transition of Correctional Healthcare from the Department of Health to the Department of Corrections.

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 an increase of \$12.0 million in general funds and a decrease of \$0.2 million in federal fund expenditure authority. This includes an increase of \$5.2 million in general funds for pay increase for security staff and an increase of 165.9 FTE and \$3.1 million in general funds due to the transition of Correctional Healthcare and Correctional Behavioral Healthcare from the Department of Health and Department of Social Services to the Department of Corrections.

The Governor is recommending an increase of \$23.1 million in general funds, \$9.9 million in federal fund expenditure authority, and \$25.4 million in other fund expenditure authority for a market adjustment for state employees' salaries of 5.0%. The Governor is also recommending increases of \$11.5 million in general funds, \$10.8 million in federal fund expenditure authority, and \$16.1 million in other fund expenditure authority to be distributed to state agencies for targeted pay adjustments. Lastly, the Governor is recommending increases of \$11.4 million in general funds, \$5.8 million in federal fund expenditure authority, and \$10.6 million in other fund expenditure authority for the employee health insurance plan.

## 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.
- \$37.6M increase out of \$207.7M total ongoing general fund increase.
- \$1.0B out of \$2.2B, or 45.7%, of total ongoing general funds.
- \$1.9B out of \$7.2B, or 26.9%, of total ongoing funds.

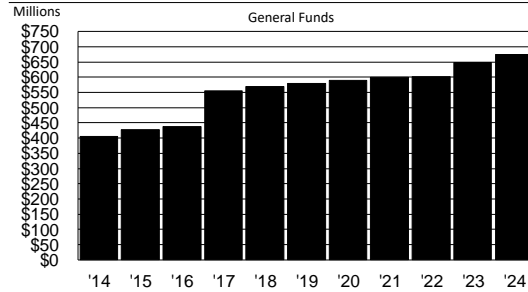
State Aid to K-12 Education	FTE	General	Federal	Other
State Aid to General Education		\$24,150,762		
State Aid to Special Education				
Sparsity		(\$2,857)		
<b>Total</b>	<b>0.0</b>	<b>\$24,147,905</b>	<b>\$0</b>	<b>\$0</b>

- Increase of \$24,150,762 in general funds for State Aid to General Education due to 5.0% inflation on the target teacher salary and an increase in enrollments.
- Recommend 5.0% inflationary increase on each of the six special education disability categories which can be accomplished within existing budget.
- Decrease of \$2,857 in general funds for sparsity payments due to 5.0% inflation and an adjustment in enrollment in sparse districts.

State Aid to Technical Colleges	FTE	General	Federal	Other
Technical College Formula		\$1,161,186		
Instructor Salary Support		\$171,926		
Maintenance and Repair		\$141,266		
Data and Finance Analyst	1.0	\$86,634		
National Guard Tuition Reimbursement		\$41,924		
Bond Payments		(\$21,638)		
<b>Total</b>	<b>1.0</b>	<b>\$1,581,298</b>	<b>\$0</b>	<b>\$0</b>

- Increase of \$1,161,186 in general funds for the Technical Colleges formula due to 5.0% inflation on the per student allocation.
- Increase of \$171,926 in general funds for 5.0% inflation of the instructor salary support pool.
- Increase of \$141,266 in general funds to fund the state's share of maintenance and repair at 1.75% of replacement value of state-owned buildings.
- Increases of 1.0 FTE and \$86,634 in general funds for a Data and Finance Analyst position.
- Increase of \$41,924 in general funds to reimburse tuition for National Guard members at 100%.
- Decrease of \$21,638 in general funds to align funding with bond payment schedules.

## State Aid to Schools



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

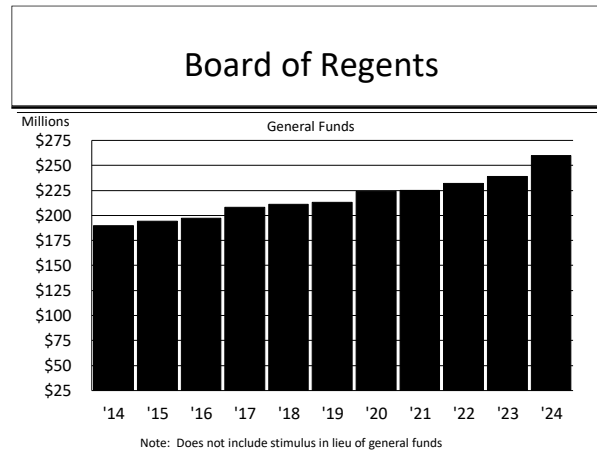
Education	FTE	General	Federal	Other
Promotion Tax Distribution		\$964,231		(\$711,184)
Birth to Three		\$3,950	(\$3,950)	
Data Management and Reporting Analyst	1.0			
Medicaid Expansion 5% FMAP Savings		(\$10,912)	\$10,912	
<b>Total</b>	<b>1.0</b>	<b>\$957,269</b>	<b>\$6,962</b>	<b>(\$711,184)</b>

- Increase of \$964,231 in general funds and a decrease of \$711,184 in other fund expenditure authority to eliminate the transfer of the half penny promotion tax distribution from the Department of Tourism.
- Increase of \$3,950 in general funds with a corresponding decrease in federal fund expenditure authority in the Birth to Three program due to the change in FMAP.
- Transfer of 1.0 FTE from the Bureau of Information and Telecommunication to the Department of Education for the purpose of processing and maintaining reporting for the SD STARS data system.
- Decrease of \$10,912 in general funds with a corresponding increase in federal fund expenditure authority for the 5% enhanced FMAP due to Medicaid Expansion.

Board of Regents	FTE	General	Federal	Other
Maintenance and Repair		\$4,043,762		
Funding for Research Centers		\$3,672,951		
National Guard Tuition Reimbursement		\$1,971,851		
Utilities		\$1,228,194		
Critical Deferred Maintenance Lease Payment		(\$2,538)		
Expenditure Authority Adjustments	(5.0)		\$500,000	(\$3,000,000)
<b>Total</b>	<b>(5.0)</b>	<b>\$10,914,220</b>	<b>\$500,000</b>	<b>(\$3,000,000)</b>

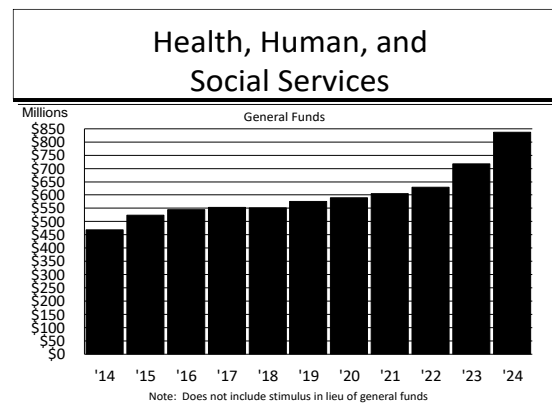
- Increase of \$4,043,762 in general funds to fund maintenance and repair at 1.75% of replacement value.
- Increase of \$3,672,951 in general funds to transfer funding for the Governor's Research Center Program to the Board of Regents from the Governor's Office of Economic Development.
- Increase of \$1,971,851 in general funds to reimburse tuition for National Guard members at 100%.

- Increase of \$1,228,194 in general funds for utility expenses.
- Decrease of \$2,538 in general funds based on the bond lease schedule.
- Decreases of 5.0 FTE and \$3,000,000 in other fund expenditure authority and an increase of \$500,000 in federal fund expenditure authority to align budget with anticipated revenue and federal grant awards.



## Health, Human, and Social Services

- Includes the Departments of Health, Human Services, and Social Services.
- \$110.8M increase out of \$207.7M total ongoing general fund increase.
- \$835.5M out of \$2.2B, or 38.1%, of total ongoing general funds.
- \$2.7B out of \$7.2B, or 37.2%, of total ongoing funds.



Health	FTE	General	Federal	Other
Health Protection	1.0	\$116,669		
Rent		\$88,267	\$79,847	\$8,778
Rural Residency Track		\$35,808	\$18,030	
Medicaid Expansion 5% FMAP Savings		(\$40,059)	\$40,059	
Public Health Lab	1.0		\$43,415	\$43,415
Medical Cannabis	6.0			\$1,563,678
Informational Boards	0.6			\$50,500

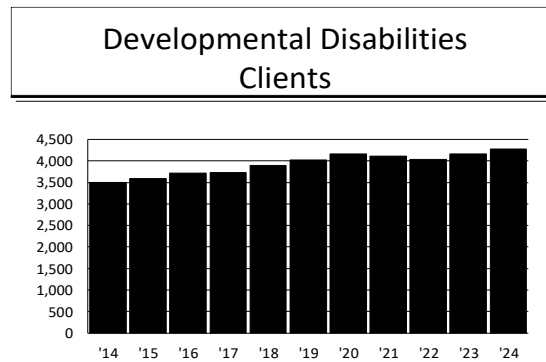
Correctional Healthcare	(110.9)			(\$26,714,763)
<b>Total</b>	<b>(102.3)</b>	<b>\$200,685</b>	<b>\$181,351</b>	<b>(\$25,048,392)</b>

- Increases of 1.0 FTE and \$116,669 in general funds for an additional health protection advisor, and for the increase in the Department of Public Safety inspection rate.
- Increases of \$88,267 in general funds, \$79,847 in federal fund expenditure authority, and \$8,778 in other fund expenditure authority for increased rent expenses.
- Increases of \$35,808 in general funds and \$18,030 in federal fund expenditure authority for 5.0% provider inflation and FMAP changes within the Rural Residency program.
- Decrease of \$40,059 in general funds with a corresponding increase in federal fund expenditure authority for the 5% enhanced FMAP due to Medicaid Expansion.
- Increases of 1.0 FTE, \$43,415 in federal fund expenditure authority, and \$43,415 in other fund expenditure authority for a microbiologist in the medical microbiology division of the public health lab.
- Increases of 6.0 FTE and \$1,563,678 in other fund expenditure authority for the continued operation of the existing medical cannabis program. This program was previously funded by a special appropriation.
- Increases of 0.6 FTE and \$50,500 in other fund expenditure authority within the informational budgets reporting through the department.
- Decreases of 110.9 FTE and \$26,714,763 in other fund expenditure authority due to the transition of Correctional Healthcare from the Department of Health to the Department of Corrections.

