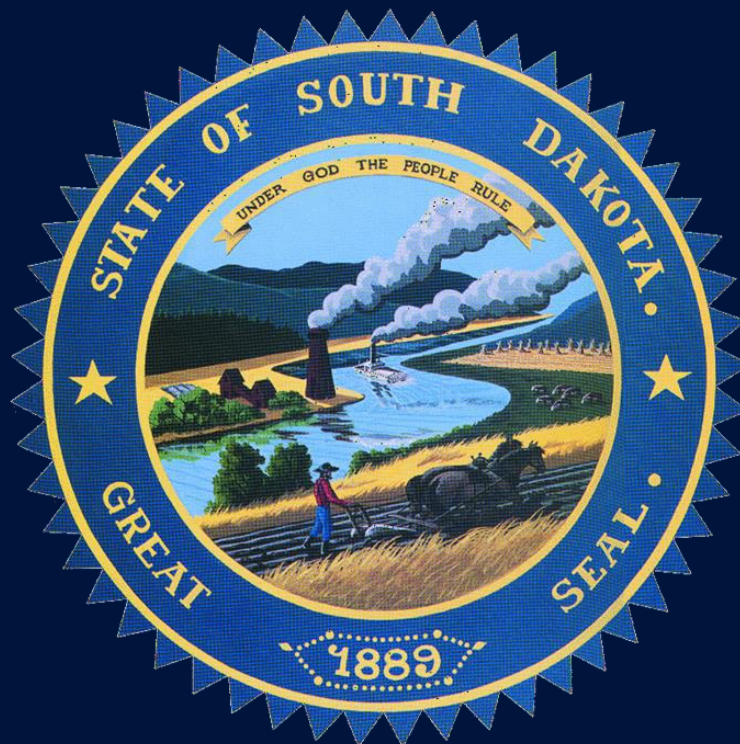


STATE OF SOUTH DAKOTA SUMMARY OF GOVERNOR'S BUDGET FISCAL YEAR 2026

OUR 136th YEAR OF A BALANCED BUDGET



KRISTI NOEM, GOVERNOR

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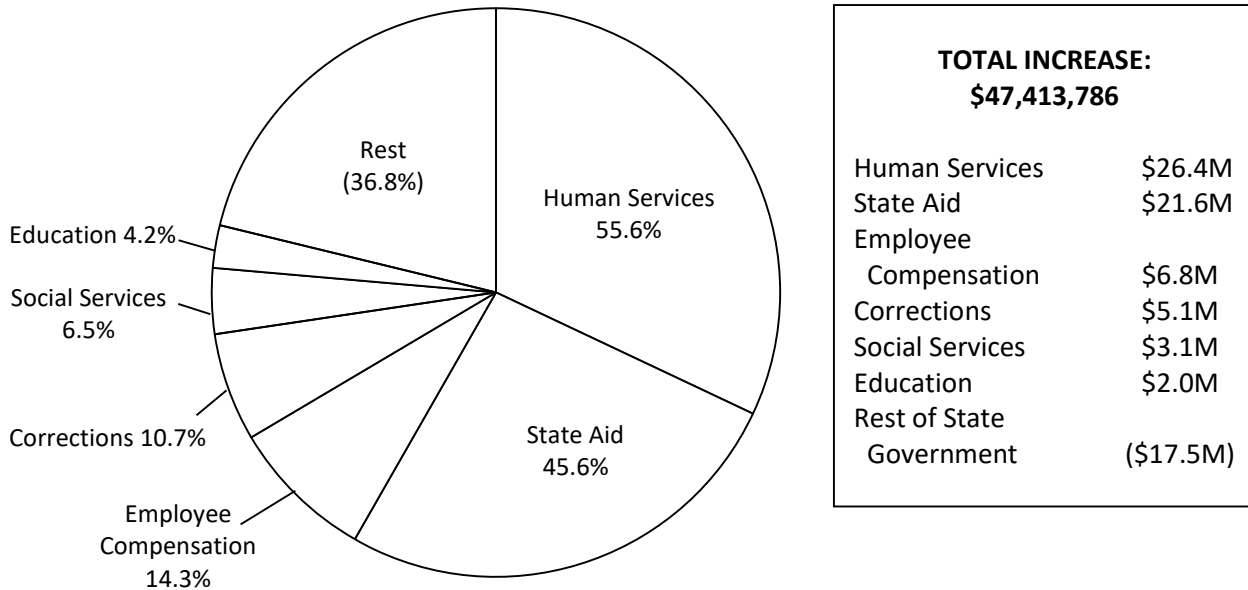
SUMMARY OVERVIEW

Governor Noem is recommending a budget (including special and continuing appropriations) for FY2026 of \$7,300,714,543 in total funds and 14,079.3 FTE. For FY2026, the Governor is proposing a general fund budget of \$2,463,743,712, which is an increase of \$44,251,175 over the adopted FY2025 budget. This includes a decrease of \$3,162,611 in continuing appropriations and transfers. The proposed FY2026 general fund budget is distributed as follows:

- \$984.6 million, or 40.0%, for Health, Human, and Social Services
- \$779.5 million, or 31.7%, for State Aid to Education
- \$308.5 million, or 12.5%, for Higher Education
- \$156.2 million, or 6.3%, for Corrections
- \$112.0 million, or 4.5%, for the Legislature, Unified Judicial System, Public Utilities Commission, and Elected Officials
- \$22.5 million, or 0.9%, for Agriculture and Natural Resources, and Game, Fish, and Parks
- \$100.4 million, or 4.1%, for the Remainder of State Government

The table below depicts the FY2026 recommended general fund increases, excluding special and continuing appropriations and transfers.

FY2026 General Fund Increases



UNITED STATES AND SOUTH DAKOTA ECONOMIC FORECASTS

UNITED STATES ECONOMY

RECENT ECONOMIC ACTIVITY

The United States has experienced an expansion in the economy as measured by Gross Domestic Product (GDP) since 2020. Except for the first quarter of 2022, which realized a real GDP decline, United States real GDP is in its fourth year of expansion. In 2023, GDP grew 2.8%, 2.4%, 4.3%, and 3.2% in the first through fourth quarters, respectively. In 2024, GDP grew 1.6% and 3.0% in the first and second quarters, respectively, followed by an estimate of 2.8% in the third quarter.

The economy continues to add jobs but at a slower pace than in 2023. The average monthly gain in 2024 for United States payroll employment has been 170,000 jobs through October, down from 251,000 in 2023. The labor market continues to ease. Nonfarm employment rose just 12,000 jobs in October due to the effects of labor strikes and hurricanes, but prior months' payroll gains were also revised materially lower. The unemployment rate is at 4.1% in October. While this is still a low unemployment rate for the United States historically, it is 0.5% higher than the 2023 average (3.6%).

In June 2023, Congress suspended the debt ceiling through 2024 under the Fiscal Responsibility Act of 2023. In September 2024, Congress passed a continuing resolution to fund federal agencies through December 2024.

In March 2022, the Federal Open Market Committee began increasing the federal funds rate in an effort to reduce inflation. The federal fund target rate peaked at 5.25% – 5.50% from July 2023 to September 2024. After cutting 50 basis points in September and 25 basis points in November, the current target range is now at 4.50%-4.75%. The Fed has also been shrinking its balance sheet for the past two years. The steps taken by the Fed to stabilize the financial system and economy in 2020 increased its balance sheet from \$4.2 trillion before the pandemic to nearly \$9 trillion in April 2022. As of November 2024, the Federal Reserve balance sheet is approximately \$6.9 trillion.

The following are recent key national economic statistics:

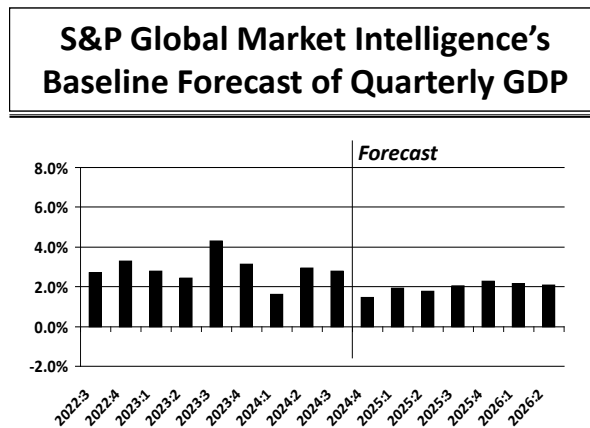
- Estimates indicate real GDP grew 2.8% at an annualized pace in the third quarter of 2024, which followed an increase of 3.0% in the second quarter.
- The unemployment rate was 4.1% in October. The current rate is 0.3% higher than October 2023 and 0.5% higher than October 2022.
- The labor force participation rate was 62.6% in October. This is 0.1% lower than October 2023 and 0.3% higher than October 2022.
- United States personal income increased at an annual rate of 3.6% in the third quarter of 2024. Personal income grew 6.8% in 2020, 9.2% in 2021, 3.1% in 2022, and 5.9% in 2023.
- Real personal consumption expenditures increased 3.7% in the third quarter of 2024, up from 2.8% in the second quarter.

NATIONAL FORECAST HIGHLIGHTS

This section summarizes S&P Global Market Intelligence’s forecast as of November 2024 for various categories of the United States economy. S&P Global Market Intelligence is a leader in providing analytics and expertise to businesses and governments worldwide.

GROSS DOMESTIC PRODUCT (GDP): GDP recovery from the COVID-19 pandemic began in the third quarter of 2020. GDP gains continued in the fourth quarter of 2020 and all of 2021 before receding in the first quarter of 2022. Since that time, GDP has grown for nine consecutive quarters – most recently at 3.0% in the third quarter of 2024. Growth is expected to continue at around 2.0% in 2025 and 2026.

In the first three quarters of this year, real GDP change was 1.6%, 3.0%, and 2.8%, respectively, and is expected to be 1.5% in the fourth quarter. In the four quarters in 2025, S&P Global is projecting GDP change of 2.0%, 1.8%, 2.1%, and 2.3%. In 2026, GDP is forecast to increase 2.2% and 2.1% in the first two quarters.



On an annual basis, GDP grew 2.6% in 2019. It declined 2.2% in 2020 before growing 6.1% in 2021, 2.5% in 2022, and 2.9% in 2023. S&P Global Market Intelligence’s latest baseline forecast projects real GDP at 2.7% in 2024, 2.0% in 2025, and 2.1% in 2026.

