

# Fiscal Year 2025 Budget Slides

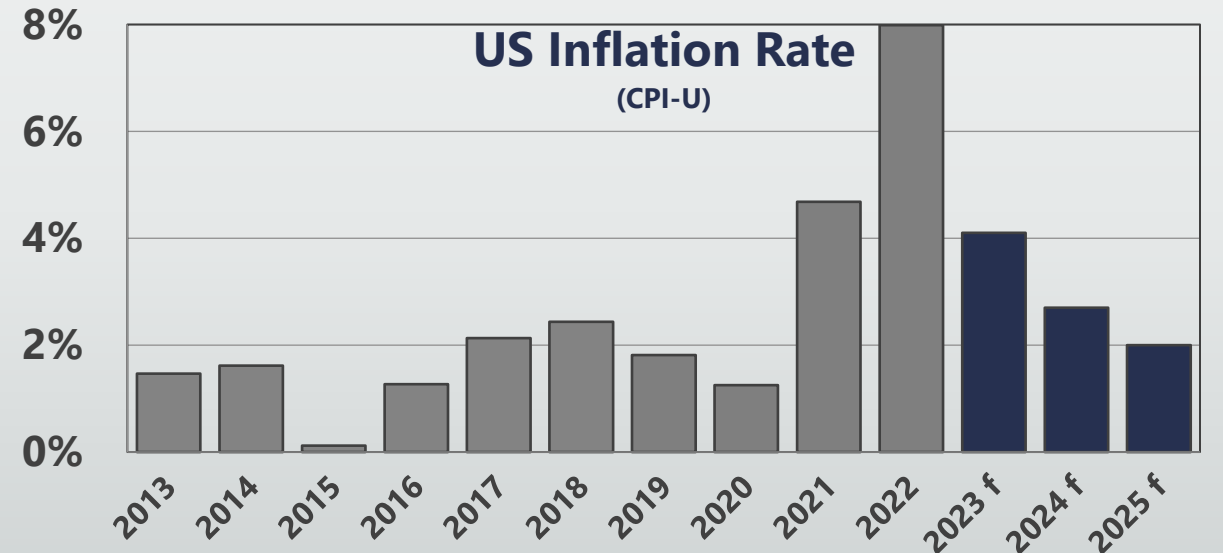
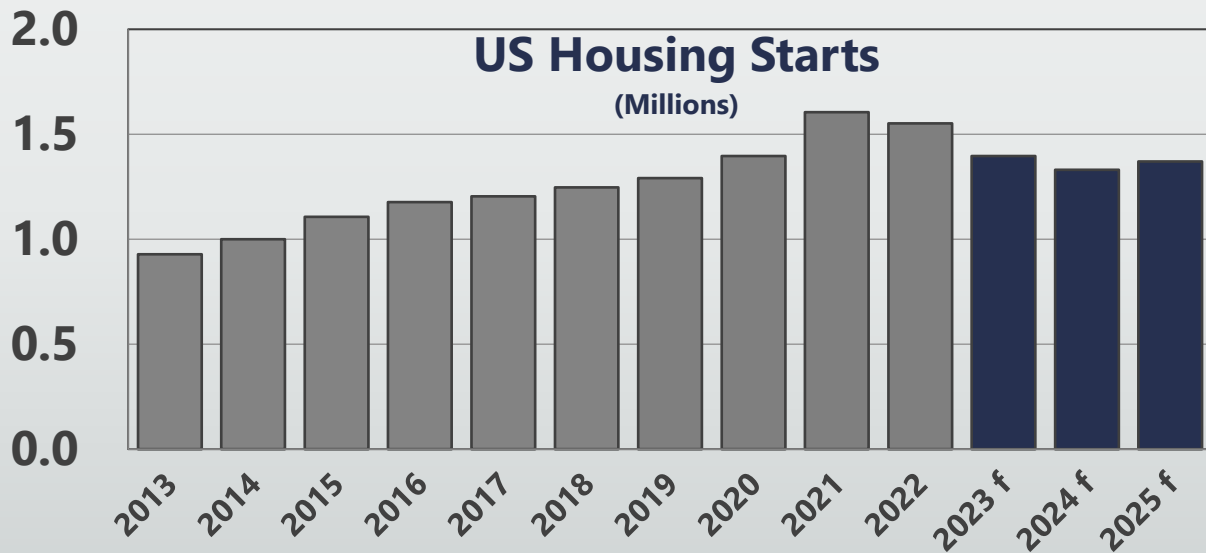
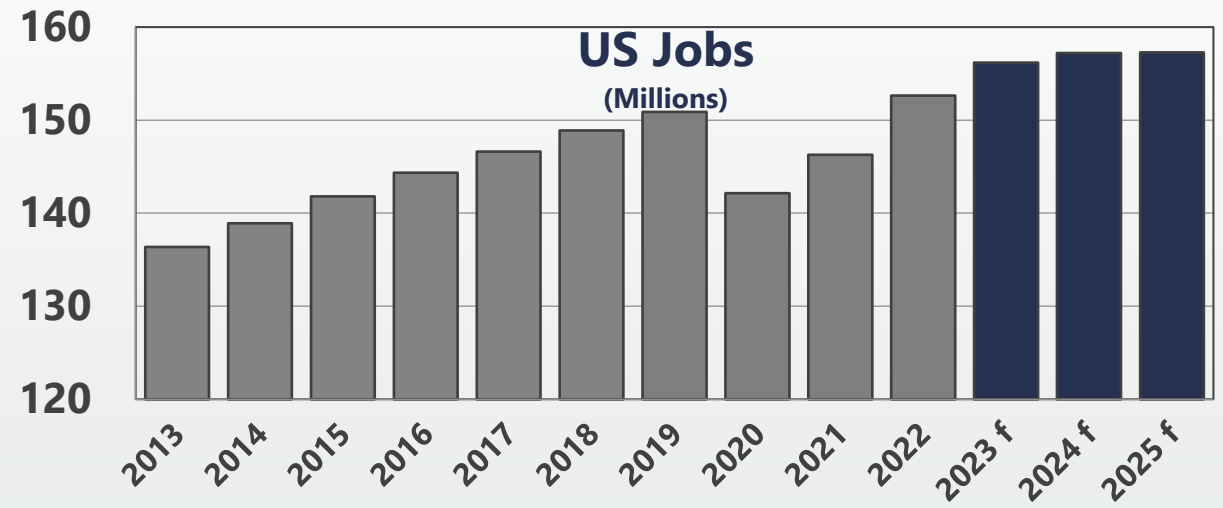