<b>Human Services</b>	<b>FTE</b>	<b>General</b>	<b>Federal</b>	<b>Other</b>
Targeted Provider Reimbursement Rates		\$17,772,486	\$26,865,435	
Provider Inflation		\$10,849,814	\$15,086,364	\$308,698
Federal Medical Assistance Percentage		\$8,546,510	(\$8,828,844)	\$282,334
Developmental Disabilities		\$1,475,760	\$2,252,791	
South Dakota Developmental Center	(18.5)	(\$462,594)	(\$706,160)	
Medicaid Expansion 5% FMAP Savings		(\$23,609,140)	\$24,389,070	(\$779,930)
<b>Total</b>	<b>(18.5)</b>	<b>\$14,572,836</b>	<b>\$59,058,656</b>	<b>(\$188,898)</b>

- Increases of \$17,772,486 in general funds and \$26,865,435 in federal fund expenditure authority to increase reimbursement rates to at least 90% of methodology for services delivered by community-based health and human service providers.
- Increases of \$10,849,814 in general funds, \$15,086,364 in federal fund expenditure authority, and \$308,698 in other fund expenditure authority for provider inflation of 5.0%.
- Increases of \$8,546,510 in general funds and \$282,334 in other fund expenditure authority with a corresponding decrease in federal fund expenditure authority for the change in FMAP.
- Increases of \$1,475,760 in general funds and \$2,252,791 in federal fund expenditure authority in the Division of Developmental Disabilities for an increase in eligibles in the home and community-based services.

- Decreases of 18.5 FTE, \$462,594 in general funds, and \$706,160 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 \$23,609,140 in general funds and \$779,930 in other fund expenditure authority and corresponding increase in federal fund expenditure authority for the 5% enhanced FMAP due to Medicaid Expansion.

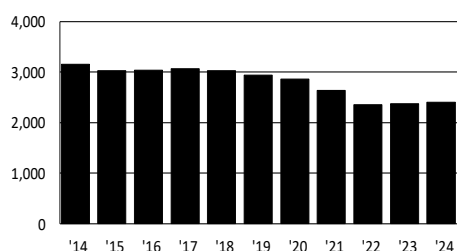


Social Services	FTE	General	Federal	Other
Medicaid Expansion	68.0	\$66,385,019	\$512,587,699	
Provider Inflation		\$16,480,655	\$20,546,960	
Federal Medical Assistance Percentage		\$11,720,242	(\$11,720,242)	
Medicaid and Chip Eligibles, Utilization, & Cost		\$10,126,348	\$15,458,158	
Mandatory Inflation		\$8,462,460	\$6,912,411	
Crisis Support Services and FTE	1.0	\$7,282,341		
Targeted Provider Reimbursement Rates		\$3,955,236	\$4,804,275	
Adoptions, Guardianships, and Placements		\$2,275,423	\$1,720,446	
Pregnancy Health Homes	2.0	\$1,112,923	\$2,068,002	
Outpatient Competency Restoration		\$559,222		
Human Services Center		\$314,300		
Correctional Behavioral Healthcare	(55.0)	(\$3,096,237)		(\$1,677,293)
Medicaid Expansion 5% FMAP Savings		(\$29,565,456)	\$29,565,456	
Indian Health Services Utilization and Cost			\$61,994,000	
Social Services Boards				\$25,203
<b>Total</b>	<b>16.0</b>	<b>\$96,012,476</b>	<b>\$643,937,165</b>	<b>(\$1,652,090)</b>

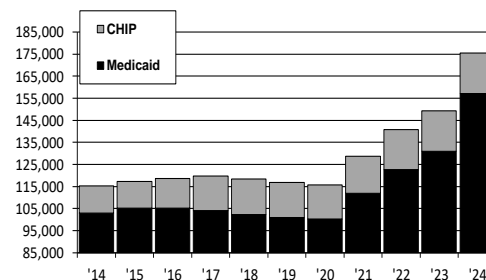
- Increases of 68.0 FTE, \$66,385,019 in general funds, and \$512,587,699 in federal fund expenditure authority to implement and administer Medicaid Expansion.
- Increases of \$16,480,655 in general funds and \$20,546,960 in federal fund expenditure authority for 5.0% provider inflation.
- Increase of \$11,720,242 in general funds with a corresponding decrease in federal fund expenditure authority for the change in FMAP.
- Increases of \$10,126,348 in general funds and \$15,458,158 in federal fund expenditure authority for increased Medicaid utilization and costs.

- Increases of \$8,462,460 in general funds and \$6,912,411 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 1.0 FTE and \$7,282,341 in general funds to implement and monitor crisis services in the state, including the 988-crisis hotline and appropriate regional facilities.
- Increases of \$3,955,236 in general funds and \$4,804,275 in federal fund expenditure authority to increase reimbursement rates to at least 90% of methodology for services delivered by community-based health and human service providers.
- Increases of \$2,275,423 in general funds and \$1,720,446 in federal fund expenditure authority for an additional 98 adoption and 26 guardianship subsidies, as well as increased paid placements in Child Protection Services.
- Increases 2.0 FTE, \$1,112,923 in general funds, and \$2,068,002 in federal fund expenditure authority to implement a Pregnancy Health Home program that would seek to improve pregnancy and postpartum care through enhanced case management and care coordination for mothers in the Medicaid program.
- Increase of \$559,222 in general funds for outpatient and jail-based competency restoration services.
- Increase of \$314,300 in general funds at the Human Services Center due to food services and utilities adjustments.
- Decreases of 55.0 FTE, \$3,096,237 in general funds, and \$1,677,293 in other fund expenditure authority due to the transition of Correctional Behavioral Health from the Department of Social Services to the Department of Corrections.
- Decrease of \$29,565,456 in general funds with a corresponding increase in federal fund expenditure authority for the 5% enhanced FMAP due to Medicaid Expansion.
- Increase of \$61,994,000 in federal fund expenditure authority due to increased utilization and costs at Indian Health Services.
- Increase of \$25,203 in other fund expenditure authority due to operating expenses and realignment for the Social Services Boards.

TANF Case Load in  
South Dakota

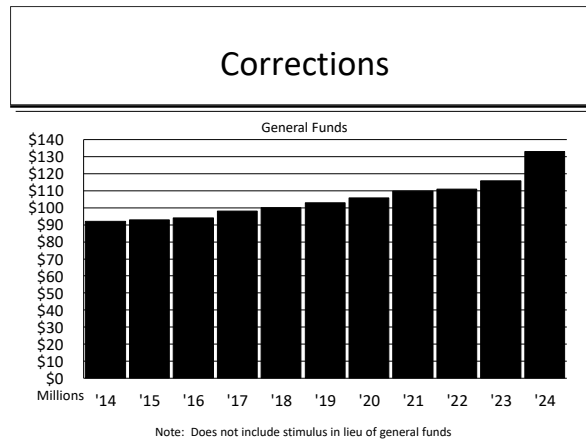


Medical Assistance Case  
Loads in South Dakota



## Corrections

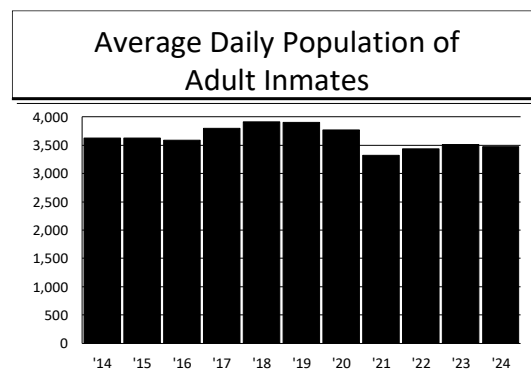
- Includes the Department of Corrections.
- \$12.0M increase out of \$207.7M total ongoing general fund increase.
- \$133.0M out of \$2.2B, or 6.1%, of total ongoing general funds.
- \$142.0M out of \$7.2B, or 2.0%, of total ongoing funds.



Corrections	FTE	General	Federal	Other
Security Staff Pay Increase		\$5,195,122		\$42,772
Correctional Healthcare	165.9	\$3,096,237		
Medical Costs		\$1,573,053		
Provider Inflation		\$572,648	\$117,955	
Food Services		\$564,689		
Targeted Provider Reimbursement Rates		\$507,678	\$162,445	
Utilities		\$451,416		
Staff Communication		\$355,680		\$2,340
Daily Jail Rate Increase		\$248,373		
Federal Medical Assistance Percentage		\$70,672	(\$70,672)	
Administrative Reorganization				
Medicaid Expansion 5% FMAP Savings		(\$195,226)	\$195,226	
Juvenile Placements		(\$479,158)	(\$32,907)	
Federal Fund Expenditure Authority Alignment			(\$568,860)	
<b>Total</b>	<b>165.9</b>	<b>\$11,961,184</b>	<b>(\$196,813)</b>	<b>\$45,112</b>

- Increases of \$5,195,122 in general funds and \$42,772 in other fund expenditure authority for pay increases, including \$23.50 per hour starting wage for security staff.
- Increases of 165.9 FTE and \$3,096,237 in general funds due to the transition of Correctional Healthcare and Correctional Behavioral Healthcare from the Department of Health and Department of Social Services to the Department of Corrections.
- Increase of \$1,573,053 in general funds due to increased medical costs and projected patient growth.