S&P Global is currently assigning a higher probability of negative (25%) versus positive (20%) risks in the United States economic outlook. The largest risks to the forecast are in capital and energy markets due to worsening conflicts in Ukraine and the Middle East. The optimistic scenario assumes stronger equity markets and a subsidence to the conflicts in Ukraine and the Middle East.

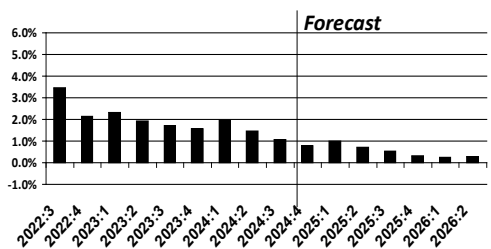
CONSUMERS: Consumer spending is a key component contributing to economic growth, as consumption accounts for over two-thirds of economic activity as measured by GDP. Growth of 3.7% in the third quarter of 2024 was up from growth of 2.8% in the second quarter. Consumer spending continues to grow in real terms and expectations are that this will continue but at a slower rate. Real personal consumption expenditures declined 2.5% in 2020, before increasing 8.8% in 2021, 3.0% in 2022, and 2.5% in 2023. The forecast projects real personal consumption expenditures at 2.7% in 2024, 2.7% in 2025, and 2.3% in 2026. Consumer confidence has improved for four consecutive months due to strengthening income and favorable long-run business conditions. The University of Michigan’s Index of Consumer Sentiment increased 2.5 points in November, registering at 73.0. This is still a relatively low consumer sentiment reading, however.

The personal savings rate (as a percentage of disposable income) declined to 4.8% in the third quarter of 2024, after readings of 5.4% in the first quarter and 5.2% in the second quarter. The personal saving rate declined rapidly in the second half of 2021 and 2022 after peaks of stimulus in 2020 and 2021. Households accumulated approximately \$2.3 trillion in excess savings in 2020 and 2021 due to higher disposable income and reduced discretionary spending. Some of those savings remained in 2024 to help boost consumption but those savings appear to be nearly exhausted. The S&P Global Market Intelligence baseline forecast calls for the savings rate to increase to approximately 5.1% in 2025 and 5.7% in 2026.

EMPLOYMENT: The latest United States payroll employment report indicated total nonfarm employment grew by only 12,000 jobs in October but was likely skewed by labor strikes and hurricanes. However, labor markets have shown signs of loosening. The expectation is for slowing growth in nonfarm employment. Employment is expected to grow at 0.8% in the fourth quarter of 2024. For 2025, employment is projected at 1.0%, 0.7%, 0.5%, and 0.3% for each quarter. The labor force participation rate was 62.6% in October. After being driven down during the pandemic, the participation rate moved upward in 2021 and 2022 and was relatively steady in 2023 and 2024. The labor force participation rate is expected to decline very slightly in both 2025 and 2026.

The unemployment rate in October was 4.1%, level with September and down from 4.2% in August and 4.3% in July. The unemployment rate is expected to continue trending upward. On an annual basis, the unemployment rate was 8.1% in 2020, 5.4% in 2021, 3.6% in 2022, 3.6% in 2023. It is forecast to be 4.0% in 2024, 4.4% in 2025, and 4.5% in 2026.

**S&P Global Market Intelligence’s Baseline
Forecast of Employment Growth**



HOUSING: Rising interest rates and decreasing affordability have led to declining housing statistics. Many homeowners are locked into low mortgage rates. This effect has led to record high home prices and existing home sales are on track for their worst year in about 30 years. Homebuilder sentiment is still low but improved from a year ago. The National Association of Home Builders Index is at 46 in November, which is up from 34 a year ago. The November 2024 reading is nearly 40 points lower than it was for most of 2021 and early 2022. Existing home sales in the third quarter were at a 3.89-million-unit annual rate. Housing starts in the third quarter were at a rate of 1.33 million units. Housing prices are elevated but the increases are expected to slow, with the Federal Housing Finance Agency House Price Index forecast to increase by 4.8% in 2024 and 1.1% in 2025.

Total housing starts are projected to be 1.35 million units in 2024, 1.34 million units in 2025, and 1.39 million units in 2026. In 2020, 2021, 2022, and 2023, total housing starts were 1.39 million, 1.61 million, 1.55 million, and 1.42 million units, respectively.

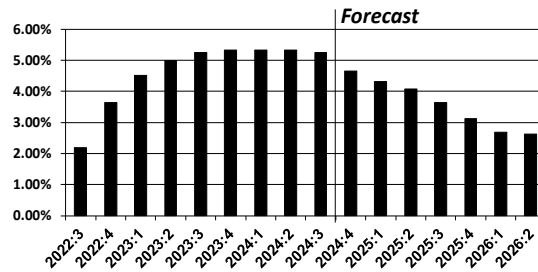
INFLATION: Inflation is easing but remains elevated. The Consumer Price Index (CPI) was at 2.6% in October year-over-year, on a seasonally adjusted basis. CPI has mostly fallen since it peaked at 9.0% in June 2022. It is anticipated that annual inflation measures will decline through 2025.

The CPI increased 1.2% in 2020, 4.7% in 2021, 8.0% in 2022, and 4.1% in 2023. The CPI is forecast to grow 2.9% in 2024, 2.3% in 2025, and 2.4% in 2026. The Producer Price Index for Finished Goods decreased 1.3% in 2020, before increasing 8.9% in 2021, 13.4% in 2022, and 1.5% in 2023. The current forecast calls for increases of 1.0% in 2024, 0.4% in 2025, and 1.0% in 2026.

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 April 2022. As of November 2024, the Federal Reserve balance sheet is approximately \$6.9 trillion.

In March 2022, the Federal Open Market Committee began increasing the federal funds rate in an effort to reduce inflation. The federal fund target rate peaked at 5.25% – 5.50% from July 2023 to September 2024. After cutting 50 basis points in September and 25 basis points in November, the current target range is now at 4.50%-4.75%. The forecast is for the target rate to be further decreased by 25 basis points in December followed by cuts throughout 2025 to eventually reach a target range of 2.50%-2.75% by early 2026.

**S&P Global Market Intelligence’s Baseline
Forecast of the Federal Funds Rate**



The unified federal deficit for FFY2023 was \$1.7 trillion, which is approximately \$0.3 trillion more than the FFY2022 deficit. S&P Global forecasts deficits of \$1.8 trillion for FFY2024, \$1.9 trillion for FFY2025, and \$2.0 trillion for FFY2026.

INTERNATIONAL: Real foreign GDP is projected to increase from 1.9% in 2024 to 2.3% in 2025 and 2.4% in 2026. Real exports grow 3.5% this year and 4.0% next year. Real imports grow 5.9% this year and 5.3% next year. The price of Brent crude oil is projected to decline to approximately \$71/barrel in 2025 and \$68/barrel in 2026.

RISKS TO THE FORECAST

Economic risks to the baseline forecast are reflected in alternate scenarios. There are upside risks as the result of less weakness in equity markets and a subsidence to the conflicts in Ukraine and the Middle East, which could cause a decline in energy prices. The downside risks stem from worsening conflicts in Ukraine and the Middle East and the spillover effects into energy and capital markets. S&P Global Market Intelligence assigns a greater probability to the negative risks versus the positive risks at this time.

A 20% probability exists for United States economic growth being stronger than the baseline forecast. In S&P Global Market Intelligence’s optimistic scenario, GDP is projected to increase by 2.8% in 2024, 2.8% in 2025, and 2.6% in 2026. The optimistic scenario assumes robust growth driven by stronger equity returns.

The pessimistic scenario assumes a shallow recession with faltering capital and energy markets due to the worsening of conflicts underway. S&P Global assigns a 25% probability to this scenario. Tighter financial conditions and less consumer demand would lead 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.

South Dakota's economy continues to grow but at a slower rate than recent years. Total nonfarm employment is forecast to grow 1.2% in 2024. Real Gross State Product (GSP) is projected to finish the year 0.4% higher than 2023. Additionally, South Dakota nonfarm income is projected to finish the year at 5.9% growth.

The following are some recent key South Dakota economic statistics:

- South Dakota nonfarm employment grew at 2.1% in 2023 and is projected to finish 2024 at 1.2%. Nonfarm employment growth in 2025 is forecast at 0.4%.
- The unemployment rate in South Dakota in October of 2024 was 1.9%. This was 2.2% below the national rate of 4.1%.
- Housing starts surged in 2020 through 2022 due to high demand and low mortgage rates. Housing starts remained elevated in 2023. Projections are to finish 2024 at a more typical level and remain at typical levels in 2025 and 2026.

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 tourism sector is an integral part of the South Dakota economy. The estimated economic impact to GDP in South Dakota from tourism totaled \$3.6 billion in 2023. The number of estimated visitors in South Dakota totaled approximately 14.7 million, spending an estimated \$5.0 billion statewide, an increase of 4.9% from 2022.

Tourism activity has remained steady in 2024. Although total estimated visitation is down 5.5% through September, visitor spending is estimated to be up 4.5% year-over-year. Year to date, State Park visits are up 10.7%, while airport arrivals are up 10.9%.

AGRICULTURE: In 2023, the agricultural economy in South Dakota produced cash receipts of \$14.0 billion, which was a decrease of \$0.2 billion from 2022 cash receipts. Crops generated \$8.1 billion, and animals and products generated \$5.9 billion in 2023. Cash receipts from crops decreased \$0.2 billion, while cash receipts from animals and products were essentially flat.

Overall, crop production levels are expected to be strong in 2024. According to the National Agricultural Statistics Service (NASS), as of November 1st, corn production is projected to be 873 million bushels, up 2% from 2023 production. Corn acres harvested is estimated at 5.26 million acres, which is down 6% from a year ago. The corn yield is estimated to be 166 bushels per acre, up 14 bushels from last year and a record high yield. Soybean production is expected to be 243 million bushels, up 9% from a year ago, with a yield of 45 bushels per acre, up 1 bushel from the 2023 yield. Soybean acres harvested is estimated at 5.40 million, up 7% from last year. Sorghum for grain production is forecast to be 24.1 million bushels, down 4% from 2023 with 280,000 acres for harvest estimated, which is unchanged from last year. The yield is estimated to be 86 bushels per acre, which is down 4 bushels from last year.