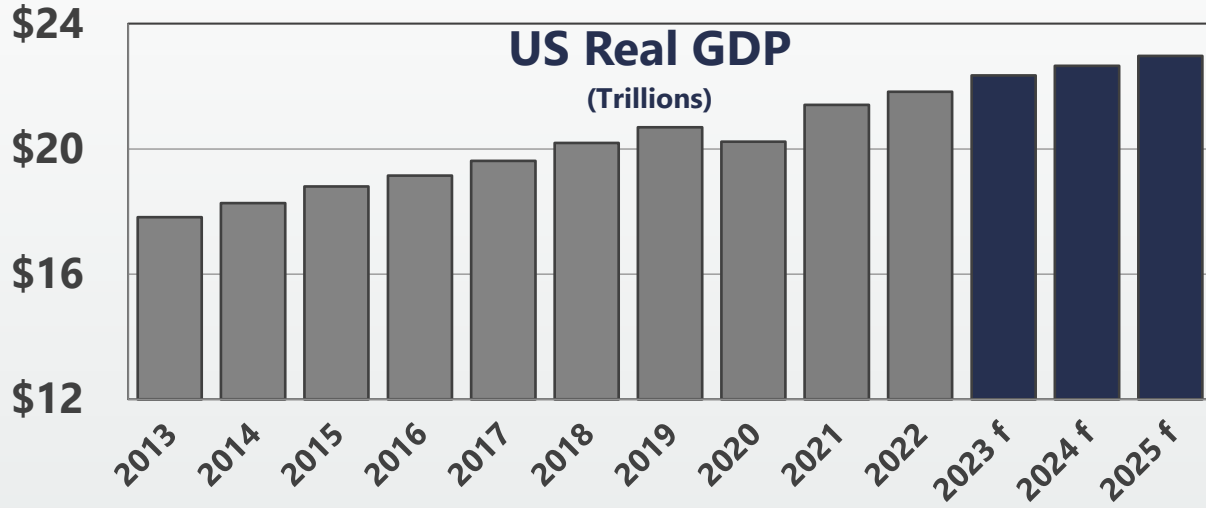
These slides are provided as a supplement to the slides included in the Governor's presentation delivered on December 5, 2023.