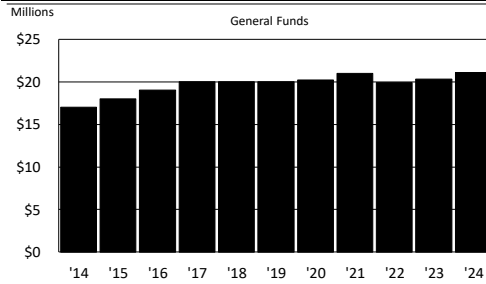
- Increases of \$572,648 in general funds and \$117,955 in federal fund expenditure authority for 5.0% provider inflation.
- Increase of \$564,689 in general funds for food services due to adjustments in inmate population and increased meal rates.
- Increases of \$507,678 in general funds and \$162,445 in federal fund expenditure authority to increase reimbursement rates to at least 90% of methodology for services delivered by community-based health and human service providers.
- Increase of \$451,416 in general funds for changes in utilities based on EnergyCap projections.
- Increases of \$355,680 in general funds and \$2,340 in other fund expenditure authority for email accounts for security staff.
- Increase of \$248,373 in general funds to increase the daily rate from \$70 to \$95 for parolees housed in county jail.
- Increase of \$70,672 in general funds with a corresponding decrease in federal fund expenditure authority for the change in FMAP.
- Recommend administrative reorganization to align budget with the revised organizational structure. This reorganization has a net-zero impact to FTE and budget.
- Decrease of \$195,226 in general funds and a corresponding increase in federal fund expenditure authority for the 5% enhanced FMAP due to Medicaid Expansion.
- Decreases of \$479,158 in general funds and \$32,907 in federal fund expenditure authority based on the decline of youth adjudicated to the Department of Corrections.
- Decrease of \$568,860 in federal fund expenditure authority due to a federal grant ending.



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

- Includes the Departments of Agriculture and Natural Resources and Game, Fish, and Parks.
- \$2.0K decrease out of \$207.7M total ongoing general fund increase.
- \$21.1M out of \$2.2B, or 1.0%, of total ongoing general funds.
- \$203.6M out of \$7.2B, or 2.8%, of total ongoing funds.

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



Agriculture and Natural Resources	FTE	General	Federal	Other
Informational Boards	(1.0)			\$1,867,263
State Fair Funding	2.0			\$550,000
Apiary Program Funding				\$35,000
ADRDL Bond Lease Payment				\$12,130
<b>Total</b>	<b>1.0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,464,393</b>

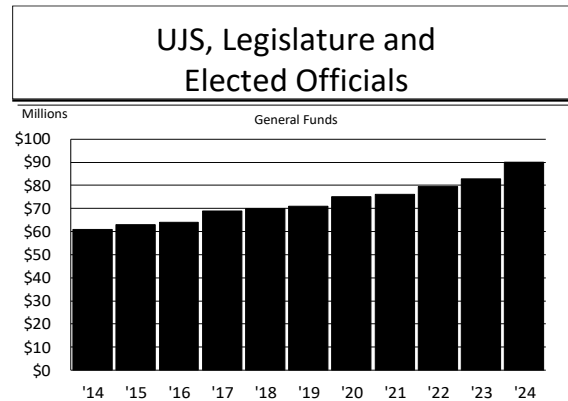
- Decrease of 1.0 FTE and increase of \$1,867,263 in other fund expenditure authority to align the informational budgets with anticipated expenditures.
- Increases of 2.0 FTE and \$550,000 in other fund expenditure authority to support state fair operations and growth.
- Increase of \$35,000 in other fund expenditure authority to support state apiary program operations.
- Increase of \$12,130 in other fund expenditure authority for the annual payment for the Animal Disease Research Diagnostic Lab (ADRDL).

Game, Fish, and Parks	FTE	General	Federal	Other
Bond Payments		(\$2,027)		
Division of Wildlife – Operations & Capital Development			\$841,638	(\$73,286)
Division of Parks & Recreation - Operations & Capital Development			\$653,304	(\$5,685,550)
<b>Total</b>	<b>0.0</b>	<b>(\$2,027)</b>	<b>\$1,494,942</b>	<b>(\$5,758,836)</b>

- Decrease of \$2,027 in general funds based on changes in bond payments.
- Increase of \$841,638 in federal fund expenditure authority and decrease of \$73,286 in other fund expenditure authority to align the budget with anticipated operational costs and costs of the capital development project list in the Division of Wildlife.
- Increase of \$653,304 in federal fund expenditure authority and decrease of \$5,685,550 in other fund expenditure authority to align the budget with anticipated operational costs and costs of the capital development project list in the Division of Parks & Recreation.

## 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.
- \$1.4M increase out of \$207.7M total ongoing general fund increase.
- \$90.1M out of \$2.2B, or 4.1%, of total ongoing general funds.
- \$187.2M out of \$7.2B, or 2.6%, of total ongoing funds.



Legislature	FTE	General	Federal	Other
Legislative Salaries		\$92,912		
Administrative Specialist FTE	1.0	\$62,361		
Session & Interim Mileage Reimbursement		\$58,748		
<b>Total</b>	<b>1.0</b>	<b>\$214,021</b>	<b>\$0</b>	<b>\$0</b>

- Increase of \$92,912 in general funds in the Legislative Research Council to align the budget with the actual legislator salary.
- Increases of 1.0 FTE and \$62,361 in general funds in the Legislative Research Council for an administrative specialist position due to increases in workload.
- Increase of \$58,748 in general funds in the Legislative Research Council due to an increase in the mileage reimbursement rate.

Unified Judicial System	FTE	General	Federal	Other
Positions	2.5	\$240,753		\$33,354
Provider Inflation		\$157,054		
IT Operating Expenses				\$270,156
Court Appointed Special Advocates Fund				\$250,000
<b>Total</b>	<b>2.5</b>	<b>\$397,807</b>	<b>\$0</b>	<b>\$553,510</b>

- Increases of 2.5 FTE, \$240,753 in general funds, and \$33,354 in other fund expenditure authority for a Magistrate Judge, Computer Assisted Court Recorder, and Human Resource Generalist.
- Increase of \$157,054 in general funds for 5.0% provider inflation.

- Increase of \$270,156 in other fund expenditure authority for increases in IT software and maintenance.
- Increase of \$250,000 in other fund expenditure authority to spend funds that were appropriated to the Court Appointed Special Advocates Fund during the 2022 legislative session.

<b>Public Utilities Commission</b>	<b>FTE</b>	<b>General</b>	<b>Federal</b>	<b>Other</b>
One Call Notification Board	2.0			\$66,496
<b>Total</b>	<b>2.0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$66,496</b>

- Increases of 2.0 FTE and \$66,496 in other fund expenditure authority to transition Executive Director and Deputy Director to FTE and align the One Call Notification Board budget with anticipated expenditures

<b>Attorney General</b>	<b>FTE</b>	<b>General</b>	<b>Federal</b>	<b>Other</b>
Computerized Criminal History Maintenance		\$626,000		
Operating Expenses		\$139,983		
Federal Fund Expenditure Authority			\$388,178	
<b>Total</b>	<b>0.0</b>	<b>\$765,983</b>	<b>\$388,178</b>	<b>\$0</b>

- Increase of \$626,000 in general funds for on-going maintenance of a new Computerized Criminal History System.
- Increases of \$139,983 in general funds for increased reference material costs, travel and training costs, and database storage costs.
- Increase of \$388,178 in federal fund expenditure authority to align the budget with current levels of federal funding.

<b>Secretary of State</b>	<b>FTE</b>	<b>General</b>	<b>Federal</b>	<b>Other</b>
No changes				
<b>Total</b>	<b>0.0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

- No recommended changes to the FY24 budget.

<b>School and Public Lands</b>	<b>FTE</b>	<b>General</b>	<b>Federal</b>	<b>Other</b>
State-Owned Land Maintenance		\$50,000		
<b>Total</b>	<b>0.0</b>	<b>\$50,000</b>	<b>\$0</b>	<b>\$0</b>

- Increase of \$50,000 in general funds to align budget with projected costs of land maintenance.

<b>State Auditor</b>	<b>FTE</b>	<b>General</b>	<b>Federal</b>	<b>Other</b>
Operating Expenses		\$5,000		
<b>Total</b>	<b>0.0</b>	<b>\$5,000</b>	<b>\$0</b>	<b>\$0</b>

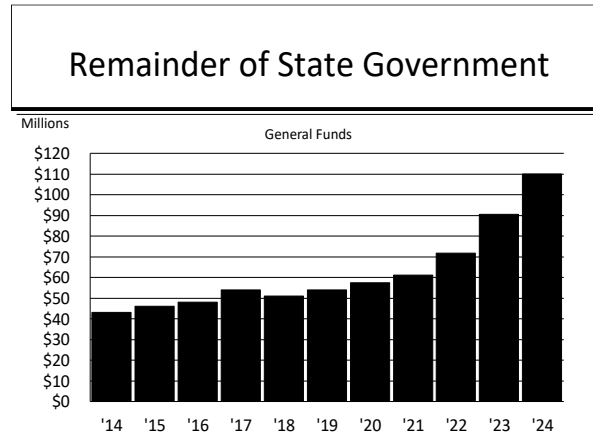
- Increase of \$5,000 in general funds to align budget with anticipated operating expenses.

State Treasurer	FTE	General	Federal	Other
Incentive Funding				\$3,145,820
Contractual Services				\$180,455
Personal Services				(\$321,946)
<b>Total</b>	<b>0.0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,004,329</b>

- Increase of \$3,145,820 in other fund expenditure authority to increase the maximum of the incentive program to 225% of prior year base salaries for investment positions at the South Dakota Investment Council.
- Increase of \$180,455 in other fund expenditure authority for various changes in contractual services at the South Dakota Investment Council.
- Decrease of \$321,946 in other fund expenditure authority for staffing changes due to retirements and promotional increases at the South Dakota Investment Council.

### Remainder of State Government

- Includes the Departments of Executive Management, Military, Veterans' Affairs, Revenue, Tourism, Transportation, Labor and Regulation, Retirement, and Public Safety.
- \$45.9M increase out of \$207.7M total ongoing general fund increase.
- \$110.0M out of \$2.2B, or 5.0%, of total ongoing general funds.
- \$2.1B out of \$7.2B, or 28.5%, of total ongoing funds.