Prices received for crops are down in 2024 compared to last year. In September 2024, the average price received for corn in South Dakota was \$3.70 per bushel, down 25% from \$4.92 per bushel in September 2023. The average price received for soybeans in South Dakota in September 2024 was \$9.82 per bushel, down 24% from \$12.90 per bushel in September 2023.

South Dakota feedlots with capacities of 1,000 or more head contained 225,000 cattle on feed as of November 1st, which is up 2% from last year. Placements during October totaled 70,000 head, which is up 1% from last year. Fed cattle marketings were at 39,000 head, up 18% from last year. The inventory of all hogs and pigs as of September 1st was up 2% from a year ago but down slightly from June. The June to August pig crop total was 2.07 million head, up 11% from a year ago.

Weather conditions in 2024 were favorable for crop production this year but soil moisture supplies have declined significantly in the second half of the year. In early-July, NASS estimated that more than 90% of topsoil and subsoil moisture supplies were adequate or surplus. However, soil moisture levels deteriorated through the late-summer and fall. As of mid-November, 76% of topsoil supplies are rated short or very short and 72% of subsoil supplies are rated short or very short. The council is specifically concerned with drought conditions, lower commodity prices compared to recent years, elevated input prices, and the global economy.

CONSTRUCTION: So far in fiscal year 2025, construction activity has been steady. Contractor’s Excise Tax, which is a good indicator of overall construction activity, is down 3.1% through the first four months of the fiscal year compared to the prior year. However, Contractor’s Excise Tax has grown immensely in recent years. Growth rates for the past five fiscal years have ranged from 7.9% to 21.6%. Housing construction is down from its peak levels in 2021 and 2022. The council expects housing construction to continue to slow in 2025 and 2026 due to higher prices and mortgage rates; however, housing starts are still expected to be near the average levels for the previous decade.

SOUTH DAKOTA FORECAST HIGHLIGHTS

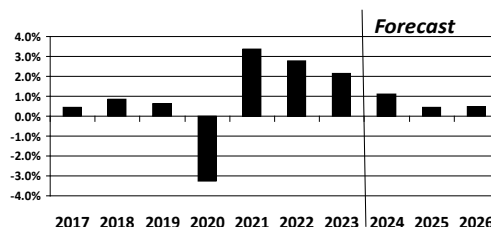
S&P Global Market Intelligence’s forecast of the national and state economy and the input of the Council of Economic Advisors were incorporated into the forecast of South Dakota’s economy. This section summarizes various categories of the latest forecast for the South Dakota economy.

Overall, South Dakota’s economy is expected to continue to grow in 2025 and 2026, similar to the national economy.

EMPLOYMENT: South Dakota has several advantages over other states 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 of a qualified labor force to fill current and future jobs.

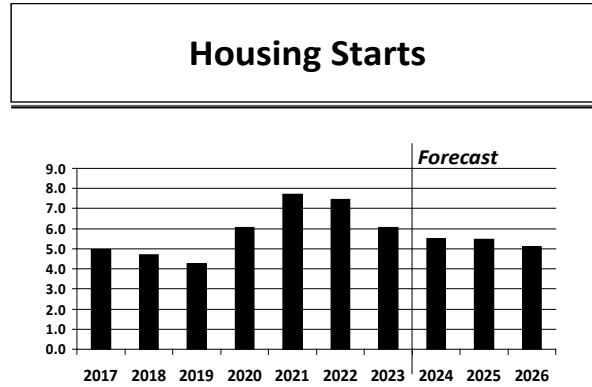
Prior to 2020, South Dakota’s employment situation had been stable for about a decade. From 2011 through 2019, nonfarm employment growth averaged 1% per year. Nonfarm employment declined 3.3% in South Dakota in 2020 but rebounded strongly. South Dakota had consistently strong employment gains from mid-2020 through 2023. Employment grew 3.4% in 2021, 2.8% in 2022, and 2.1% in 2023. However, nonfarm employment growth has slowed in more recent months. Employment growth is projected to finish 2024 at 1.1% growth. The State’s low unemployment rate and high labor force participation rate present challenges in continuing to add nonfarm employees, as most of the labor pool in the State is already working. For 2025 and 2026, nonfarm employment is projected at 0.4% and 0.5%, respectively.

Growth in Nonfarm Employment



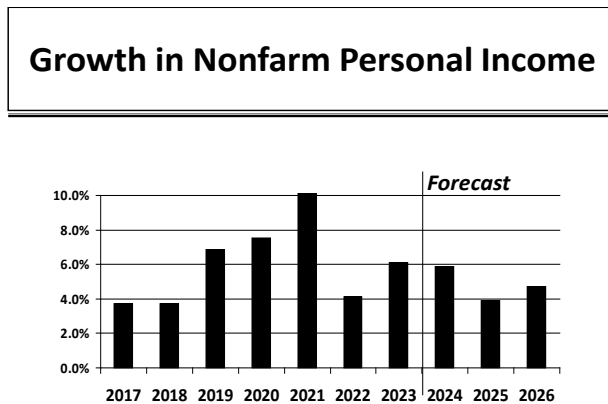
HOUSING/CONSTRUCTION: In 2016, South Dakota experienced a surge in housing starts at approximately 5,500 units. Housing starts declined from 2017 to 2019 but rebounded significantly in 2020 through 2022 on the strength of low mortgage rates and high demand.

The housing market remained strong in 2023 before leveling to a more normal level in 2024. Higher prices and elevated interest rates are expected to cause continued slowing in the housing sector. Housing starts were approximately 6,060 in 2023 and are projected to be 5,530 in 2024, 5,460 in 2025, and 5,110 in 2026.



INCOME: From 2011 to 2019, South Dakota’s total personal income growth averaged approximately 4% per year. Growth rates have been higher in recent years. In 2020, 2021, 2022 and 2023, personal income grew by 9.9%, 13.9%, 5.6%, and 5.0%, respectively. Personal income is forecast to grow 3.5% in 2024, 4.9% in 2025, and 5.5% in 2026.

From 2011 to 2019, nonfarm personal income also averaged approximately 4% per year. Nonfarm income grew 7.5% in 2020, 12.7% in 2021, 4.1% in 2022, and 6.1% in 2023. Nonfarm income in South Dakota is forecast to grow 5.9% in 2024, 3.9% in 2025, and 4.7% in 2026.



South Dakota’s per capita personal income for the second quarter of 2024 is at an annual rate of \$73,962, which is 1.0% greater than the United States average of \$73,219.

RISKS TO THE FORECAST

The Council of Economic Advisors sees some risks to the current forecast. These risks include elevated interest rates and their effect on South Dakota’s economy. There is also concern for the farm economy with lower commodity prices and drought conditions. In addition, the workforce shortage limits potential business expansion.

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

REVENUE ESTIMATE SUMMARY

General fund receipts for FY2025 are forecast at \$2,675.5 million. Ongoing receipts comprise \$2,393.1 million of the total. One-time revenues comprise \$282.4 million of the total, which includes \$167.7 million in one-time unclaimed property receipts, \$0.1 million in bank franchise tax prior year revenue, \$33.9 million due to a transfer from the budget reserve fund, and \$80.7 million of obligated cash carried forward from FY2024. The ongoing estimate for FY2025 includes a decrease of \$20.2 million from actual FY2024 ongoing receipts. Categories forecasted to show major increases in FY2025 over FY2024 actuals include investment income and interest (+\$46.9M) and insurance company tax (+\$9.7M). Categories forecast for the biggest decreases from FY2024 actual receipts are unclaimed property receipts (-\$72.6M) and contractor’s excise tax (-\$6.2M).

The revised ongoing estimate for FY2025 is \$26.4 million lower than the ongoing estimate adopted during the 2024 legislative session. Major positive adjustments for the revised FY2025 estimate compared to the adopted FY2025 estimate are for investment income and interest (+\$21.9M), insurance company tax (+\$12.8M), and bank franchise tax (+\$8.3M). The most significant negative revisions compared to the adopted FY2025 estimate are for sales and use tax (-\$55.6M) and contractor’s excise tax (-\$10.9M).

General fund receipts for FY2026 are projected to be \$2,463.7 million, of which all receipts are considered ongoing. The forecast for ongoing receipts in FY2026 is an increase of \$70.6 million from the revised FY2025 projection. The most significant sources of growth are from sales and use tax (+\$68.1M), insurance company tax (+\$7.9M), and contractor’s excise tax (+\$5.4M). The category with the most significant projected decrease in FY2026 is investment income and interest (-\$19.0M).

CURRENT REVENUE FORECAST (Dollars in Millions)

	<u>FY2025</u>	<u>FY2026</u>
Sales and Use Tax	1,447.5	1,515.5
Lottery	180.4	182.4
Contractor's Excise Tax	210.5	215.9
Insurance Company Tax	137.9	145.8
Unclaimed Property	61.0	62.3
Tobacco Taxes	42.0	43.5
Other Ongoing Revenues	313.9	298.3
One-Time Receipts	167.7	0.0
Transfer from Budget Reserve Fund	33.9	0.0
Obligated Cash Carried Forward	80.7	0.0
Total Revenue	<u>2,675.5</u>	<u>2,463.7</u>

SALES AND USE TAX

The sales and use tax is the single largest revenue source for the state’s general fund and accounts for approximately 60.5% of ongoing general fund revenue. Between FY2000 and FY2023, the sales and use tax grew from \$432.1 million to \$1,480.6 million, which was an average annual increase of 5.6%. Since FY2010, 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%, respectively) 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, federal government stimulus, and inflation. FY2022 collections included \$28.3 million in one-time sales and use tax due to a large audit. In FY2023, ongoing sales and use tax grew by 9.1% due to continued strong personal income growth and inflation. Total sales and use tax collections grew by 6.9% in FY2023.

Net collections from the sales and use tax in FY2024 were \$1,441.7 million, which was a decrease of \$38.9 million compared to FY2023 due to the reduction of the state sales tax rate from 4.5% to 4.2%. Through the first four months of FY2025, sales and use tax collections to the general fund were \$513.4 million, which is a decrease of 1.7% from the first four months of ongoing collections for FY2024. For the revised FY2025 estimate, the sales and use tax is forecast at \$1,447.5 million, which is an increase of \$5.8 million, or 0.4%. For FY2026, the sales and use tax is forecast at \$1,515.5 million, which is an increase of \$68.1 million, or 4.7%, over the revised FY2025 estimate.