# **ECONOMIC OUTLOOK**

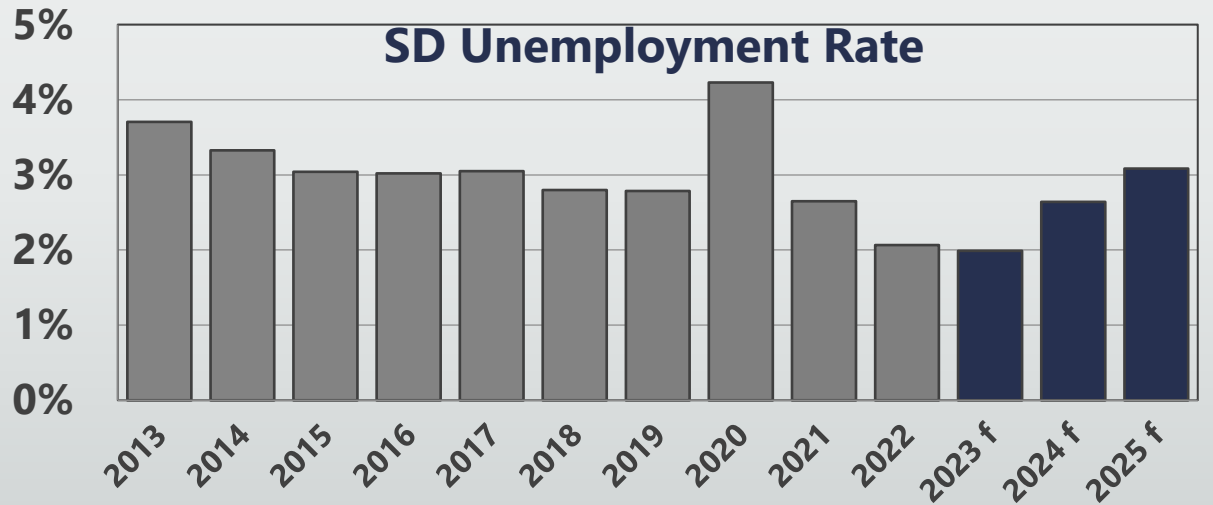
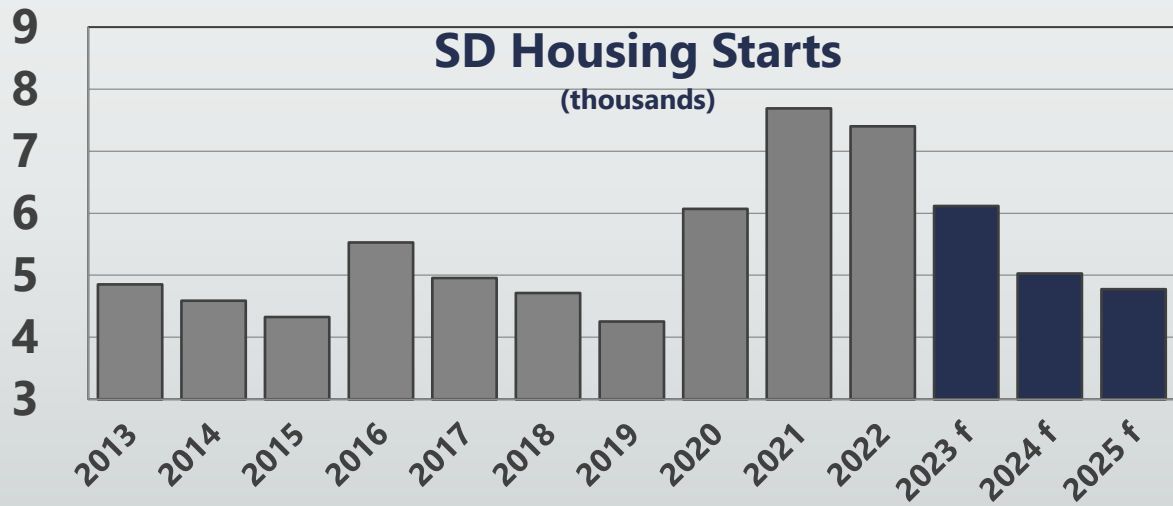
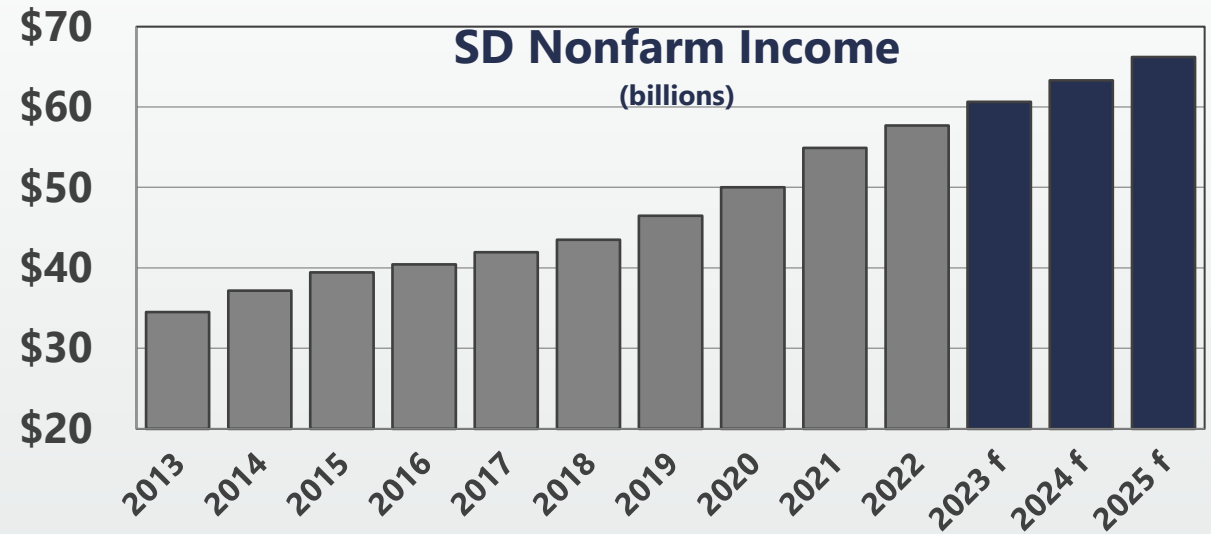
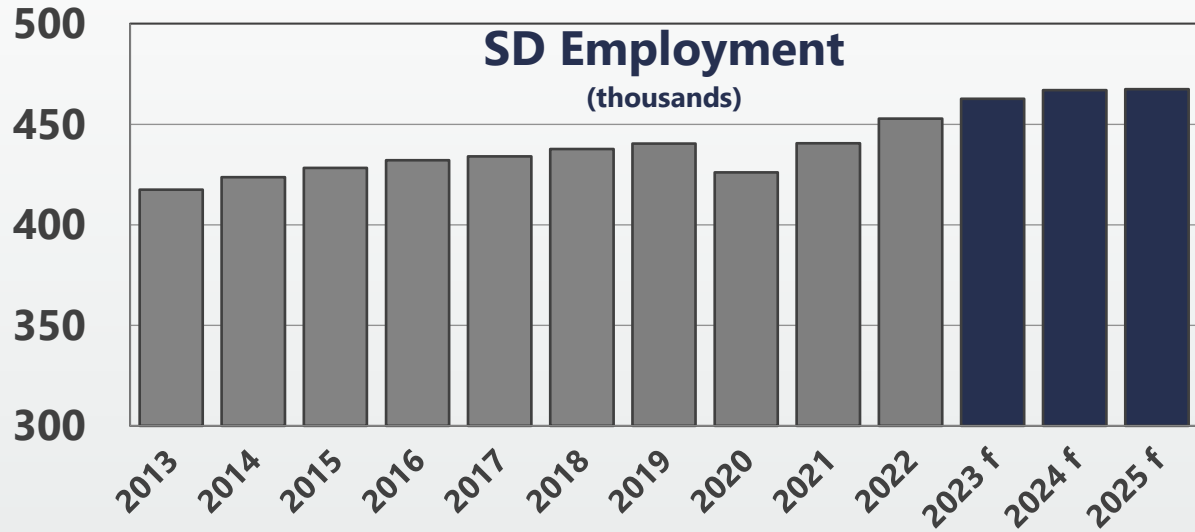
# Economic Assumptions