Executive Management	FTE	General	Federal	Other
State Employee Salary Policy Pool		\$23,154,375	\$9,938,897	\$25,364,411
Targeted Pay		\$11,468,611	\$10,842,966	\$16,074,041
State Employee Health Insurance		\$11,352,210	\$5,758,525	\$10,623,597
Maintenance & Repair		\$1,665,141		
Bureau Billings		\$994,927	\$342,698	\$1,619,618
BIT Contractual Increases		\$222,800		\$907,136
Captive Insurance		\$179,774	\$12,566	\$735,636
Budget Analyst	1.0	\$91,855		
Funding for Research Centers		(\$3,672,951)		

South Dakota Housing Development Authority	6.0		\$295,035	\$3,712,999
Cybersecurity Tools and Positions	4.0			\$2,278,233
Enterprise Software Licensing				\$2,069,462
Financial Reporting Consultant				\$250,000
Financial Systems Application/Business Analyst	2.0			\$187,594
Bureau of Human Resources Salary and Benefits				\$145,210
Statewide Internal Control Implementation				\$125,000
GIS Analyst	1.0			\$91,350
Systems Maintenance				\$83,783
Bureau of Human Resources Travel				\$50,688
Data Management and Reporting Analyst	(1.0)			(\$89,518)
Programmatic Expenditure Adjustments				(\$450,000)
Bureau of Administration Utilities				(\$621,985)
<b>Total</b>	<b>13.0</b>	<b>\$45,456,742</b>	<b>\$27,190,687</b>	<b>\$63,157,255</b>

- Increases of \$23,154,375 in general funds, \$9,938,897 in federal fund expenditure authority, and \$25,364,411 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 5.0% salary policy.
- Increases of \$11,468,611 in general funds, \$10,842,966 in federal fund expenditure authority, and \$16,074,041 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 targeted pay.
- Increases of \$11,352,210 in general funds, \$5,758,525 in federal fund expenditure authority, and \$10,623,597 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 health insurance.
- Increase of \$1,665,141 in general funds in the Bureau of Administration to fund statewide maintenance and repair at 1.75% replacement value.
- Increases of \$994,927 in general funds, \$342,698 in federal fund expenditure authority, and \$1,619,618 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 increases in BIT billing rates.
- Increases of \$222,800 in general funds and \$907,136 in other fund expenditure authority within the Bureau of Information and Telecommunications for costs related to the state radio system, various contractual maintenance increases, and rent.
- Increases of \$179,774 in general funds, \$12,566 in federal fund expenditure authority, and \$735,636 in other fund expenditure authority in the Bureau of Finance and Management to be put in a funding pool and distributed to state agencies for increases in captive insurance.
- Increases of 1.0 FTE and \$91,855 in the Bureau of Finance and Management for a Budget Analyst to address increasingly complex budgetary considerations and analysis.
- Decrease of \$3,672,951 in general funds to transfer funding for the Governor's Research Center Program from the Governor's Office of Economic Development to the Board of Regents.
- Increases of 6.0 FTE, \$295,035 in federal fund expenditure authority, and \$3,712,999 in other fund expenditure authority to the South Dakota Housing Development Authority to accommodate costs associated with operations, transportation, and construction materials.

- Increases of 4.0 FTE and \$2,278,233 in other fund expenditure authority to the Bureau of Information and Telecommunication for cybersecurity tools and positions
- Increase of \$2,069,462 in other fund expenditure authority to the Bureau of Information and Telecommunication for ServiceNow enterprise software licensing.
- Increase of \$250,000 in other fund expenditure authority to the Bureau of Finance and Management to contract with an accounting firm to aid with the preparation of the State's financial statements.
- Increases of 2.0 FTE and \$187,594 in other fund expenditure authority to Bureau of Finance and Management for additional staff to work with agencies on their enterprise resource planning requirements and interface needs.
- Increase of \$145,210 in other fund expenditure authority to the Bureau of Human Resources to align the budget with workforce changes.
- Increase of \$125,000 in other fund expenditure authority to the Bureau of Finance and Management to complete statewide internal control implementation requirements pursuant to SDCL 1-56-6.
- Increases of 1.0 FTE and \$91,350 in other fund expenditure authority to the Bureau of Information and Telecommunication to address expanding GIS capacity.
- Increase of \$83,783 in other fund expenditure authority to the Bureau of Finance and Management for increased maintenance and lease contract costs related to the state's financial systems and software.
- Increase of \$50,688 in other fund expenditure to the Bureau of Human Resources authority for additional travel for employee engagement.
- Transfer of 1.0 FTE from the Bureau of Information and Telecommunication to the Department of Education for the purpose of processing and maintaining reporting for the SD STARS data system.
- Decrease of \$450,000 in other fund expenditure authority for the Governor's Office of Economic Development to align the budget with available funding.
- Decrease of \$621,985 in other fund expenditure authority for the Bureau of Administration for utilities based on EnergyCap projections.

<b>Military</b>	<b>FTE</b>	<b>General</b>	<b>Federal</b>	<b>Other</b>
Maintenance and Repair		\$207,930	(\$154,449)	
Utilities		\$157,053	\$624,589	
Civil Air Patrol		\$12,899		
Air Guard Security Contract			\$459,000	
<b>Total</b>	<b>0.0</b>	<b>\$377,882</b>	<b>\$929,140</b>	<b>\$0</b>

- Increase of \$207,930 in general funds and decrease of \$154,449 in federal fund expenditure authority to fund maintenance and repair at 1.75% of replacement value.
- Increases of \$157,053 in general funds and \$624,589 in federal fund expenditure authority for utilities at the Army and Air Guard based on projected costs.
- Increase of \$12,899 in general funds for inflationary increases in the Civil Air Patrol including hanger rent, Spidertracks, and internet subscriptions.

- Increase of \$459,000 in federal fund expenditure authority to align the budget with anticipated expenditures for security contracts within the Air Guard.

<b>Veterans' Affairs</b>	<b>FTE</b>	<b>General</b>	<b>Federal</b>	<b>Other</b>
Federal Medical Assistance Percentage		\$97,956	(97,956)	
Supplemental Salary Increase		\$20,000		
Medicaid Expansion 5% FMAP Savings		(\$270,599)	\$270,599	
State Veterans' Home Operating Expenses				\$343,754
<b>Total</b>	<b>0.0</b>	<b>(\$152,643)</b>	<b>\$172,643</b>	<b>\$343,754</b>

- Increase of \$97,956 in general funds with a corresponding decrease in federal fund expenditure authority for the change in FMAP.
- Increase of \$20,000 in general funds for increase to salary schedule for county service officers per SDCL 33A-1-32.
- Decrease of \$270,599 in general funds and a corresponding increase in federal fund expenditure authority for the 5% enhanced FMAP due to Medicaid Expansion.
- Increase of \$343,754 in other fund expenditure authority to align operating expenses at the State Veterans' Home.

<b>Revenue</b>	<b>FTE</b>	<b>General</b>	<b>Federal</b>	<b>Other</b>
Commission on Gaming				\$182,500
Audit Software				\$119,030
Dealer Agent	1.0			\$65,003
Kiosk Maintenance				\$60,000
<b>Total</b>	<b>1.0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$426,533</b>

- Increase of \$182,500 in other fund expenditure authority due to increased expenses for the Commission on Gaming.
- Increase of \$119,030 in other fund expenditure authority for the ongoing expense of software in the Audit division.
- Increases of 1.0 FTE and \$65,003 in other fund expenditure authority for a Dealer Agent in the Motor Vehicle division to continue to provide quality service and education to automotive dealers.
- Increase of \$60,000 in other fund expenditure authority for the annual maintenance of existing kiosks.

<b>Tourism</b>	<b>FTE</b>	<b>General</b>	<b>Federal</b>	<b>Other</b>
Gaming and Tourism Promotion Tax				\$2,651,056
Promotion Tax Distribution				\$964,231
<b>Total</b>	<b>0.0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,615,287</b>

- Increase of \$2,651,056 in other fund expenditure authority to align budget with projected increase in gaming and tourism promotion tax revenues.

- Increase of \$964,231 in other fund expenditure authority to eliminate the transfer of the half penny promotion tax distribution to the Department of Education.

<b>Tribal Relations</b>	<b>FTE</b>	<b>General</b>	<b>Federal</b>	<b>Other</b>
No changes				
<b>Total</b>	<b>0.0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

- No recommended changes to the FY24 budget.

<b>Transportation</b>	<b>FTE</b>	<b>General</b>	<b>Federal</b>	<b>Other</b>
Road Construction Contracts			\$428,000,000	\$50,000,000
Infrastructure & Depreciable Equipment				\$5,428,608
Transit Grants to Non-Profit Organizations				\$231,000
<b>Total</b>	<b>0.0</b>	<b>\$0</b>	<b>\$428,000,000</b>	<b>\$55,659,608</b>

- Increases of \$428,000,000 in federal fund expenditure authority and \$50,000,000 in other fund expenditure authority for construction contracts.
- Increase of \$5,428,608 in other fund expenditure authority due to inflationary increases in construction and equipment costs.
- Increase of \$231,000 in other fund expenditure authority for grants to transit providers.

<b>Labor and Regulation</b>	<b>FTE</b>	<b>General</b>	<b>Federal</b>	<b>Other</b>
Adult Education and Literacy Inflation		\$75,941	\$35,909	
Federal Registered Apprenticeship Program	4.0		\$303,558	
Reemployment Assistance Positions	(2.0)		(\$119,513)	
Trust Examiners and Operating Expenses	2.0			\$218,908
Board and Commissions	(0.6)			(\$10,630)
<b>Total</b>	<b>3.4</b>	<b>\$75,941</b>	<b>\$219,954</b>	<b>\$208,278</b>

- Increases of \$75,941 in general funds and \$35,909 federal fund expenditure authority for 5.0% inflationary increase for Adult Education and Literacy providers.
- Increases of 4.0 FTE and \$303,558 in federal fund expenditure authority due to a federal Apprenticeship grant that lasts for four years.
- Decreases of 2.0 FTE and \$119,513 in federal fund expenditure authority to align budget with anticipated Reemployment Assistance claims caseload.
- Increases of 2.0 FTE and \$218,908 in other fund expenditure authority for additional trust examiners and operating expenses to keep up with continued growth in trust assets.
- Decreases of 0.6 FTE and \$10,630 in other fund expenditure authority for various changes throughout the department's boards and commissions.