LOTTERY

Collections from lottery activities account for approximately 7.5% of ongoing general fund revenues. In FY2025, lottery collections are anticipated at \$180.4 million, which includes the general fund's share of instant lottery ticket sales of \$8.0 million, 70% or \$7.7 million from the online lottery net income, and \$164.6 million in video lottery receipts. In FY2026, lottery receipts are projected at \$182.4 million, which includes \$8.4 million from instant lottery income, 70% or \$7.7 million from online lottery net income, and \$166.2 million from the state's share of video lottery receipts. In FY2023 and FY2024, video lottery receipts were \$162.6 million and \$164.0 million, respectively. So far in FY2025, video lottery receipts are down 1.0% through the first four months compared to the prior year.

CONTRACTOR'S EXCISE TAX

The collection of contractor's excise tax accounts for approximately 8.8% 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 has contributed to the increase in contractor's excise tax collections from \$47.6 million in FY2000 to \$216.7 million in FY2024, representing an average annual increase of 6.9%. In FY2024, net collections to the general fund from the contractor's excise tax grew \$27.3 million, or 14.4%, from FY2023. Through the first four months of FY2025, net contractor's excise tax collections were \$81.2 million, a decrease of 3.1% compared to the first four months of FY2024. Contractor's excise tax collections for FY2025 are forecast to be \$210.5 million, a decrease of \$6.2 million, or 2.9%, compared to FY2024 collections. FY2026 collections are forecast at \$215.9 million, an increase of \$5.4 million, or 2.6%, compared to the revised FY2025 estimate.

INSURANCE COMPANY TAX

Collections from the insurance company tax account for approximately 5.8% of ongoing general fund revenues. From FY2000 to FY2024, insurance company tax collections grew from \$39.5 million to \$128.2 million, which was an average annual increase of 5.1%. In FY2024, insurance company tax collections increased by \$16.0 million, or 14.3%, compared to FY2023. For FY2025, insurance company tax collections are forecast at \$137.9 million, which is an increase of \$9.7 million, or 7.6%, over FY2024 collections. For FY2026, insurance company tax collections are forecast to be \$145.8 million, which is an increase of \$7.9 million, or 5.7%, over the revised FY2025 estimate.

UNCLAIMED PROPERTY

Historically, collections from unclaimed property have been relatively small but have grown in recent years. 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, FY2022, FY2023, and FY2024, unclaimed property collections increased to \$62.8 million, \$65.1 million, \$85.5 million, and \$133.6 million, respectively, due to increased remittances. For FY2025, total unclaimed property revenue is forecast at \$228.7 million due to increased remittances, with \$61.0 million considered ongoing revenue and 167.7 million considered one-time revenue. The forecast for FY2026 is \$62.3 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 FY2024, cigarette taxes totaled \$36.7 million, while the other tobacco products tax totaled \$11.8 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 \$43.5 million in FY2024. General fund receipts from tobacco taxes are projected at \$42.0 million in FY2025. In FY2026, the Governor is recommending reducing the allocation to the tobacco prevention and reduction trust fund from \$5.0 million to \$2.0 million. With this change, general fund receipts from tobacco taxes are projected at \$43.5 million in FY2026.

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 taxes; and investment income and interest. For FY2025, collections from other ongoing revenues are projected to be \$313.9 million, approximately 13.1% of total ongoing general fund revenues. In FY2026, collections from other ongoing revenues are projected at \$298.3 million.

ONE-TIME RECEIPTS

In FY2025, collections from one-time receipts are projected to be \$167.7 million. These one-time receipts include \$167.7 million in one-time unclaimed property receipts and \$0.1 million in bank franchise tax prior year revenue.

TRANSFER FROM THE BUDGET RESERVE FUND

In FY2025, the Governor is recommending \$33.9 million be transferred from the Budget Reserve Fund to the general fund. This keeps the balance of budget reserves at 10% of proposed FY2026 appropriations plus an additional \$43.1 million for potential claims related to the unprecedented receipt of unclaimed property. The total estimate reserve balance after this transfer is 11.8% of proposed FY2026 appropriations.

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 FY2025, the total amount of obligated cash carried forward was \$80.7 million. This was obligated to the Budget Reserve Fund from the budget surplus at the end of FY2024.

BUDGET RESERVE & GENERAL REVENUE REPLACEMENT FUNDS

During the 1991 Legislative Session, the Budget Reserve Fund was created to place resources into a reserve that would be used to address unforeseen expenditure obligations or revenue shortfalls. At the end of FY2022, FY2023, and FY2024, unobligated general fund cash in the amounts of \$7.2 million, \$25.2 million, and \$80.7 million, respectively, was obligated to the Budget Reserve Fund. These funds were transferred from the general fund into the reserve in FY2023, FY2024, and FY2025, respectively. In FY2024, \$93.6 million was transferred from the Budget Reserve Fund to the Incarceration Construction Fund. In FY2025, the Governor is recommending a transfer of \$33.9 million from the Budget Reserve Fund to the Incarceration Construction Fund to be used for the construction of a men’s prison. This will leave a projected ending balance in FY2025 of \$155.1 million.

During the 2015 Legislative Session, the General Revenue Replacement Fund was established to replace the Property Tax Reduction Fund to assist in balancing the annual budget in the event of an unforeseen revenue shortfall. At the end of FY2022 and FY2023, unobligated general fund cash in the amounts of \$108.3 million and \$71.6 million, respectively, was obligated to the General Revenue Replacement Fund. These funds were transferred from the general fund into the reserve in FY2023 and FY2024, respectively. In FY2023, \$183.7 million was transferred from the General Revenue Replacement Fund to the Incarceration Construction Fund to be used for the construction of a men’s prison. The projected ending balance for FY2025 is \$133.7 million.

For many years, South Dakota has maintained a reserve balance of 10% of the proposed appropriations. In addition to continuing this longstanding practice, the Governor is recommending \$43.1 million be kept in the reserves for paying out potential claims related to the unprecedented receipt of unclaimed property and uncertainty of future revenue growth. As such, the total estimated reserve balance of \$288.8 million is 11.8% of proposed FY2026 appropriations.

BUDGET RESERVE FUND & GENERAL REVENUE REPLACEMENT FUND CONDITION STATEMENT

	ACTUAL FY2023	ACTUAL FY2024	ESTIMATED FY2025	ESTIMATED FY2026
Budget Reserve Fund Beginning Balance	\$ 169,583,492	\$ 176,760,690	\$ 108,298,384	\$ 155,107,341
Calculations for Maximum Balance in the Fund:				
General Bill Appropriation for Prior Year	\$ 1,767,606,897	\$ 2,019,276,457	\$ 2,192,202,455	\$ 2,319,397,989
Budget Reserve Fund Percentage	10%	10%	10%	10%
Maximum Amount in the Fund	<u>\$ 176,760,690</u>	<u>\$ 201,927,646</u>	<u>\$ 219,220,246</u>	<u>\$ 231,939,799</u>
Maximum Transferable Amount	<u>\$ 7,177,198</u>	<u>\$ 25,166,956</u>	<u>\$ 110,921,862</u>	<u>\$ 76,832,458</u>
Amount of General Funds Available				
End of Prior Year	\$ 115,478,433	\$ 96,775,123	\$ 80,735,092	\$ 0
Transferred in from General Fund	\$ 7,177,198	\$ 25,166,956	\$ 80,735,092	\$ 0
Transferred out to Incarceration Construction Fund	<u>\$ 0</u>	<u>\$ (93,629,262)</u>	<u>\$ (33,926,134)</u>	<u>\$ 0</u>
Ending Budget Reserve Fund Balance	<u>\$ 176,760,690</u>	<u>\$ 108,298,384</u>	<u>\$ 155,107,341</u>	<u>\$ 155,107,341</u>
General Revenue Replacement Fund Balance	\$ 137,499,726	\$ 62,115,882	\$ 133,724,049	\$ 133,724,049
Transferred in from General Fund	\$ 108,301,235	\$ 71,608,167	\$ 0	\$ 0
Transferred out to Incarceration Construction Fund	<u>\$ (183,685,079)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Ending General Revenue Replacement Fund Balance	<u>\$ 62,115,882</u>	<u>\$ 133,724,049</u>	<u>\$ 133,724,049</u>	<u>\$ 133,724,049</u>
General Funds Obligated to Reserves	<u>\$ 96,775,123</u>	<u>\$ 80,735,092</u>	<u>\$ 0</u>	<u>\$ 0</u>
ENDING TOTAL RESERVES BALANCE	<u>\$ 335,651,694</u>	<u>\$ 322,757,524</u>	<u>\$ 288,831,390</u>	<u>\$ 288,831,390</u>

NOTE: The totals may not add due to rounding.

**COMPARISON BETWEEN LEGISLATIVE ADOPTED AND
REVISED ESTIMATE FOR FY2025**

	LEG ADOPTED FY2025	REVISED FY2025	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,503,099,599	\$ 1,447,481,493	\$ (55,618,106)	(3.70)
Lottery	183,126,656	180,371,432	(2,755,224)	(1.50)
Contractor's Excise Tax	221,365,672	210,476,413	(10,889,259)	(4.92)
Insurance Company Tax	125,089,820	137,869,952	12,780,132	10.22
Unclaimed Property Receipts	61,013,556	61,013,556	0	0.00
Licenses, Permits, and Fees	77,611,286	74,354,008	(3,257,278)	(4.20)
Tobacco Taxes	42,537,115	42,022,292	(514,823)	(1.21)
Trust Funds	50,387,330	50,329,002	(58,328)	(0.12)
Net Transfers In	25,348,873	27,213,839	1,864,966	7.36
Alcohol Beverage Tax	9,148,840	8,993,932	(154,908)	(1.69)
Bank Franchise Tax	17,715,124	26,038,817	8,323,693	46.99
Charges for Goods and Services	13,497,285	12,818,059	(679,226)	(5.03)
Telecommunications Tax	2,196,234	2,062,768	(133,466)	(6.08)
Severance Taxes	9,881,951	12,742,661	2,860,710	28.95
Investment Income and Interest	74,319,000	96,173,690	21,854,690	29.41
Alcohol Bev 2% Wholesale Tax	3,154,196	3,148,244	(5,952)	(0.19)
TOTAL (ONGOING RECEIPTS)	\$ 2,419,492,537	\$ 2,393,110,158	\$ (26,382,379)	(1.09)
ONE-TIME RECEIPTS				
One-Time Unclaimed Property Receipts	\$ 0	\$ 167,664,409	\$ 167,664,409	N/A
Bank Franchise Tax Prior Year Revenue	0	54,690	54,690	N/A
Transfer from Budget Reserve Fund	0	33,926,134	33,926,134	N/A
Obligated Cash Carried Forward	0	80,735,092	80,735,092	N/A
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 0	\$ 282,380,325	\$ 282,380,325	N/A
GRAND TOTAL	\$ 2,419,492,537	\$ 2,675,490,483	\$ 255,997,946	10.58

NOTE: The totals may not add due to rounding.