- Baseline national forecast is for slower growth
- National employment growth is projected to continue at a slower rate in 2024 and be nearly flat in 2025
- Inflation slows to 2.7% in 2024 and 2.0% in 2025
- Pandemic relief payments shrink to near zero in 2023
- Real consumer spending is expected to slow but remain positive

# S&P Global US Economy Forecast

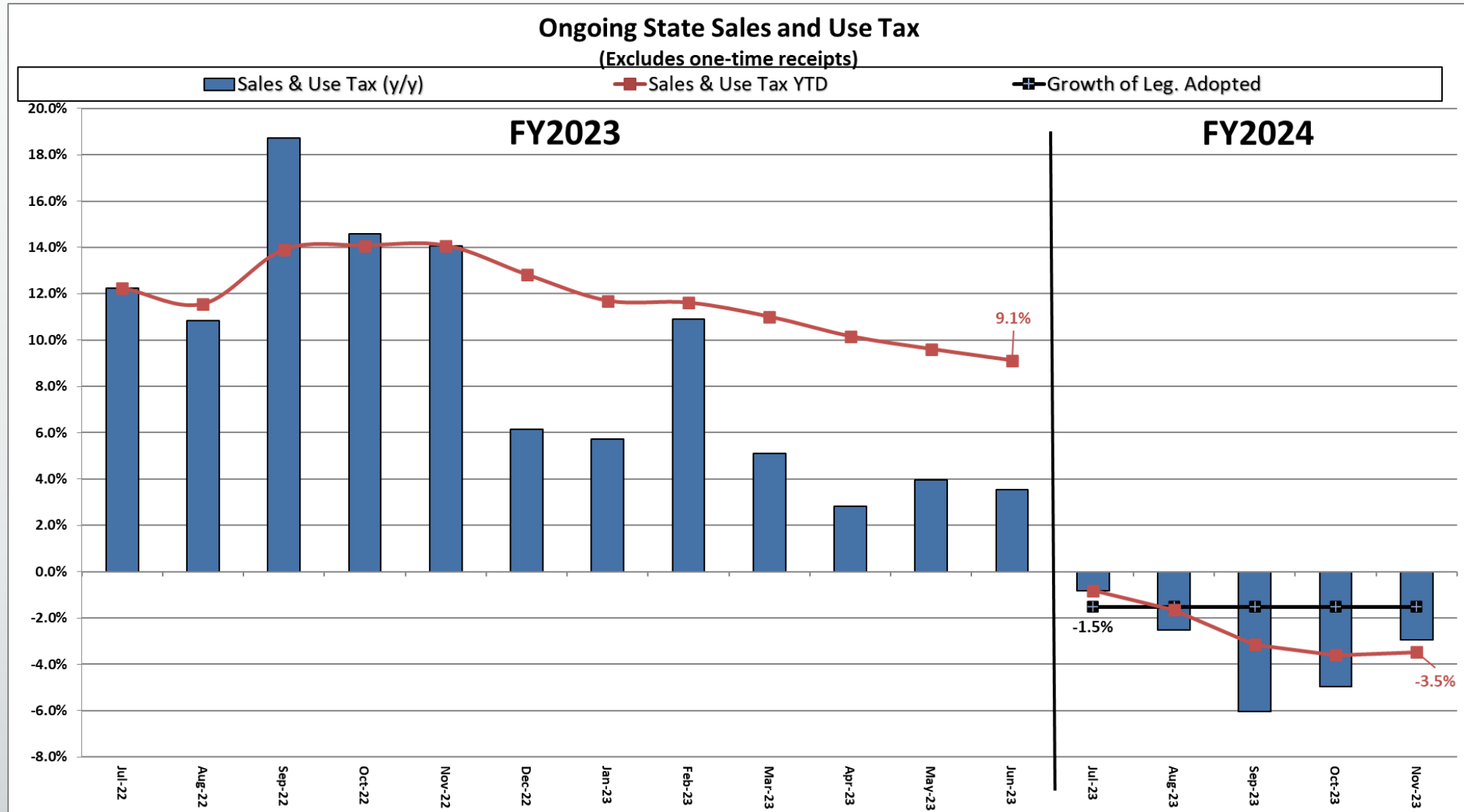


# SD Economy Forecast

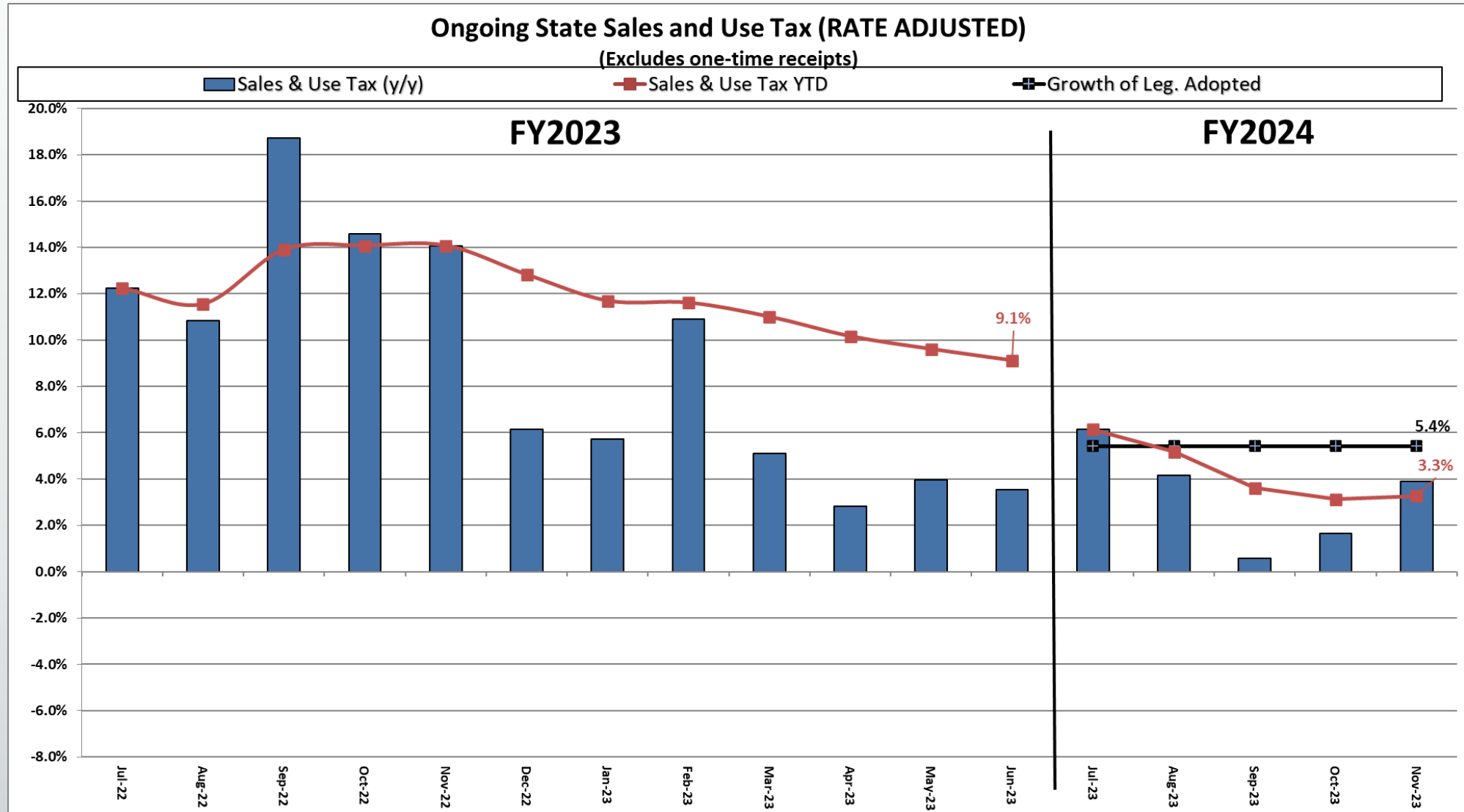


# REVENUES

# Recent Growth in Sales and Use Tax



# Recent Growth in Sales and Use Tax





# FY2024 Adopted vs. Revised Receipts

Revenue Source	Adopted FY2024	Revised FY2024	Change
Sales and Use Tax	1,457.8	1,435.2	(22.6)
Lottery	185.8	177.8	(8.0)
Contractor's Excise Tax	195.0	208.0	13.0
Insurance Company Tax	114.4	120.4	6.0
Unclaimed Property	57.2	106.9	49.7
Licenses, Permits, and Fees	76.9	75.7	(1.2)