<b>Retirement</b>	<b>FTE</b>	<b>General</b>	<b>Federal</b>	<b>Other</b>
No changes				
<b>Total</b>	<b>0.0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

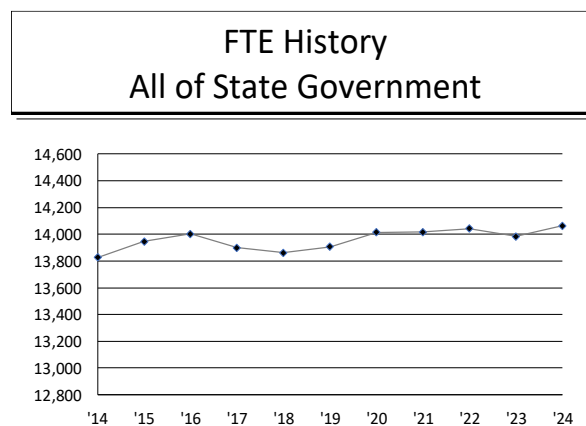
- No recommended changes to the FY24 budget.

Public Safety	FTE	General	Federal	Other
Wildland Fire Position and Operating Expenses		\$84,576		
Operating Expenses		\$77,417		\$387,247
State Radio Contract		\$25,336		
Highway Patrol Equipment and Supplies				\$1,923,120
Highway Patrol Trooper Salary				\$513,000
Victims' Compensation Fund				\$32,921
<b>Total</b>	<b>0.0</b>	<b>\$187,329</b>	<b>\$0</b>	<b>\$2,856,288</b>

- Increase of \$84,576 in general funds for an Engine Captain at the Lead District Office and increases in operating expenses for Wildland Fire.
- Increases of \$77,417 in general funds and \$387,247 in other fund expenditure authority for increases in operating expenses within Weights and Measures, Fire Marshal, and Driver Licensing.
- Increase of \$25,336 in general funds for inflationary increases for state radio contracts.
- Increase of \$1,923,120 in other fund expenditure authority for increases in equipment and supplies used by the Highway Patrol.
- Increase of \$513,000 in other fund expenditure authority for the \$1.50 per hour increase given to Highway Patrol Troopers.
- Increase of \$32,921 in other fund expenditure authority for 5.0% provider inflation in the Victim's Compensation Fund.

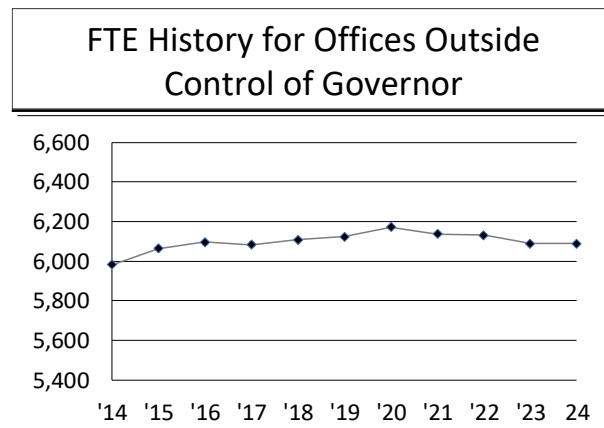
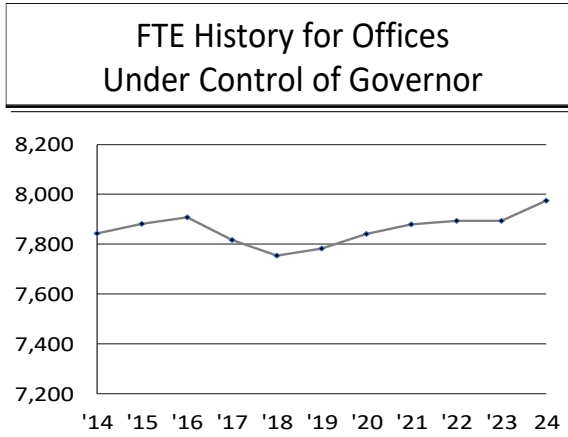
### Full-Time Equivalent Employee Change

- The total appropriated FTE across all of state government rose from 13,826.3 in FY2014 to a recommended level of 14,063.4 for FY2024.
- This is an increase of 237.1, or 1.7%, over the decade. The recommended change in FTE for FY2024 is an increase of 82.0 across state government.



- For offices outside the control of the Governor, total appropriated FTE changed from 5,982.4 in FY2014 to a recommended level of 6,089.0 for FY2024. This is a net increase of 106.6, or 1.8%, over the decade.
- The recommended changes for these offices in the FY2024 budget are an increase of 0.5 FTE.

- For agencies under direct control of the Governor, total appropriated FTE changed from 7,843.9 in FY2014 to a recommended level of 7,974.4 for FY2024. This is a net increase of 130.5, or 1.7%, over the decade.
- The recommended changes for these agencies in the FY2024 budget are an increase of 81.5 FTE.



## SPECIAL APPROPRIATION RECOMMENDATIONS

FY2023 EMERGENCY SPECIAL APPROPRIATIONS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL FUNDS
Enterprise Resource Planning	45.0	\$ 70,000,000			\$ 70,000,000
Male Prison Facility		\$ 25,359,551		\$ 26,640,449	\$ 52,000,000
Motor Vehicles System Replacement		\$ 25,000,000			\$ 25,000,000
Paid Family Leave Business Incentives		\$ 20,000,000			\$ 20,000,000
Stronger Families Scholarships		\$ 15,000,000			\$ 15,000,000
Public Health Lab		\$ 12,800,000			\$ 12,800,000
Support for Rising Construction Costs		\$ 6,750,000			\$ 6,750,000
Sisseton Milbank Railroad Project		\$ 6,250,000			\$ 6,250,000
State Fair - Dakota Events Complex		\$ 6,000,000		\$ 3,000,000	\$ 9,000,000
Emergency and Disaster Fund		\$ 2,524,560			\$ 2,524,560
Wildland Fire Suppression Fund		\$ 2,463,207			\$ 2,463,207
Business Development Programs		\$ 2,286,217			\$ 2,286,217
Emergency System Upgrades		\$ 2,173,400		\$ 4,557,000	\$ 6,730,400
Extraordinary Litigation Fund		\$ 2,000,000			\$ 2,000,000
Rural Recruitment Assistance Programs		\$ 1,472,986			\$ 1,472,986
Wildland Fire - Rapid City Project		\$ 1,325,058			\$ 1,325,058
Wildland Fire - Hot Springs Project		\$ 1,200,000			\$ 1,200,000
Black Hills Forest Plan Support	1.0	\$ 950,000			\$ 950,000
Sioux Falls Readiness Center		\$ 667,000	\$ 2,001,000		\$ 2,668,000
Tax Refunds for the Elderly and Disabled		\$ 450,000			\$ 450,000
Watertown Field Maintenance Shop			\$ 29,000,000		\$ 29,000,000
Sioux Falls Readiness Center Addition			\$ 6,000,000		\$ 6,000,000
Governor's 2023 Omnibus Water Funding Bill			\$ 685,000	\$ 21,775,273	\$ 22,460,273
Female Prison Facility				\$ 60,000,000	\$ 60,000,000
Kinsman Building				\$ 1,550,000	\$ 1,550,000
Coordinated Conservation Fund				\$ 1,000,000	\$ 1,000,000
<b>TOTAL FY2023 EMERGENCY SPECIAL APPROPRIATIONS</b>	<b>46.0</b>	<b>\$ 204,671,979</b>	<b>\$ 37,686,000</b>	<b>\$ 118,522,722</b>	<b>\$ 360,880,701</b>

**NOTE:** FY2023 emergency special appropriations become available for expenditure upon passage of the bill and are included in the FY2023 column of the General Fund Condition Statement.

The Governor is recommending total emergency special appropriations of 46.0 FTE, \$204,671,979 in general funds, \$37,686,000 in federal fund expenditure authority, and \$118,522,722 in other fund expenditure authority. The following paragraphs highlight each recommended emergency special appropriation.

- **Enterprise Resource Planning:** The Governor is recommending 45.0 FTE and \$70,000,000 in general funds to modernize the State's existing legacy systems and processes with a modern Enterprise Resource Planning system.
- **Male Prison Facility:** The Governor is recommending \$25,359,551 in general funds and \$26,640,449 in other fund expenditure authority to purchase land and provide design services for a male prison facility.
- **Motor Vehicles System Replacement:** The Governor is recommending \$25,000,000 in general funds to replace the current motor vehicles information system.
- **Paid Family Leave Business Incentives:** The Governor is recommending \$20,000,000 in general funds to incentivize businesses to provide paid family leave benefits for their employees.
- **Stronger Families Scholarships:** The Governor is recommending \$15,000,000 in general funds to provide options for children in foster care to achieve success in their education.
- **Public Health Lab:** The Governor is recommending \$12,800,000 in general funds for cost increases for the Public Health Lab & Workforce Development and Education Center.
- **Support for Rising Construction Costs:** The Governor is recommending \$6,750,000 in general funds for cost increases in construction projects within the Board of Regents.
- **Sisseton Milbank Railroad Project:** The Governor is recommending \$6,250,000 in general funds be used as matching funds for a federal grant to reconstruct 37 miles of railroad between Sisseton and Milbank.
- **State Fair - Dakota Events Complex:** The Governor is recommending \$6,000,000 in general funds and \$3,000,000 in other fund expenditure authority to complete the Dakota Events Complex.
- **Emergency and Disaster Fund:** The Governor is recommending \$2,524,560 in general funds be deposited into the Emergency and Disaster Special Fund for costs related to emergencies and disasters in South Dakota.
- **Wildland Fire Suppression Fund:** The Governor is recommending \$2,463,207 in general funds be deposited into the Wildland Fire Suppression Fund for costs related to the suppression of wildfires in South Dakota.
- **Business Development Programs:** The Governor is recommending \$2,286,217 in general funds to support the Small Business Development Center, the Manufacturing and Technology Solutions, and the Procurement and Technical Assistance Center.