**COMPARISON BETWEEN ACTUAL FY2024 AND REVISED FY2025
REVENUE COLLECTIONS**

	ACTUAL FY2024	REVISED FY2025	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,441,678,770	\$ 1,447,481,493	\$ 5,802,723	0.40
Lottery	179,328,773	180,371,432	1,042,659	0.58
Contractor's Excise Tax	216,712,589	210,476,413	(6,236,176)	(2.88)
Insurance Company Tax	128,189,481	137,869,952	9,680,471	7.55
Unclaimed Property Receipts	133,617,777	61,013,556	(72,604,221)	(54.34)
Licenses, Permits, and Fees	75,761,844	74,354,008	(1,407,836)	(1.86)
Tobacco Taxes	43,462,155	42,022,292	(1,439,863)	(3.31)
Trust Funds	48,334,193	50,329,002	1,994,809	4.13
Net Transfers In	28,901,042	27,213,839	(1,687,203)	(5.84)
Alcohol Beverage Tax	8,969,518	8,993,932	24,414	0.27
Bank Franchise Tax	28,659,255	26,038,817	(2,620,438)	(9.14)
Charges for Goods and Services	14,262,896	12,818,059	(1,444,837)	(10.13)
Telecommunications Tax	2,116,069	2,062,768	(53,301)	(2.52)
Severance Taxes	10,932,699	12,742,661	1,809,962	16.56
Investment Income and Interest	49,318,506	96,173,690	46,855,184	95.01
Alcohol Bev 2% Wholesale Tax	3,063,771	3,148,244	84,473	2.76
TOTAL (ONGOING RECEIPTS)	\$ 2,413,309,338	\$ 2,393,110,158	\$ (20,199,180)	(0.84)
ONE-TIME RECEIPTS				
One-Time Unclaimed Property Receipts	\$ 0	\$ 167,664,409	\$ 167,664,409	N/A
Bank Franchise Tax Prior Year Revenue	1,443,391	54,690	(1,388,701)	(96.21)
One-Time Sales and Use Tax	12,319,527	0	(12,319,527)	(100.00)
Unexpended Carryovers and Specials	14,910,359	0	(14,910,359)	(100.00)
Transfer from Budget Reserve Fund	0	33,926,134	33,926,134	N/A
Obligated Cash Carried Forward	96,775,123	80,735,092	(16,040,031)	(16.57)
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 125,448,400	\$ 282,380,325	\$ 156,931,924	125.10
GRAND TOTAL	\$ 2,538,757,738	\$ 2,675,490,483	\$ 136,732,745	5.39

NOTE: The totals may not add due to rounding.

**COMPARISON BETWEEN REVISED FY2025 AND PROJECTED FY2026
REVENUE COLLECTIONS**

	REVISED FY2025	PROJECTED FY2026	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,447,481,493	\$ 1,515,543,231	\$ 68,061,738	4.70
Lottery	180,371,432	182,417,534	2,046,102	1.13
Contractor's Excise Tax	210,476,413	215,914,398	5,437,985	2.58
Insurance Company Tax	137,869,952	145,772,725	7,902,773	5.73
Unclaimed Property Receipts	61,013,556	62,293,327	1,279,771	2.10
Licenses, Permits, and Fees	74,354,008	74,590,338	236,330	0.32
Tobacco Taxes	42,022,292	43,533,077	1,510,785	3.60
Trust Funds	50,329,002	52,860,366	2,531,364	5.03
Net Transfers In	27,213,839	27,059,380	(154,459)	(0.57)
Alcohol Beverage Tax	8,993,932	9,106,692	112,760	1.25
Bank Franchise Tax	26,038,817	26,222,175	183,358	0.70
Charges for Goods and Services	12,818,059	12,882,837	64,778	0.51
Telecommunications Tax	2,062,768	2,007,797	(54,971)	(2.66)
Severance Taxes	12,742,661	13,158,489	415,828	3.26
Investment Income and Interest	96,173,690	77,147,167	(19,026,523)	(19.78)
Alcohol Bev 2% Wholesale Tax	3,148,244	3,234,179	85,935	2.73
TOTAL (ONGOING RECEIPTS)	\$ 2,393,110,158	\$ 2,463,743,712	\$ 70,633,554	2.95
ONE-TIME RECEIPTS				
One-Time Unclaimed Property Receipts	\$ 167,664,409	\$ 0	\$ (167,664,409)	(100.00)
Bank Franchise Tax Prior Year Revenue	54,690	0	(54,690)	(100.00)
Transfer from Budget Reserve Fund	33,926,134	0	(33,926,134)	(100.00)
Obligated Cash Carried Forward	80,735,092	0	(80,735,092)	(100.00)
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 282,380,325	\$ 0	\$ (282,380,325)	(100.00)
GRAND TOTAL	\$ 2,675,490,483	\$ 2,463,743,712	\$ (211,746,771)	(7.91)

NOTE: The totals may not add due to rounding.

GENERAL FUND RECEIPTS

	<u>ACTUAL FY2023</u>	<u>ACTUAL FY2024</u>	<u>REVISED FY2025</u>	<u>PROJECTED FY2026</u>
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,480,572,850	\$ 1,441,678,770	\$ 1,447,481,493	\$ 1,515,543,231
Lottery	176,663,767	179,328,773	180,371,432	182,417,534
Contractor's Excise Tax	189,407,586	216,712,589	210,476,413	215,914,398
Insurance Company Tax	112,141,293	128,189,481	137,869,952	145,772,725
Unclaimed Property Receipts	74,981,213	133,617,777	61,013,556	62,293,327
Licenses, Permits, and Fees	77,636,494	75,761,844	74,354,008	74,590,338
Tobacco Taxes	47,074,649	43,462,155	42,022,292	43,533,077
Trust Funds	46,259,458	48,334,193	50,329,002	52,860,366
Net Transfers In	25,652,534	28,901,042	27,213,839	27,059,380
Alcohol Beverage Tax	8,939,732	8,969,518	8,993,932	9,106,692
Bank Franchise Tax	20,425,082	28,659,255	26,038,817	26,222,175
Charges for Goods and Services	13,473,405	14,262,896	12,818,059	12,882,837
Telecommunications Tax	2,466,873	2,116,069	2,062,768	2,007,797
Severance Taxes	5,657,605	10,932,699	12,742,661	13,158,489
Investment Income and Interest	14,000,549	49,318,506	96,173,690	77,147,167
Alcohol Beverage 2% Wholesale Tax	2,936,973	3,063,771	3,148,244	3,234,179
SUBTOTAL (ONGOING RECEIPTS)	<u>\$ 2,298,290,062</u>	<u>\$ 2,413,309,338</u>	<u>\$ 2,393,110,158</u>	<u>\$ 2,463,743,712</u>
ONE-TIME RECEIPTS				
One-Time Unclaimed Property Receipts	\$ 10,554,826	\$ 0	\$ 167,664,409	\$ 0
Bank Franchise Tax Prior Year Revenue	699,173	1,443,391	54,690	0
One-Time Sales and Use Tax	0	12,319,527	0	0
Unexpended Carryovers and Specials	17,709,410	14,910,359	0	0
Transfer from Budget Reserves	0	0	33,926,134	0
Obligated Cash Carried Forward	115,478,433	96,775,123	80,735,092	0
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 144,441,842</u>	<u>\$ 125,448,400</u>	<u>\$ 282,380,325</u>	<u>\$ 0</u>
GRAND TOTAL	<u><u>\$ 2,442,731,904</u></u>	<u><u>\$ 2,538,757,738</u></u>	<u><u>\$ 2,675,490,483</u></u>	<u><u>\$ 2,463,743,712</u></u>

NOTE: The totals may not add due to rounding.

TAX EXPENDITURES

**Annual Est. General
Fund Revenue Loss**

Sales and Use Tax Exemptions

Agriculture Group

10-45-18, 10-45-18.2, 10-46-16, 10-46-16.2: Livestock, live poultry, ostriches, emus, or rheas, if such sales are part of a series of transactions incident to producing a finished product intended to be offered for an ultimate retail sale. Also includes live cattle, buffalo, sheep, goats, swine, poultry, and horses.	\$180,095,088
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.	\$66,144,149
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.	\$49,359,566
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.	\$39,124,935
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.	\$29,850,381
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 endoparasiticides and ectoparasiticides)	\$30,706,794
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.	\$21,588,630
10-45-12.1: Farm Product Warehousing & Storage	\$270,904
10-45-12.1: Agricultural Services, except: Veterinary Services and Animal Specialty Services.	\$9,623,316
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)	\$409,849
10-45-12.1: Forestry Services	\$179,930
10-45-18.6, 10-46-16.6: The sale of swine or cattle semen used for agricultural purposes.	\$245,910
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.	**
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.	\$32,788
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.	\$326,014
10-45-18.5, 10-46-16.5: Feed for nondomestic animals exempted in 10-45-18.4	\$6,306

TAX EXPENDITURES

**Annual Est. General
Fund Revenue Loss**

Sales and Use Tax Exemptions

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.	\$510,077,400
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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.	**
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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.	\$48,697,790
10-45-11.1, 10-46-17.3: Goods and services furnished to meet warranty obligation.	**
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.	**
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.	\$41,301,816
10-45-68, 10-46-56: Sale of credit card processing services to retailers.	\$19,584,874
10-45-12.1: Water Supply	\$7,668,478
10-45-13.1: Membership fees to membership organizations and services provided by membership organizations.	\$9,284,718
10-45-5.2: Sanitary services except for the collection and disposal of solid waste which is specifically listed as subject to sales tax.	\$1,118,911
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)	**
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.	**
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.	**
10-45-12.1: Motion picture rentals to a commercially operated theater primarily engaged in the exhibition of motion pictures.	\$612,821
10-45-5.2: Research, development, and testing services (SIC 8733)	\$1,420,981