Tobacco Taxes	46.6	44.3	(2.2)
Other Ongoing Receipts	150.7	176.9	26.2
Other One-Time Receipts	<u>0.0</u>	<u>17.9</u>	<u>17.9</u>
<b>Total FY2024 Receipts</b>	<b>\$2,284.2</b>	<b>\$2,363.0</b>	<b>\$78.8</b>

*Note: Amounts are in millions and totals may not sum due to rounding*

# FY2024 and FY2025 Revenue Forecast

Source	Adopted FY2024	Revised FY2024	Recommended FY2025	Revised FY2024 vs. Rec. FY2025
Sales and Use Tax	1,457.8	1,435.2	1,494.6	59.5
Lottery	185.8	177.8	180.0	2.1
Contractor's Excise Tax	195.0	208.0	212.0	4.0
Insurance Company Tax	114.4	120.4	126.5	6.1
Unclaimed Property	57.2	106.9	60.1	(46.8)
Licenses, Permits, and Fees	76.9	75.7	77.8	2.0
Tobacco Taxes	46.6	44.3	43.2	(1.1)
Other Ongoing Receipts	<u>150.7</u>	<u>176.9</u>	<u>205.0</u>	<u>28.1</u>
<b>Total Ongoing Receipts</b>	<b>\$2,284.2</b>	<b>\$2,345.1</b>	<b>\$2,399.2</b>	<b>\$54.1</b>