- **Emergency System Upgrades:** The Governor is recommending \$2,173,400 in general funds and \$4,557,000 in other fund expenditure authority for replacement of the emergency alert system, inspection and replacement of the Hetland/Brookings State Radio and Public Broadcasting tower, and microwave interconnect replacement.
- **Extraordinary Litigation Fund:** The Governor is recommending \$2,000,000 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.
- **Rural Recruitment Assistance Programs:** The Governor is recommending \$1,472,986 in general funds to recruit medical professionals to rural communities.
- **Wildland Fire - Rapid City Project:** The Governor is recommending \$1,325,058 in general funds to construct a new shop building for the Rapid City District Office.
- **Wildland Fire - Hot Springs Project:** The Governor is recommending \$1,200,000 in general funds to construct a new shop building for the Hot Springs District Office.
- **Black Hills Forest Plan Support:** The Governor is recommending 1.0 FTE and \$950,000 in general funds to support state and county participation in the revision process of the Black Hills National Forest's Land and Resource Management Plan.
- **Sioux Falls Readiness Center:** The Governor is recommending \$667,000 in general funds and \$2,001,000 in federal fund expenditure authority to complete the Sioux Falls Readiness Center.
- **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.
- **Watertown Field Maintenance Shop:** The Governor is recommending \$29,000,000 in federal fund expenditure authority for the construction of a new field maintenance shop in Watertown.
- **Sioux Falls Readiness Center Addition:** The Governor is recommending \$6,000,000 in federal fund expenditure authority for an addition to the Sioux Falls Readiness Center for a new unit that will house 78 additional soldiers.
- **Governor's 2023 Omnibus Water Funding Bill:** The Governor is recommending \$685,000 in federal fund expenditure authority and \$21,775,273 in other fund expenditure authority for water development, solid waste, and water quality improvement projects throughout the state.
- **Female Prison Facility:** The Governor is recommending \$60,000,000 in other fund expenditure authority to utilize funding in the Incarceration Construction Fund for construction of a female prison facility in Rapid City.
- **Kinsman Building:** The Governor is recommending \$1,550,000 in other fund expenditure authority for completion of the Kinsman Building.
- **Coordinated Conservation Fund:** The Governor is recommending \$1,000,000 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.

FY2023 GENERAL BILL AMENDMENTS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL FUNDS
Cybersecurity Upgrades		\$ 5,106,000			\$ 5,106,000
Medicaid Expansion Implementation	34.0	\$ 2,926,362	\$ 2,926,362		\$ 5,852,724
Hughes County Jail Contract		\$ 2,804,400			\$ 2,804,400
Computerized Criminal History System		\$ 2,257,029	\$ 1,260,000		\$ 3,517,029
Bureau Billings		\$ 1,076,592	\$ 304,801	\$ 1,429,547	\$ 2,810,940
Various Statewide Utilities		\$ 1,014,396	\$ 484,613	\$ (650,079)	\$ 848,930
Digital Radios		\$ 371,243			\$ 371,243
Staff Communications		\$ 355,680		\$ 2,340	\$ 358,020
Civil Air Patrol Radios and Devices		\$ 309,657			\$ 309,657
Food Services		\$ 301,324			\$ 301,324
Correctional Healthcare		\$ 248,655		\$ 248,655	\$ 497,310
Department of Public Safety Operating Expenses		\$ 61,402		\$ 489,088	\$ 550,490
Wildland Fire PPE		\$ 36,000			\$ 36,000
Session Mileage Reimbursement		\$ 28,743			\$ 28,743
Department of Corrections Administrative Reorganization	0.0	\$ -			\$ -
Revenue Bond Payment		\$ (111,501)			\$ (111,501)
Dual Credit		\$ (194,487)			\$ (194,487)
Drug/DUI Court Treatment		\$ (415,419)			\$ (415,419)
Technical Colleges Formula		\$ (474,503)			\$ (474,503)
Juvenile Placements		\$ (479,157)	\$ (32,907)		\$ (512,064)
South Dakota Developmental Center Personal Services Reduction	(18.5)	\$ (516,769)	\$ (691,481)		\$ (1,208,250)
Department of Human Services Utilization		\$ (6,823,744)	\$ (9,130,793)		\$ (15,954,537)
State Aid Revision		\$ (9,630,400)			\$ (9,630,400)
6.2% Enhanced FMAP		\$ (74,225,960)	\$ 71,501,729	\$ (967,113)	\$ (3,691,344)
Road Construction Contracts			\$ 369,000,000	\$ 67,000,000	\$ 436,000,000
Indian Health Services			\$ 61,994,000		\$ 61,994,000
Airport Construction Contracts			\$ 13,000,000		\$ 13,000,000
Department of Education CANS Federal Authority			\$ 7,777,040		\$ 7,777,040
Department of Education Supply Chain Assistance			\$ 5,005,030		\$ 5,005,030
Office of the Attorney General Federal Fund Expenditure Authority			\$ 1,057,321		\$ 1,057,321
Federal Registered Apprenticeship Program	4.0		\$ 303,558		\$ 303,558
Motor Vehicles System Upgrades			\$ 216,700		\$ 216,700
Highway Patrol Vehicles			\$ 206,152	\$ 1,051,927	\$ 1,258,079
License Plate Reissuance				\$ 1,250,000	\$ 1,250,000
Tobacco Prevention Authority				\$ 1,000,000	\$ 1,000,000
Parks & Recreation Authority Adjustments				\$ 750,000	\$ 750,000
Medical Cannabis				\$ 606,968	\$ 606,968
Veterans Home - Temporary Staffing				\$ 480,000	\$ 480,000
Department of Revenue Modernization Plan				\$ 390,000	\$ 390,000
Highway Patrol Operating Expenses				\$ 135,000	\$ 135,000
Commission on Gaming				\$ 37,500	\$ 37,500
Real Estate/Massage Therapy FTE Shift	0.0			\$ (40,123)	\$ (40,123)
<b>TOTAL FY2023 GENERAL BILL AMENDMENTS</b>	<b>19.5</b>	<b>\$ (75,974,457)</b>	<b>\$ 525,182,125</b>	<b>\$ 73,213,710</b>	<b>\$ 522,421,378</b>

**NOTE:** FY2023 general bill amendments are changes made to the FY2023 General Appropriations Act and are included in the FY2023 column of the General Fund Condition Statement.

The Governor is recommending total general bill amendments of 19.5 FTE, (\$75,974,457) in general funds, \$525,182,125 in federal fund expenditure authority, and \$73,213,710 in other fund expenditure authority. The following paragraphs highlight the recommended changes to the FY2023 General Bill.

- **Cybersecurity Upgrades:** The Governor is recommending an increase of \$5,106,000 in general funds to support cybersecurity upgrades with the Board of Regents.
- **Medicaid Expansion Implementation:** The Governor is recommending increases of 34.0 FTE, \$2,926,362 in general funds, and \$2,926,362 in federal fund expenditure authority to implement Medicaid Expansion.
- **Hughes County Jail Contract:** The Governor is recommending an increase of \$2,804,400 in general funds to house 96 female offenders at the Hughes County jail to address overcrowding at the Women's Prison in Pierre until the new facility is complete in Rapid City.
- **Computerized Criminal History System:** The Governor is recommending \$2,257,029 in general funds and \$1,260,000 in federal fund expenditure authority for a new computerized criminal history system.
- **Bureau Billings:** The Governor is recommending increases of \$1,076,592 in general funds, \$304,801 in federal fund expenditure authority, and \$1,429,547 in other fund expenditure authority to be distributed to state agencies for increases in bureau billings.
- **Various Statewide Utilities:** The Governor is recommending increases of \$1,014,396 in general funds and \$484,613 in federal fund expenditure authority and a decrease of \$650,079 in other fund expenditure authority for adjustments in utilities based on projected usage and utility costs.
- **Digital Radios:** The Governor is recommending an increase of \$371,423 in general funds to purchase new digital radios for the Office of the Attorney General that will be compatible with the state's new radio system.
- **Staff Communications:** The Governor is recommending increases of \$355,680 in general funds and \$2,340 in other fund expenditure authority to provide email accounts for Department of Corrections security staff.