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.	**
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.	\$854,314
10-45-5.2: Radio & Television Broadcasting	\$7,202,835
10-45-5: Leases of tangible personal property between one telephone company and another telephone company.	**
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.	**
10-45-5.5, 10-46-2.5: Chemicals purchased for use by Lawn & Garden Services.	**
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.	**
10-45-14.2, 10-46-9.1: Ink and newsprint used to produce shoppers' guides.	**
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.	**
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.	**
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.	\$75,568
10-45-90, 10-46-63: Services performed for rodeos by promoters, stock contractors, stock handlers, announcers, judges, and clowns.	\$1,466,269
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.	\$535,075
10-45-12.1: Consumer Credit Reporting Agencies and Mercantile Reporting Agencies.	\$64,672

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).	\$1,804,115
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TAX EXPENDITURES

**Annual Est. General
Fund Revenue Loss**

Sales and Use Tax Exemptions

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.	\$20,249,827
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.	\$135,404,848
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.	**
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.	\$13,883,781
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.	**
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.	\$89,538,895
10-45-12.6, 10-46-6.2: Sale of credit services by credit bureaus to financial institutions that are paying bank franchise taxes.	**
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.	**

Transportation Group

10-45-12.1: Railroad Transportation & Rental of Railroad Cars.	\$10,414,358
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.	\$84,590,949

Social Services

10-45.12.1: Social services and credit counseling services provided by individual and family social services.	\$12,010,825
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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.	**
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.	**
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.	**

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.	**
10-45-13.2, 10-46-15.4: Donations of tangible personal property or services given without charge to organizations exempt from sales tax.	**

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.	\$7,116,939
10-45-5.1, 10-45-5.6: Coin operated washers and dryers annual license fee is in lieu of sales tax on receipts.	\$205,114
10-45-13.3: Sale of lottery tickets.	\$3,577,707
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.	\$1,599,728

Other Miscellaneous Sales Tax Exemptions

Mini-storage receipts are not specifically subject to tax and therefore are exempt.	\$1,534,928
10-45-13.4: Library copying charges.	**

Total Sales and Use Tax Exemptions	\$1,459,863,096
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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
10-50-18: Distributor discount of 1% of cigarette stamp face value.	\$390,104
13-65-2: Tax credit to insurance companies that contribute to an organization providing educational scholarships to certain students. The bill caps credits at five million dollars per year.	\$5,000,000

Total Other Tax Expenditures	\$21,116,008
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Grand Total Tax Expenditures	\$1,480,979,104
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** Unable to generate estimate.

Sources: Department of Revenue and Department of Labor and Regulation.

RECOMMENDED EXPENDITURES

Governor Noem's FY2026 ongoing budget recommendation maintains a structurally balanced budget while making investments in the core priorities of government to make South Dakota safer, stronger, and freer for our kids and grandkids. This budget recommendation prioritizes people over programs and affirms our commitment to fiscal responsibility through targeted spending reductions to better focus on these priorities.

State Aid to Education, the Department of Education, the Board of Regents, and the Technical Colleges are responsible for educating South Dakotans at every level. These general fund budgets account for \$13.0 million of the \$47.4 million in ongoing increases, or 45.3% of the ongoing general fund budget. Approximately 27.7% of the total ongoing budget, which amounts to over \$2.0 billion, is invested in our students to ensure the next generation of South Dakotans have the skills needed to be successful in the future.

The Governor is recommending an increase of \$21.6 million in general funds for state aid to education due to growth in student enrollments and 1.25% inflation on the target teacher salary. The Governor is also recommending spending reductions of \$0.9 million to reduce the state support of Dual Credit to 50% and reductions of 12.5 FTE and \$1.0 million in general funds to reduce the scope of the State Library while protecting services available to the blind and visually impaired.

Governor Noem is recommending ongoing decreases of \$10.6 million in general funds from higher education in South Dakota. This includes reductions of \$0.2 million within the Technical Colleges and \$10.4 million within the Board of Regents. The Governor is recommending reductions to move the maintenance and repair budget to 1.25% of the replacement value of the buildings within higher education.

The Departments of Social Services, Human Services, and Health are responsible for the majority of the programs that help those who cannot take care of themselves, including the very young, the very old, and the disabled. These general fund budgets account for \$29.6 million of the \$47.4 million in ongoing increases, or 40.1% of the ongoing general fund budget. Approximately 37.1% of the total ongoing budget, which amounts to nearly \$2.7 billion, is dedicated to assisting those in need.

Governor Noem is recommending an ongoing increase of \$3.1 million in general funds for the Department of Social Services. The Governor's recommendation includes \$33.5 million in general funds to pay for the full cost of Medicaid Expansion as a result of the 5% enhancement to the Federal Medical Assistance Percentage (FMAP) ending as well as \$15.0 million in general funds for annual adjustments to the FMAP. Over the past two years, funding has been set aside to offset the cost of the 5% enhanced FMAP ending in FY2026 so the Governor's recommended budget includes a reduction of \$31.7 million that represents these savings. Additionally, the budget recommendation includes reductions of 27.0 FTE and \$1.0 million in general funds to align the number of administrative staff associated with Medicaid Expansion with anticipated enrollments. The Governor's recommendation contains increases of \$10.8 million in general funds for mandatory

inflationary increases with the Medicaid program and \$6.0 million for discretionary provider inflation of 1.25%. Governor Noem's recommendation also contains increases of 10.0 FTE and \$0.5 million in general funds to hire Social Service Aids that will improve safety of Child Protection Services staff. The Governor is also recommending general fund spending reductions within Department of Social Services, which includes: \$15.5 million to align budget with anticipated expenses, \$5.3 million to eliminate general funds in excess of the required match for the Temporary Assistance to Needy Families grant, \$1.0 million to eliminate the Indigent Medication Program, and \$0.3 million used for meth prevention campaigns.

The budget recommendation the Department of Human Services includes an increase of \$26.4 million in general funds. The Governor's recommendation includes \$31.3 million in general funds to pay for the full cost of Medicaid Expansion as a result of the 5% enhancement to the Federal Medical Assistance Percentage (FMAP) ending as well as \$12.6 million in general funds for annual adjustments to the FMAP. The Governor is also recommending \$4.1 million in general funds for discretionary provider inflation of 1.25%. The Governor is recommending general fund reductions of \$23.4 million, which includes a reduction of \$22.3 million to align budget with anticipated expenses and a reduction of \$1.1 million to eliminate subsidies for assisted living for those who are above income requirements for federal assistance.

The Governor is recommending an increase of \$0.1 million in general funds for the Department of Health. This recommendation includes funding for health protection inspections as well as increases for discretionary provider inflation of 1.25%. The Governor is also recommending a reduction to eliminate funding used for public outreach as well as a reduction within the Bright Start program to align budget with anticipated utilization.

To ensure the safety of our citizens, South Dakota has a progressive criminal justice system in place. Governor Noem is recommending an ongoing general fund increase of \$5.1 million for the Department of Corrections. This recommendation includes increases for food services, correctional healthcare costs, changes in juvenile placements, and changes in FMAP due to the 5% enhancement from Medicaid Expansion ending as well as annual adjustments.

Governor Noem is recommending increases of \$6.8 million in general funds, \$2.9 million in federal fund expenditure authority, and \$7.1 million in other fund expenditure authority for a 1.25% market adjustment for state employees. The Governor is also recommending increases of \$3.1 million in general funds, \$1.3 million in federal fund expenditure authority, and \$2.7 million in other fund expenditure authority for changes to the employee health insurance plan. The Governor is recommending reductions to move the maintenance and repair budget to 1.25% of the replacement value of state-owned buildings. The Governor is also recommending a reduction of \$3.6 million in general funds to bring state support for South Dakota Public Broadcasting in line with the national average for state support.

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.
- \$13.0M increase out of \$47.4M total ongoing general fund increase.
- \$1.1B out of \$2.5B, or 45.3%, of total ongoing general funds.
- \$2.0B out of \$7.3B, or 27.7%, of total ongoing funds.

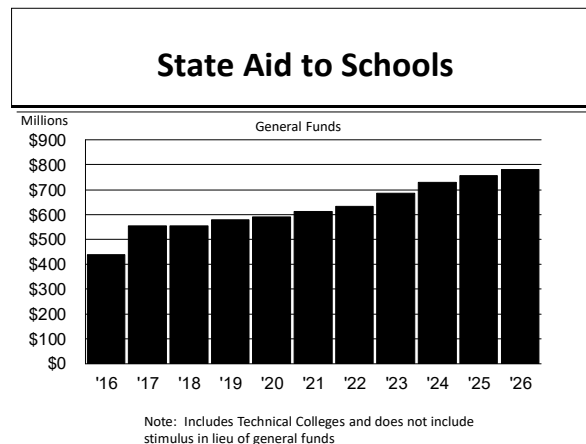
State Aid to K-12 Education	FTE	General	Federal	Other
State Aid to General Education		\$14,630,187		
State Aid to Special Education		\$7,742,362		
Sparsity		\$229,335		
National Board of Certified Counselors		(\$87,625)		
Technology in Schools		(\$915,643)		
Total	0.0	\$21,598,616	\$0	\$0

- Increase of \$14,360,187 in general funds for State Aid to General Education due to 1.25% inflation on the target teacher salary and an increase in enrollments.
- Increase of \$7,742,362 in general funds due to 1.25% inflationary increase on each of the six special education disability categories.
- Increase of \$229,335 in general funds for sparsity payments due to 1.25% inflation and an adjustment in enrollments in sparse districts.
- Decrease of \$87,625 in general funds for the elimination of the stipend program for teachers and counselors who receive National Board of Certification.
- Decrease of \$915,643 in general funds to eliminate funding for Digital Dakota Network and the Career Ready program, a reduction in the Statewide Mentoring program, and the addition of the School Safety program.

State Aid to Technical Colleges	FTE	General	Federal	Other
Technical Colleges Formula		\$442,300		
Bond Payments		\$135,647		
Maintenance and Repair		(\$824,007)		
Total	0.0	(\$246,060)	\$0	\$0

- Increase of \$442,300 in general funds for the Technical Colleges formula due to 1.25% inflation in the per student allocation.
- Increase of \$135,647 in general funds to align funding with bond payment schedules.

- Decrease of \$824,007 in general funds to fund the state’s share of maintenance and repair at 1.25% of replacement value.