*Note: Amounts are in millions and totals may not sum due to rounding*

# One-Time Revenue Available

	FY2024
Revised Ongoing Revenue Growth	60.9
One-Time Revenue Growth	17.9
Revenue Left on Bottom Line (FY2024)	<u>0.6</u>
<b>Total One-Time Revenue Available</b>	<b>\$79.4</b>

*Note: Amounts are in millions and totals may not sum due to rounding*

# Ongoing Revenue Available

	FY2025
FY2024 Revised Ongoing Revenue Growth	60.9
Projected Ongoing Revenue Growth (FY2025)	54.1
Ongoing Revenue Left on Bottom Line (FY2024)	<u>0.6</u>
<b>Total Ongoing Revenue Available</b>	<b>\$115.6</b>

*Note: Amounts are in millions and totals may not sum due to rounding*

**FY2024  
MID-YEAR  
ADJUSTMENTS**

# FY2024 Recommendation Detail

	General Funds
Revenue Available	79,378,612
General Bill Amendment Reductions	128,324,735
General Bill Amendment Increases	(17,108,623)
Expenditure Transfers	(160,360,491)
Emergency Special Appropriations	(29,833,383)
Continuous Appropriation Adjustment	<u>(400,850)</u>
<b>FY2024 Bottom Line</b>	<b>\$0</b>

# FY2024 General Bill Amendment

<b>Reductions</b>	<b>General Funds</b>
Medicaid Expansion Utilization (DSS)	48,934,725
Medicaid Utilization (DSS)	20,844,290
Eligible Utilization (DHS)	19,109,570
State Aid to General Education Revision (DOE)	15,223,350
Enhanced FMAP – COVID-19 Public Health Emergency (Various)	13,544,785
Correctional Healthcare Reduction (SFRF) (DOC)	10,000,000
Statewide Utilities (Various)	516,213
Legislator Salaries (LRC)	<u>151,802</u>
<b>Total FY2024 General Bill Amendment Reductions</b>	<b>\$128,324,735</b>

# FY2024 General Bill Amendment

Increases	General Funds
Technical Colleges Equipment (BOTE)	4,818,836
Hughes County Jail Contract (DOC)	4,521,240
Bureau Billings (BIT)	2,121,992
Food Services (Various)	1,777,457
Coronavirus Relief Funds (CRF) Health Insurance Adjustment (Various)	1,004,235
State Veterans' Home Contract Medical Staff (DVA)	847,420
Technical Colleges Formula (BOTE)	777,739
Juvenile Community Corrections Placements (DOC)	582,666
Digital Investigations (ATG)	275,000
<i>...list continued on next slide</i>	



# FY2024 General Bill Amendments

Increases (continued)	General Funds
<i>...amount from previous slide</i>	16,726,585
Critical System Support (BIT)	210,000
Rent (DLR)	109,470
Health Protection Inspections (DOH)	55,131
County and Tribal Veterans' Service Office Salary Support (DVA)	<u>7,437</u>
<b>Total General Bill Amendment Increases</b>	<b>\$17,108,623</b>

# FY2024 Expenditure Transfers

<b>Expenditure Transfers</b>	<b>General Funds</b>
Incarceration Construction Fund (Male Prison Facility)	132,449,532
Incarceration Construction Fund (Female Prison Facility)	20,892,179
IT Modernization Fund	<u>7,018,780</u>
<b>Total Expenditure Transfers</b>	<b>\$160,360,491</b>

# FY2024 Emergency Special Appropriations

Emergency Specials	General Funds
Richmond Dam Replacement (SPL)	9,650,200
Center for Quantum Information Science and Technology (BOR)	6,034,444
K-12 Professional Development and Literacy (DOE)	6,000,000
Emergency and Disaster Fund (DPS)	2,776,341
Fire Suppression Fund (DPS)	2,250,931
Lake Alvin and Newell Lake Spillway Replacement (GFP)	1,995,604
Rural Recruitment Assistance Programs (DOH)	700,863
Tax Refunds for the Elderly and Disabled (DOR)	<u>425,000</u>
<b>Total Emergency Special Appropriations</b>	<b>\$29,833,383</b>

# FY2024 Recommendation Detail

	General Funds
Revenue Available	79,378,612
General Bill Amendment Reductions	128,324,735
General Bill Amendment Increases	(17,108,623)
Expenditure Transfers	(160,360,491)
Emergency Special Appropriations	(29,833,383)
Continuous Appropriation Adjustment	<u>(400,850)</u>
<b>FY2024 Bottom Line</b>	<b>\$0</b>

# Investing in Modern Correctional Facilities

Women's Prison	Millions
Current Appropriations	63.8
Updated Cost Based on Design	95.5
Project Scope Reductions	<u>(8.4)</u>
<b>Funding Need</b>	<b>(23.3)</b>
Recommended FY2024 Funding:	
Federal ARPA Funds	2.4
One-Time FY2024 General Funds	<u>20.9</u>
<b>Remaining Need</b>	<b>\$0.0</b>