- **Civil Air Patrol Radios and Devices:** The Governor is recommending an increase of \$309,657 in general funds for digital radios for the Department of Military that will be compatible with the state's new radio system.
- **Food Services:** The Governor is recommending a decrease of \$301,324 in general funds due to meal rate and population changes at the adult correctional facilities.
- **Correctional Healthcare:** The Governor is recommending increases of \$248,655 in general funds and \$248,655 in other fund expenditure authority to fund correctional healthcare based on expenditures, patient count, and inflation.
- **Department of Public Safety Operating Expenses:** The Governor is recommending increases of \$61,402 in general funds and \$489,088 in other fund expenditure authority to align budget with anticipated expenditures.
- **Wildland Fire PPE:** The Governor is recommending \$36,000 in general funds to purchase fire-rated boots for Wildland Fire as PPE.
- **Session Mileage Reimbursement:** The Governor is recommending an increase of \$28,743 in general funds due to changes in mileage reimbursement.
- **Department of Corrections Administrative Reorganization:** The Governor is recommending a transfer of FTE and general funds within the Department of Corrections to align budget with the revised organizational structure. This reorganization has a net-zero impact to FTE and budget.
- **Revenue Bond Payment:** The Governor is recommending a decrease of \$111,501 in general funds based on the bond payment schedule within the Board of Technical Education.
- **Dual Credit Reduction:** The Governor is recommending a decrease of \$194,487 in general funds due to lower than projected dual credit enrollments.
- **Drug/DUI Court Treatment:** The Governor is recommending a decrease of \$415,419 in general funds to align with projected clients for the remainder of FY2023.
- **Technical Colleges Formula:** The Governor is recommending a decrease of \$474,503 in general funds due to updates in the number of full-time equivalent students.
- **Juvenile Placements:** The Governor is recommending decreases of \$479,157 in general funds and \$32,907 in federal fund expenditure authority based on the decline of youth adjudicated to the Department of Corrections.
- **South Dakota Developmental Center Personal Services Reduction:** The Governor is recommending decreases of 18.5 FTE, \$516,769 in general funds, and \$691,481 in federal fund expenditure authority to align budget with anticipated FTE and personal services expenditures in FY2023.
- **Department of Human Services Utilization:** The Governor is recommending decreases of \$6,823,744 in general funds and \$9,130,793 in federal funds to align budget with anticipated eligibles and expenses.
- **State Aid Revision:** The Governor is recommending a decrease of \$9,630,400 in general funds due to lower than projected student numbers and higher than projected property tax valuations in FY2023.
- **6.2% Enhanced FMAP:** The Governor is recommending decreases of \$74,225,960 in general funds and \$967,113 in other fund expenditure authority and an increase of \$71,501,729 in federal fund expenditure authority for four quarters of 6.2% enhanced FMAP due to the Coronavirus Public Health Emergency.
- **Road Construction Contracts:** The Governor is recommending increases of \$369,000,000 in federal fund expenditure authority and \$67,000,000 in other fund expenditure authority for road construction projects.
- **Indian Health Services:** The Governor is recommending an increase of \$61,994,000 in federal fund expenditure authority for increased cost and utilization under Indian Health Services.
- **Airport Construction Contracts:** The Governor is recommending an increase of \$13,000,000 in federal fund expenditure authority for airport construction projects.
- **Department of Education CANS Federal Authority:** The Governor is recommending an increase of \$7,777,040 in federal fund expenditure authority due to an increase in federal grants received through USDA's Food Nutrition Services and Food Distribution Division.
- **Department of Education Supply Chain Assistance:** The Governor is recommending an increase of \$5,005,030 in federal fund expenditure authority to provide grants to local school districts to purchase domestic food products in response to supply chain disruptions.
- **Office of the Attorney General Federal Fund Expenditure Authority:** The Governor is recommending an increase of \$1,057,321 in federal fund expenditure authority to align the budget with anticipated federal funding.
- **Federal Registered Apprenticeship Program:** The Governor is recommending increases of 4.0 FTE and \$303,558 in federal fund expenditure authority for a federal apprenticeship grant received by the Department of Labor and Regulation.
- **Motor Vehicles System Upgrades:** The Governor is recommending an increase of \$216,700 in federal fund expenditure authority to make upgrades to the International Fuel Tax Agreement (IFTA) and International Registration Plan (IRP) technology system.
- **Highway Patrol Vehicles:** The Governor is recommending increases of \$206,152 in federal fund expenditure authority and \$1,051,927 in other fund expenditure authority to purchase vehicles that have been ordered over the past two years but have not been received yet due to supply chain issues.
- **License Plate Reissuance:** The Governor is recommending an increase of \$1,250,000 in other fund expenditure authority for increased costs of license plate reissuance within the Department of Revenue and the Department of Corrections.
- **Tobacco Prevention Authority:** The Governor is recommending an increase of \$1,000,000 in other fund expenditure authority to be spent on tobacco prevention.
- **Parks & Recreation Authority Adjustments:** The Governor is recommending an increase of \$750,000 in other fund expenditure authority to cover anticipated expenses within the Division of Parks & Recreation.
- **Medical Cannabis:** The Governor is recommending an increase of \$606,968 in other fund expenditure authority to operate the existing medical cannabis program using fee revenue collected.
- **Veterans Home Temporary Staffing:** The Governor is recommending an increase of \$480,000 in other fund expenditure authority due to temporary staffing cost increases.

- **Department of Revenue Modernization Plan:** The Governor is recommending an increase of \$390,000 in other fund expenditure authority for the Department of Revenue's modernization plan to prepare to replace major department systems.
- **Highway Patrol Operating Expenses:** The Governor is recommending an increase of \$135,000 in other fund expenditure authority to align budget with anticipated expenditures.
- **Commission on Gaming:** The Governor is recommending an increase of \$37,500 in other fund expenditure authority to purchase equipment.
- **Real Estate/Massage Therapy FTE Shift:** The Governor is recommending a transfer of 0.6 FTE from the Department of Labor and Regulation to the Department of Health and a decrease of \$40,123 in other fund expenditure authority from the Department of Labor and Regulation due to the Real Estate Commission doing work for the Board of Massage Therapy.

<b>FY2023 EXPENDITURE TRANSFERS</b>	<b>FTE</b>	<b>GENERAL FUNDS</b>	<b>FEDERAL FUNDS</b>	<b>OTHER FUNDS</b>	<b>TOTAL FUNDS</b>
Incarceration Construction Fund (Male Prison Facility)		\$ 87,031,734			\$ 87,031,734
<b>TOTAL FY2023 EXPENDITURE TRANSFERS</b>	<b>0.0</b>	<b>\$ 87,031,734</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 87,031,734</b>

**NOTE:** FY2023 expenditure transfers are included in the FY2023 column of the General Fund Condition Statement.

The Governor is recommending a total expenditure transfer of \$87,031,734 in general funds. The following paragraph highlights the recommended expenditure transfer.

- ***Incarceration Construction Fund (Male Prison Facility):*** The Governor is recommending a transfer of \$87,031,734 in general funds to the Incarceration Construction Fund for construction of a male prison facility.

**GOVERNOR NOEM'S RECOMMENDATION FOR THE FY2024  
STATE EMPLOYEE COMPENSATION PLAN**

	<u>GENERAL FUNDS</u>	<u>FEDERAL FUNDS</u>	<u>OTHER FUNDS</u>	<u>TOTAL FUNDS</u>
<b>MARKET ADJUSTMENT:</b>	<b>\$ 23,154,375</b>	<b>\$ 9,938,897</b>	<b>\$ 25,364,411</b>	<b>\$ 58,457,683</b>
The Governor is recommending a 5.0% market adjustment for state employees.				
<b>HEALTH INSURANCE:</b>	<b>\$ 11,352,210</b>	<b>\$ 5,758,525</b>	<b>\$ 10,623,597</b>	<b>\$ 27,734,332</b>
The Governor is recommending an increase for state employee health insurance.				
<b>TARGETED JOB AND EQUITY ADJUSTMENTS</b>	<b>\$ 11,468,611</b>	<b>\$ 10,842,966</b>	<b>\$ 16,074,041</b>	<b>\$ 38,385,618</b>
The Governor is recommending increases for targeted jobs.				
<b>TOTAL COST OF RECOMMENDED STATE EMPLOYEE COMPENSATION PLAN:</b>	<b><u>\$ 45,975,196</u></b>	<b><u>\$ 26,540,388</u></b>	<b><u>\$ 52,062,049</u></b>	<b><u>\$ 124,577,633</u></b>

For FY2024, 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 FY2024 GENERAL FUND BASE BUDGET

<b>GENERAL BILL</b>	<b>FTE EXPANSION/ (REDUCTION)</b>	<b>GENERAL FUND EXPANSION/ (REDUCTION)</b>	<b>TOTAL GENERAL FUND RECOMMENDATION</b>
Administration	0.0	1,665,141.0	19,314,854
Agriculture and Natural Resources	1.0	0	14,360,616
Attorney General	0.0	765,983	16,943,211
Corrections	165.9	11,961,184	133,023,607
Education (Excluding State Aid and Technical Colleges)	1.0	957,269	19,830,748
State Aid to Education	0.0	24,147,905	674,868,145
Technical Colleges	1.0	1,581,298	36,752,191
Finance and Management	3.0	1,266,556	2,557,142
Employee Compensation Package	0.0	45,975,196	45,975,196
Game, Fish, and Parks	0.0	(2,027)	6,740,832
Office of the Governor (Excluding GOED)	0.0	0	2,789,385
Governor's Office of Economic Development	6.0	(3,672,951)	8,063,238
Health	(102.3)	200,685	13,185,378
Human Resources	0.0	0	318,114
Human Services	(18.5)	14,572,836	240,946,629
Information and Telecommunications	4.0	222,800	9,315,938
Labor and Regulation	3.4	75,941	3,060,227
Legislature	1.0	214,021	12,499,385
Military	0.0	377,882	4,666,374
Public Safety	0.0	187,329	6,995,817
Public Utilities Commission	2.0	0	667,883
Regents	(5.0)	10,914,220	269,288,508
Retirement	0.0	0	0
Revenue	1.0	0	1,022,347
School and Public Lands	0.0	50,000	788,226
Secretary of State	0.0	0	1,400,349
Social Services	16.0	96,012,476	581,394,969
State Auditor	0.0	5,000	1,498,518
State Treasurer (Including Investment Council)	0.0	0	633,753
Tourism	0.0	0	0
Transportation	0.0	0	641,250
Tribal Relations	0.0	0	762,053
Unified Judicial System	2.5	397,807	55,634,216
Veterans' Affairs	0.0	(152,643)	4,439,056
<b>TOTAL FY2024 GENERAL BILL RECOMMENDATIONS</b>	<b>82.0</b>	<b>207,723,908</b>	<b>2,190,378,155</b>
<b>BREAKDOWN</b>			
Executive Branch	80.5	123,672,478	1,070,639,189
Unified Judicial System and Other Elected Officials	5.5	1,432,811	92,854,926
State Aid	0.0	24,147,905	674,868,145
Technical Colleges	1.0	1,581,298	36,752,191
Board of Regents	(5.0)	10,914,220	269,288,508
Employee Compensation Package	0.0	45,975,196	45,975,196
<b>TOTAL FY2024 GENERAL BILL RECOMMENDATIONS</b>	<b>82.0</b>	<b>207,723,908</b>	<b>2,190,378,155</b>