Education	FTE	General	Federal	Other
Education Savings Accounts	3.0	\$4,000,000		
Jobs for America’s Graduate Affiliation Fee		\$30,000		
Enhanced Federal Medical Assistance Percentage (FMAP)		\$12,366	(\$12,366)	
Federal Medical Assistance Percentage (FMAP)		\$9,991	(\$9,991)	
South Dakota Public Broadcasting Advertising		(\$28,000)		
TeachInSD Website		(\$75,860)		
Dual Credit		(\$921,732)		
State Library	(12.5)	(\$1,030,267)	(\$1,399,443)	
Comprehensive State Literacy Grant			\$13,275,219	
Federal Authority Adjustment	3.0		(\$46,292,689)	
Total	(6.5)	\$1,996,498	(\$34,439,270)	\$0

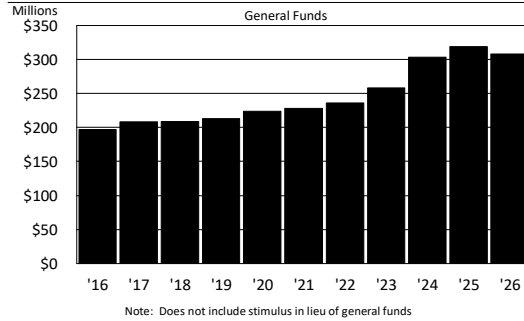
- Increases of 3.0 FTE and \$4,000,000 in general funds to support students through Education Savings Accounts.
- Increase of \$30,000 in general funds to maintain national affiliation with the Jobs for America’s Graduates program.
- Increase of \$12,366 in general funds with a corresponding decrease in federal fund expenditure authority in the Birth to Three program due to the end of the 5% enhanced FMAP from Medicaid Expansion.
- Increase of \$9,991 in general funds with a corresponding decrease in federal fund expenditure authority in the Birth to Three program due to the change in FMAP.
- Decrease of \$28,000 in general funds to eliminate advertising with South Dakota Public Broadcasting.
- Decrease of \$75,860 in general funds to eliminate the TeachInSD website.
- Decrease of \$921,732 in general funds for the Dual Credit program to align budget with anticipated utilization, reduce the state share of support to 50%, and cover inflationary increases for maintenance costs of the Dual Credit system.

- Decreases of 12.5 FTE, \$1,030,267 in general funds, and \$1,399,443 in federal fund expenditure authority to reduce the State Library.
- Increase of \$13,275,219 in federal fund expenditure authority to support the state’s literacy plan.
- Increase of 3.0 FTE and a decrease of \$46,292,689 in federal fund expenditure authority to align budget with anticipated federal awards.

Board of Regents	FTE	General	Federal	Other
Utilities		\$706,848		
Emergency Medicine Residency	1.1	\$300,000		
Bond Payments		(\$4,366)		
Digital Dakota Network	1.0	(\$296,000)		
Board of Regents Reduction		(\$2,000,000)		
Maintenance and Repair		(\$9,088,656)		
Authority Adjustments	24.0		\$1,000,000	\$15,991,000
Cybersecurity Technology Funding				\$2,750,000
Precision Agriculture Building Bond Payoff				(\$900,000)
Total	26.1	(\$10,382,174)	\$1,000,000	\$17,841,000

- Increase of \$706,848 in general funds for changes in utilities based on EnergyCap projections.
- Increases of 1.1 FTE and \$300,000 in general funds for the creation of the Emergency Medicine Residency program at the Sanford School of Medicine.
- Decrease of \$4,366 in general funds to align funding with bond payment schedules.
- Increase of 1.0 FTE and a decrease of \$296,000 in general funds due to course delivery alternatives through Northern State University.
- Decrease of \$2,000,000 in general funds to decrease state support of operations within the Board of Regents.
- Decrease of \$9,088,656 in general funds to fund maintenance and repair at 1.25% of replacement value.
- Increases of 24.0 FTE, \$1,000,000 in federal fund expenditure authority, and \$15,991,000 in other fund expenditure authority to align budget with anticipated expenses.
- Increase of \$2,750,000 in other fund expenditure authority for the Board of Regents for ongoing maintenance costs for cybersecurity technology.
- Decrease of \$900,000 in other fund expenditure authority to pay off bonds for the Precision Agriculture Building with one-time funds.

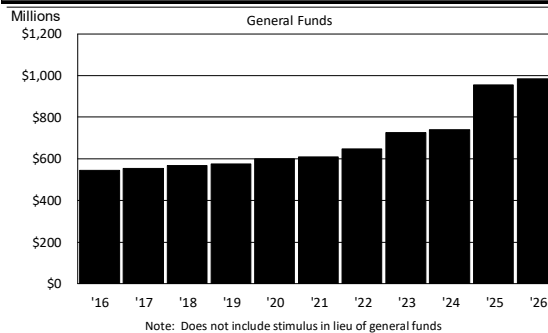
Board of Regents



Health, Human, and Social Services

- Includes the Departments of Health, Human Services, and Social Services.
- \$29.6M increase out of \$47.4M total ongoing general fund increase.
- \$984.6M out of \$2.5B, or 40.1%, of total ongoing general funds.
- \$2.7B out of \$7.3B, or 37.1%, of total ongoing funds.

Health, Human, and Social Services



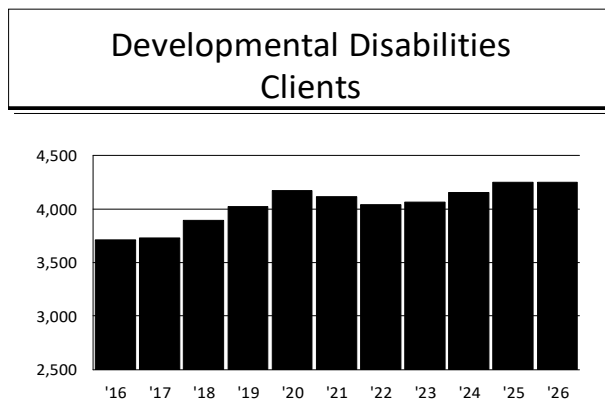
Health	FTE	General	Federal	Other
Sioux Falls One-Stop		\$370,745	\$330,096	\$39,796
Office of Licensure and Certification		\$267,266		
Rural Residency		\$70,821	(\$55,438)	
Health Protection Inspections		\$32,856		
Emergency Medical Services Trauma Registry		(\$25,000)		
Rural Experiences for Health Professions		(\$50,000)		
Office of Disease Prevention Public Outreach		(\$225,000)		
Bright Start Utilization Adjustment		(\$300,000)		
Office of Child and Family Services	2.0		\$231,326	
Forensic Testing	3.0			\$331,376
Boards and Commissions	(0.1)			\$113,356
Tobacco Funding				(\$3,000,000)
Total	4.9	\$141,688	\$505,984	(\$2,515,472)

- Increases of \$370,745 in general funds, \$330,096 in federal fund expenditure authority, and \$39,796 in other fund expenditure authority for leased space at the Sioux Falls One-Stop.
- Increase of \$267,266 in general funds to support the Office of Licensure and Certification due to increased complaints against nursing homes and assisted living facilities.
- Increase of \$70,821 in general funds and decrease of \$55,438 in federal fund expenditure authority for 1.25% provider inflation and FMAP changes within the Rural Residency program.
- Increase of \$32,856 in general funds for health protection inspections.
- Decrease of \$25,000 in general funds to eliminate the trauma registry system.
- Decrease of \$50,000 in general funds for the Rural Experiences for Health Professions program.
- Decrease of \$225,000 in general funds to eliminate funding for public outreach within the Office of Disease Prevention.
- Decrease of \$300,000 in general funds to reduce coverage for the Bright Start program in areas with low demand.
- Increases of 2.0 FTE and \$231,326 in federal fund expenditure authority to reduce maternal mortality and increase newborn screening tests in communities within the Office of Child and Family Services.
- Increases of 3.0 FTE and \$331,376 in other fund expenditure authority to assist with the forensic testing workload at the Public Health Lab.
- Decrease of 0.1 FTE and an increase of \$113,356 in other fund expenditure authority for various changes throughout the department's boards and commissions.
- Decrease of \$3,000,000 in other fund expenditure authority to reduce funding for tobacco prevention.

Human Services	FTE	General	Federal	Other
Enhanced Federal Medical Assistance Percentage (FMAP)		\$31,338,573	(\$32,363,495)	\$1,024,922
Federal Medical Assistance Percentage (FMAP)		\$12,649,415	(\$13,063,484)	\$414,069
Provider Inflation		\$4,105,523	\$4,377,703	\$129,605
Agency with Choice		\$1,489,615	\$1,553,308	
Sioux Falls One-Stop		\$176,780	\$224,993	
Utilities		\$17,032	\$18,108	
Food Services		\$8,863	\$9,424	
Subsidized Assisted Living		(\$1,093,518)		
Utilization Adjustments		(\$22,314,082)	(\$324,195)	\$23,406
Total	0.0	\$26,378,201	(\$39,567,638)	\$1,592,002

- Increases of \$31,338,573 in general funds and \$1,024,922 in other fund expenditure authority and a corresponding decrease in federal fund expenditure authority due to the end of the 5% enhanced FMAP from Medicaid Expansion.
- Increases of \$12,649,415 in general funds and \$414,069 in other fund expenditure authority and a corresponding decrease in federal fund expenditure authority for the change in FMAP.

- Increases of \$4,105,523 in general funds, \$4,377,703 in federal fund expenditure authority, and \$129,605 in other fund expenditure authority for provider inflation of 1.25%.
- Increases of \$1,489,615 in general funds and \$1,553,308 in federal fund expenditure authority due to program adjustments associated with Agency with Choice.
- Increases of \$176,780 in general funds and \$224,993 in federal fund expenditure authority for leased space at the Sioux Falls One-Stop.
- Increases of \$17,032 in general funds and \$18,108 in federal fund expenditure authority for utilities based on EnergyCap projections at the South Dakota Developmental Center.
- Increases of \$8,863 in general funds and \$9,424 in federal fund expenditure authority for increased food costs at the South Dakota Developmental Center.
- Decrease of \$1,093,518 in general funds to eliminate the Subsidized Assisted Living program.
- Decreases of \$22,314,082 in general funds and \$324,195 in federal fund expenditure authority and an increase of \$23,406 in other fund expenditure authority to align budgets of Developmental Disabilities, In-Home Services, Nursing Homes, and Assisted Living with anticipated expenditures.