Men's Prison	Millions
Current Appropriations/Savings:	330.9
Most Recent <b>Estimate</b> :	706.8
<b>Funding Need</b>	<b>(375.9)</b>
Recommended FY2024 Funding:	
Federal ARPA Funds	10.0
Excess Reserve Transfer to ICF	95.7
One-Time GF Transfer to ICF	<u>132.5</u>
<b>Estimated Remaining Need</b>	<b>(\$137.7)</b>

# **FY2025 EXPENSES**

# Ongoing Revenue Available

	FY2025
Current Year Revised Ongoing Revenue Growth	60.9
Projected Ongoing Revenue Growth	54.1
Ongoing Revenue Left on Bottom Line (FY2023)	<u>0.6</u>
<b>Total Ongoing Revenue Available</b>	<b>\$115.6</b>

*Note: Amounts are in millions and totals may not sum due to rounding*

# Ongoing Expense Overview

- 4.0% increase to target teacher salaries; 1.0% higher than law requires
- 4.0% increase for medical provider reimbursement rates; 1.4% greater than CPI inflationary index rate of 2.6%
- 4.0% increase for technical colleges per student allocation
- 4.0% increase for state employee salaries
- \$18.3 million towards Medicaid Expansion buy-down



# FY2025 Recommended Expense Summary

	General Funds
4% Inflation for Education, Providers, and State Employees	93,048,432
Mandatory Changes	(6,996,952)
Discretionary Changes	10,338,022
5% FMAP - Medicaid Expansion Buy-Down	18,341,970
Continuous Appropriations	<u>826,848</u>
<b>Total Recommended Expense Summary</b>	<b>\$115,558,320</b>

# 4% Inflationary Increases

	General Funds
Education	46,468,522
Healthcare Providers	25,959,485
State Employees	<u>20,620,425</u>
<b>Total 4% Inflation Increases</b>	<b>\$93,048,432</b>

# Mandatory Changes

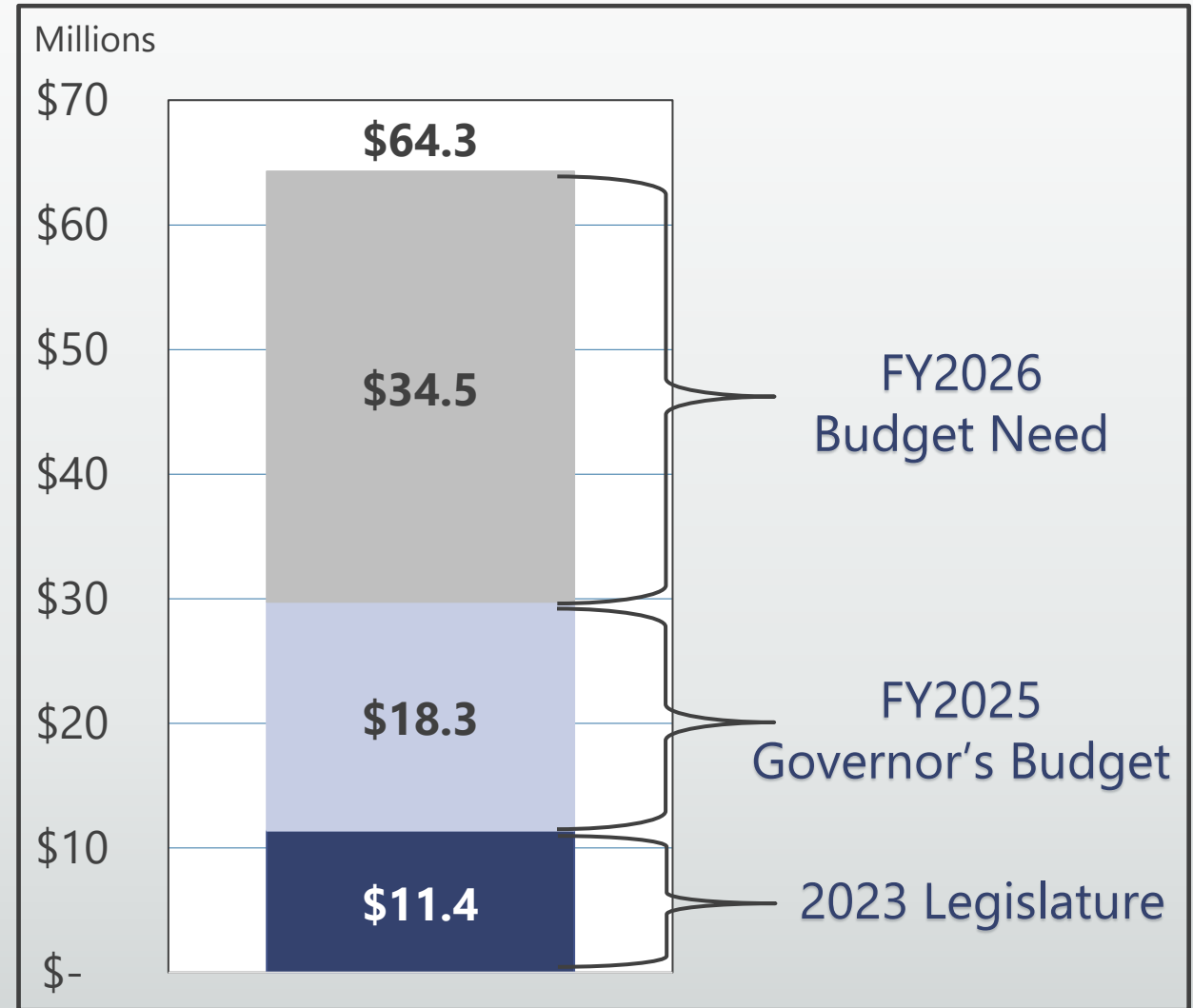
	General Funds
Federal Medical Assistance Percentage (FMAP) (Various)	25,122,837
Mandatory Inflation (DSS)	10,468,173
Food Service (DOC/DSS/DHS)	2,567,637
Offender Healthcare & Juvenile Community Placements (DOC)	1,792,229
Bureau Billings (BIT)	1,783,198
Health Insurance (BHR)	1,392,124
All Other	1,305,957
State Aid to K-12 Utilization (DOE)	(20,362,746)
Medicaid Eligibles (DSS)	(31,066,361)
<b>Total Mandatory Changes</b>	<b>(\$6,996,952)</b>