## GENERAL FUND CONDITION STATEMENT

	ACTUAL FY2021	ACTUAL FY2022	REVISED FY2023	PROJECTED FY2024
<b>RECEIPTS</b>				
Sales and Use Tax	\$ 1,209,342,342	\$ 1,356,844,793	\$ 1,467,482,227	\$ 1,408,938,421
Lottery	155,527,049	171,609,682	175,756,231	178,452,976
Contractor's Excise Tax	144,448,267	155,823,772	177,624,072	178,191,414
Insurance Company Tax	97,010,439	103,995,420	110,099,755	114,227,770
Unclaimed Property Receipts	62,809,930	65,097,628	70,678,824	51,705,829
Tobacco Taxes	52,314,193	49,385,379	47,618,873	46,423,628
Bank Franchise Tax	18,702,022	22,511,850	21,848,429	19,634,848
Other	196,044,218	201,140,843	197,835,881	201,977,390
One-Time Receipts	37,753,020	35,835,669	8,378,850	0
Obligated Cash Carried Forward	19,093,963	85,875,130	115,478,433	0
Prior Period Adjustment	22,523,535	5,332,982	0	0
<b>TOTAL RECEIPTS</b>	<b>\$ 2,015,568,977</b>	<b>\$ 2,253,453,148</b>	<b>\$ 2,392,801,575</b>	<b>\$ 2,199,552,276</b>
<b>EXPENDITURES</b>				
General Bill Excl. State Aid to Education	\$ 971,497,193	\$ 1,115,016,224	\$ 1,265,589,950	\$ 1,515,510,010
State Aid to Education	572,121,787	578,354,526	641,089,840	674,868,145
Emergency Special Appropriations	271,257,534	318,088,366	204,671,979	0
Cont. Appropriations/Transfers	73,199,834	35,307,487	165,971,373	9,174,121
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,888,076,348</b>	<b>\$ 2,046,766,603</b>	<b>\$ 2,277,323,142</b>	<b>\$ 2,199,552,276</b>
<b>TRANSFERS</b>				
Budget Reserve Fund	\$ 39,325,933	\$ 0	\$ 7,177,198	\$ 0
General Revenue Replacement Fund	2,291,566	91,208,112	108,301,235	0
<b>TOTAL TRANSFERS</b>	<b>\$ 41,617,499</b>	<b>\$ 91,208,112</b>	<b>\$ 115,478,433</b>	<b>\$ 0</b>
<b>Beginning Unobligated Cash Balance</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Net (Receipts less Expend./Transfers)</b>	<b>\$ 85,875,130</b>	<b>\$ 115,478,433</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>OBLIGATIONS AGAINST CASH</b>				
Budget Reserve Fund	\$ 0	\$ (7,177,198)	\$ 0	\$ 0
General Revenue Replacement Fund	(85,875,130)	(108,301,235)	0	0
<b>Total Obligations Against Cash</b>	<b>\$ (85,875,130)</b>	<b>\$ (115,478,433)</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Net Adjustments for Accruals</b>				
<b>Ending Unobligated Cash Balance</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

**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 2021	ACTUAL FY 2022	BUDGETED FY 2023	REQUESTED FY 2024	GOVERNOR'S RECOMMENDED FY 2024	RECOMMENDED INC/(DEC) FY 2024
<b>FUNDING SOURCE:</b>						
General Funds	\$ 1,543,618,981	\$ 1,693,370,750	\$ 1,982,654,247	\$ 2,118,497,550	\$ 2,190,378,155	\$ 207,723,908
Federal Funds	3,002,492,653	2,074,087,457	1,763,376,346	1,855,812,931	2,494,693,398	731,317,052
Other Funds	653,166,854	745,616,423	916,051,792	956,380,322	957,872,190	41,820,398
<b>Total</b>	<b>\$ 5,199,278,489</b>	<b>\$ 4,513,074,629</b>	<b>\$ 4,662,082,385</b>	<b>\$ 4,930,690,803</b>	<b>\$ 5,642,943,743</b>	<b>\$ 980,861,358</b>
<b>EXPENDITURE DETAIL:</b>						
Personal Services	\$ 827,098,429	\$ 839,039,509	\$ 995,772,503	\$ 1,019,857,924	\$ 1,132,627,932	\$ 136,855,429
Operating Expenses	4,372,180,060	3,674,035,120	3,666,309,882	3,910,832,879	4,510,315,811	844,005,929
<b>Total</b>	<b>\$ 5,199,278,489</b>	<b>\$ 4,513,074,629</b>	<b>\$ 4,662,082,385</b>	<b>\$ 4,930,690,803</b>	<b>\$ 5,642,943,743</b>	<b>\$ 980,861,358</b>
Staffing Level FTE:	10,400.8	10,242.2	11,972.6	11,998.6	12,051.6	79.0

### SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2023	GOVERNOR'S RECOMMENDED FY 2024	RECOMMENDED INC/(DEC) FY 2024
General Funds	\$ 294,668,895	\$ 9,174,121	\$ (285,494,774)
Federal Funds	186,868,125	6,000,000	(180,868,125)
Other Funds	126,822,325	1,283,270	(125,539,055)
<b>Total</b>	<b>\$ 608,359,345</b>	<b>\$ 16,457,391</b>	<b>\$ (591,901,954)</b>
Staffing Level FTE:	65.5	0.0	(65.5)

### TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2023	GOVERNOR'S RECOMMENDED FY 2024	RECOMMENDED INC/(DEC) FY 2024
General Funds	\$ 2,277,323,142	\$ 2,199,552,276	\$ (77,770,866)
Federal Funds	1,950,244,471	2,500,693,398	550,448,927
Other Funds	1,042,874,117	959,155,460	(83,718,657)
<b>Total</b>	<b>\$ 5,270,441,730</b>	<b>\$ 5,659,401,134</b>	<b>\$ 388,959,404</b>
Staffing Level FTE:	12,038.1	12,051.6	13.5

## INFORMATIONAL BUDGETS CONTAINED IN THE GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2021	ACTUAL FY 2022	BUDGETED FY 2023	REQUESTED FY 2024	GOVERNOR'S RECOMMENDED FY 2024	RECOMMENDED INC/(DEC) FY 2024
<b>FUNDING SOURCE:</b>						
General Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal Funds	524,944,739	571,606,607	503,406,592	934,720,297	933,972,405	430,565,813
Other Funds	595,982,310	577,834,449	610,099,464	664,320,347	664,320,347	54,220,883
<b>Total</b>	<b>\$ 1,120,927,049</b>	<b>\$ 1,149,441,056</b>	<b>\$ 1,113,506,056</b>	<b>\$ 1,599,040,644</b>	<b>\$ 1,598,292,752</b>	<b>\$ 484,786,696</b>
<b>EXPENDITURE DETAIL:</b>						
Personal Services	\$ 226,925,697	\$ 223,436,465	\$ 264,982,688	\$ 265,373,671	\$ 265,373,671	\$ 390,983
Operating Expenses	894,001,352	926,004,590	848,523,368	1,333,666,973	1,332,919,081	484,395,713
<b>Total</b>	<b>\$ 1,120,927,049</b>	<b>\$ 1,149,441,056</b>	<b>\$ 1,113,506,056</b>	<b>\$ 1,599,040,644</b>	<b>\$ 1,598,292,752</b>	<b>\$ 484,786,696</b>
<b>Staffing Level FTE:</b>	<b>2,508.5</b>	<b>2,448.3</b>	<b>2,008.8</b>	<b>2,011.8</b>	<b>2,011.8</b>	<b>3.0</b>

## 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 2021	ACTUAL FY 2022	BUDGETED FY 2023	REQUESTED FY 2024	GOVERNOR'S RECOMMENDED FY 2024	RECOMMENDED INC/(DEC) FY 2024
<b>FUNDING SOURCE:</b>						
General Funds	\$ 1,543,618,981	\$ 1,693,370,750	\$ 1,982,654,247	\$ 2,118,497,550	\$ 2,190,378,155	\$ 207,723,908
Federal Funds	3,527,437,393	2,645,694,064	2,266,782,938	2,790,533,228	3,428,665,803	1,161,882,865
Other Funds	1,249,149,164	1,323,450,871	1,526,151,256	1,620,700,669	1,622,192,537	96,041,281
<b>Total</b>	<b>\$ 6,320,205,537</b>	<b>\$ 5,662,515,685</b>	<b>\$ 5,775,588,441</b>	<b>\$ 6,529,731,447</b>	<b>\$ 7,241,236,495</b>	<b>\$ 1,465,648,054</b>
<b>EXPENDITURE DETAIL:</b>						
Personal Services	\$ 1,054,024,126	\$ 1,062,475,974	\$ 1,260,755,191	\$ 1,285,231,595	\$ 1,398,001,603	\$ 137,246,412
Operating Expenses	5,266,181,411	4,600,039,711	4,514,833,250	5,244,499,852	5,843,234,892	1,328,401,642
<b>Total</b>	<b>\$ 6,320,205,537</b>	<b>\$ 5,662,515,685</b>	<b>\$ 5,775,588,441</b>	<b>\$ 6,529,731,447</b>	<b>\$ 7,241,236,495</b>	<b>\$ 1,465,648,054</b>
Staffing Level FTE:	12,909.3	12,690.4	13,981.4	14,010.4	14,063.4	82.0

### SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2023	GOVERNOR'S RECOMMENDED FY 2024	RECOMMENDED INC/(DEC) FY 2024
General Funds	\$ 294,668,895	\$ 9,174,121	\$ (285,494,774)
Federal Funds	568,868,125	6,000,000	(562,868,125)
Other Funds	193,819,702	1,283,270	(192,536,432)
<b>Total</b>	<b>\$ 1,057,356,722</b>	<b>\$ 16,457,391</b>	<b>\$ (1,040,899,331)</b>
Staffing Level FTE:	65.5	0.0	(65.5)

### TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2023	GOVERNOR'S RECOMMENDED FY 2024	RECOMMENDED INC/(DEC) FY 2024
General Funds	\$ 2,277,323,142	\$ 2,199,552,276	\$ (77,770,866)
Federal Funds	2,835,651,063	3,434,665,803	599,014,740
Other Funds	1,719,970,958	1,623,475,807	(96,495,151)
<b>Total</b>	<b>\$ 6,832,945,163</b>	<b>\$ 7,257,693,886</b>	<b>\$ 424,748,723</b>
Staffing Level FTE:	14,046.9	14,063.4	16.5