# Discretionary Changes

	General Funds
Maintenance and Repair (Various)	3,868,435
Office of Indigent Legal Defense (UJS)	1,412,831
Subsidized Adoptions and Guardianships (DSS)	1,147,559
Family Treatment Foster Homes (DSS)	752,338
Dual Credit (DOE)	543,128
Adjustment to Lodging and Mileage Rates (Various)	438,808
All Other	<u>2,174,923</u>
<b>Total Discretionary Changes</b>	<b>\$10,338,022</b>

# 5% FMAP – Medicaid Expansion Buy-Down

- As a result of Medicaid Expansion, the State receives a 5% enhancement on the federal share of costs (FMAP) for the existing Medicaid population until FY2026
- The Governor recommends setting aside additional resources to plan ahead and buy down the cost for when the 5% enhancement ends



# FY2025 Recommendation Detail

	General Funds
Revenue Available	115,558,320
4% Inflation for Education, Providers, State Employees	93,048,432
Mandatory Changes	(6,996,952)
Discretionary Changes	10,338,022
5% FMAP – Medicaid Expansion Buy-Down	18,341,970
Continuous Appropriation Adjustment	<u>826,848</u>
<b>FY2025 Bottom Line</b>	<b>\$0</b>

# Bottom Line

	FY2024	FY2025
Revenue Available	79.4	115.6
Mid-Year Expense Reductions	128.3	0
Mid-Year Expense Increases and Transfers	(177.5)	0
Emergency Special Appropriations	(29.8)	0
Ongoing Expense Adjustments	0	(114.7)
Continuous Appropriation Adjustments	<u>(0.4)</u>	<u>(0.8)</u>
<b>Bottom Line</b>	<b>\$0</b>	<b>\$0</b>

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# State Fiscal Recovery Funds Proposal

Summary	Millions
Federal Revenue Available	974.5
2022 Legislative Session Appropriations	869.8
Reduction of Appropriations	(26.0)
Recommended Funding	<u>130.6</u>
<b>Federal ARPA Funds Remaining</b>	<b>\$0</b>

ARPA State Fiscal Recovery Funds Available		\$ 974,478,793
Agency	2022 Legislative Session Appropriations	Federal Funds
DANR	Environmental Funding Project (Private)	600,000,000
BHRA	Environmental Funding Project (State)	60,000,000
GOED	Workforce Housing - Wastewater Projects	50,000,000
GOED	Broadband	50,000,000
TOUR	Tourism Marketing Plan	35,000,000
DSS	Behavioral Health Service Delivery Transformation	15,000,000
DOH	LIFEPAK Replacement Initiative	11,610,222
DOH	EMS Regional Service Designation	8,000,000
DLR	Reemployment Assistance System Upgrade	5,500,000
BHRA	Capitol Lake Master Plan	3,000,000
DOH	EMS Telehealth Services	1,737,500
BFM	Administrative Expenses	30,000,000
<b>Total ARPA Appropriated - 2022 Session</b>		<b>\$ 869,847,722</b>
<b>ARPA State Fiscal Recovery Funds Remaining</b>		<b>\$ 104,631,071</b>
2024 Legislative Session Plan Recommendation		Federal Funds
Agency	Recommendation	Federal Funds
DLR	Reduce Reemployment Assistance System Upgrade	(1,000,000)
BFM	Reduce Administrative Expenses	(25,000,000)
<b>Total ARPA State Fiscal Recovery Funds</b>		<b>\$ (26,000,000)</b>
<b>ARPA State Fiscal Recovery Funds Remaining</b>		<b>\$ 130,631,071</b>
Agency	Recommendation	Federal Funds
DANR	Environmental Funding Project (Private)	95,384,221
BHRA	Environmental Funding Project (State)	12,826,696
DOC	Environmental Funding Project (State) - Women's Prison	2,420,154
DOC	Environmental Funding Project (State) - Men's Prison	10,000,000
DOC	Revenue Replacement (Correctional Healthcare General Fund Reduction)	10,000,000
<b>Total ARPA State Fiscal Recovery Funds</b>		<b>\$ 130,631,071</b>
<b>ARPA State Fiscal Recovery Funds Remaining</b>		<b>\$ -</b>