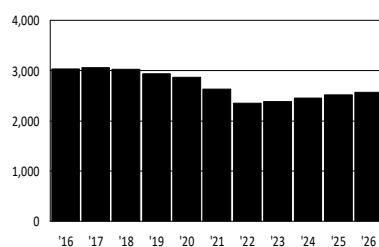
Social Services	FTE	General	Federal	Other
Enhanced Federal Medical Assistance Percentage (FMAP)		\$33,546,341	(\$33,546,341)	
Federal Medical Assistance Percentage (FMAP)		\$14,970,503	(\$14,970,503)	
Mandatory Inflation		\$10,839,297	\$7,300,551	
Provider Inflation		\$5,983,077	\$11,068,206	
Software Licensing		\$2,595,966	\$4,500,000	
Regional Behavioral Health Centers		\$1,269,246	\$3,181,414	
Sioux Falls One-Stop		\$1,227,830	\$665,720	
Food Services		\$1,196,303		
Social Service Aides	10.0	\$517,634	\$91,347	
Utilities		\$80,195		
Renal Disease Program		(\$30,458)		
Itinerate Field Offices		(\$50,000)		
Behavioral Health Programming FTE	(1.0)	(\$75,000)		
Meth Prevention		(\$250,000)		
Adoption Home Studies		(\$311,708)		
988 Crisis Hotline		(\$412,432)	\$412,432	

Technology Replacement		(\$800,000)		
Indigent Medication Program		(\$1,011,604)		
Medicaid Expansion FTE	(27.0)	(\$1,025,507)	(\$1,025,507)	
Graduate Medical Education		(\$1,747,083)	(\$1,857,380)	
Transfer of Food Service to DOC		(\$2,619,700)		
Medicaid Expansion Eligibles, Utilization, & Cost		(\$3,850,261)	\$3,725,341	
Medicaid and CHIP Eligibles, Utilization, & Cost		(\$4,500,026)	(\$13,361,023)	
Temporary Assistance for Needy Families		(\$5,300,000)	\$5,300,000	
Utilization Adjustment		(\$15,500,000)	(\$11,000,000)	
5% Enhanced FMAP Buy-Down		(\$31,668,300)		
Federal Fund Expenditure Authority			\$9,735,275	
Board of Social Work Examiners				\$2,650
Total	(18.0)	\$3,074,313	(\$29,780,468)	\$2,650

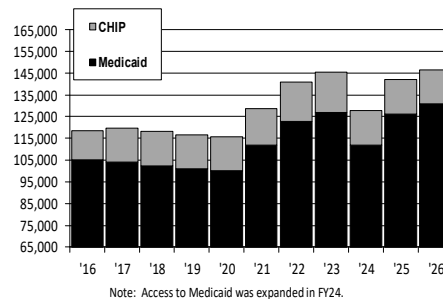
- Increase of \$33,546,341 in general funds with a corresponding decrease in federal fund expenditure authority due to the end of the 5% enhanced FMAP from Medicaid Expansion.
- Increase of \$14,970,503 in general funds with a corresponding decrease in federal fund expenditure authority for the change in FMAP.
- Increases of \$10,839,297 in general funds and \$7,300,551 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 \$5,983,077 in general funds and \$11,068,206 in federal fund expenditure authority for 1.25% provider inflation.
- Increases of \$2,595,966 in general funds and \$4,500,000 in federal fund expenditure authority for software licensing costs of the Benefit and Eligibility Enrollment System and the Licensing and Accreditation System.
- Increases of \$1,269,246 in general funds and \$3,181,414 in federal fund expenditure authority for operational costs of Regional Behavioral Health Centers that stabilize individuals that have been involuntarily committed.
- Increases of \$1,227,830 in general funds and \$665,720 in federal fund expenditure authority for leased space at the Sioux Falls One-Stop.
- Increase of \$1,196,303 in general funds for increased food costs at the Human Services Center.
- Increases of 10.0 FTE, \$517,634 in general funds, and \$91,347 in federal fund expenditure authority for aides to assist Child Protection Services staff with safety and transportation.
- Increase of \$80,195 in general funds for changes in utilities based on EnergyCap projections.
- Decrease of \$30,458 to eliminate the renal disease program.
- Decrease of \$50,000 to eliminate itinerate field offices.
- Decreases of 1.0 FTE and \$75,000 in general funds to align the number of staff in Behavioral Health with projected workload.
- Decrease of \$250,000 in general funds to eliminate funds used for meth prevention marketing campaigns.
- Decrease of \$311,708 to eliminate reimbursement for private adoption home studies.

- Decrease of \$412,432 in general funds with a corresponding increase in federal fund expenditure authority for the operation of the 988 Crisis Hotline.
- Decrease of \$800,000 in general funds to decrease frequency with which technology is replaced.
- Decrease of \$1,011,604 in general funds to eliminate the indigent medication program.
- Decreases of 27.0 FTE, \$1,025,507 in general funds, and \$1,025,507 in federal fund expenditure authority to align the number of Medicaid Expansion FTE with projected caseload.
- Decreases of \$1,747,083 in general funds and \$1,857,380 in federal fund expenditure authority to eliminate the graduate medical program.
- Decrease of \$2,619,700 in general funds to transfer the cost of inmate food service from the Human Services Center to the Yankton Minimum Unit. There is a corresponding increase in the Department of Corrections.
- Decrease of \$3,850,261 in general funds and an increase of \$3,725,341 in federal fund expenditure authority for less than anticipated Medicaid Expansion enrollments, utilization, and costs.
- Decreases of \$4,500,026 in general funds and \$13,361,023 in federal fund expenditure authority for less than anticipated Medicaid enrollments, utilization, and costs.
- Decrease of \$5,300,000 in general funds with a corresponding increase in federal fund expenditure authority to eliminate general funds in excess of required match for the Temporary Assistance to Needy Families grant.
- Decreases of \$15,500,000 in general funds and \$11,000,000 in federal funds to align the budgets of Economic Assistance, Medical Services, Childrens Services, and Behavioral Health with historical utilization.
- Decrease of \$31,668,300 in general funds that were set aside to buy down the cost of the 5% enhanced FMAP.
- Increase of \$9,735,275 in federal fund expenditure authority to align budget with anticipated federal awards.
- Increase of \$2,650 in other fund expenditure authority to align budget with anticipated expensed for the Board of Social Work Examiners.

TANF Case Load in South Dakota

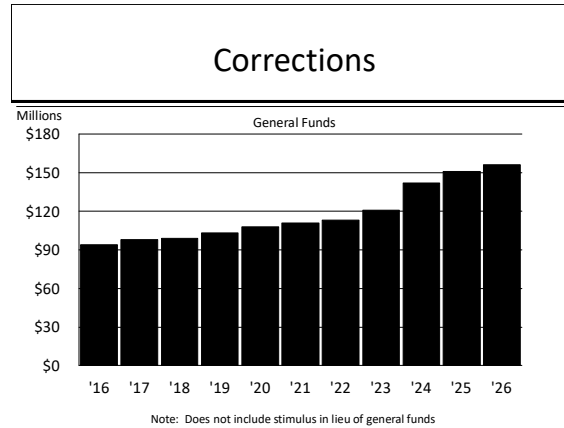


Medical Assistance Case Loads in South Dakota



Corrections

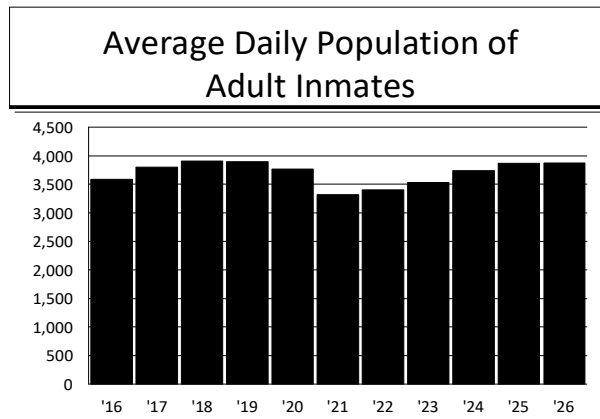
- Includes the Department of Corrections.
- \$5.1M increase out of \$47.4M total ongoing general fund increase.
- \$156.2M out of \$2.5B, or 6.4%, of total ongoing general funds.
- \$164.7M out of \$7.3B, or 2.3%, of total ongoing funds.



Corrections	FTE	General	Federal	Other
Transfer of Food Service from DSS		\$2,619,700		
Correctional Healthcare		\$954,732		
Food Services		\$452,492		
Juvenile Placements		\$375,005	(\$486,479)	
Sioux Falls One-Stop		\$364,077		
Utilities		\$291,229		
Provider Inflation		\$176,057	\$21,203	
Enhanced Federal Medical Assistance Percentage (FMAP)		\$164,587	(\$164,587)	
Federal Medical Assistance Percentage (FMAP)		\$66,493	(\$66,493)	
Warden Salary Swap		(\$128,400)		\$128,400
Employee Travel		(\$280,000)		
Total	0.0	\$5,055,972	(\$696,356)	\$128,400

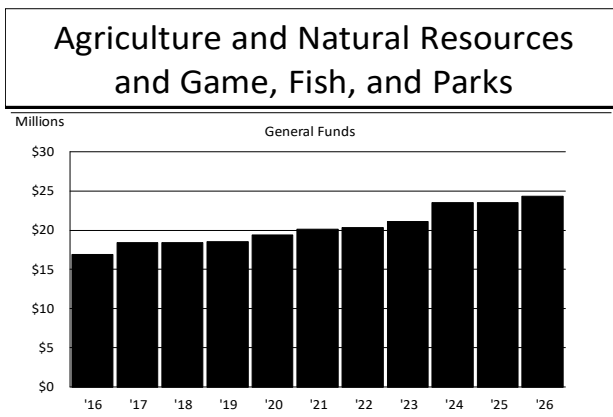
- Increase of \$2,619,700 in general funds to transfer the cost of inmate food service from the Human Services Center to the Yankton Minimum Unit. There is a corresponding decrease in the Department of Social Services.
- Increase of \$954,732 in general funds due to increased inmate medical expenses at the state's correctional facilities.
- Increase of \$452,492 in general funds for food services due to increased offender populations at the state's correctional facilities.
- Increase of \$375,005 in general funds and a decrease of \$486,479 in federal fund expenditure authority due to projected changes in juvenile placements.
- Increase of \$364,077 in general funds for leased space at the Sioux Falls One-Stop.

- Increase of \$291,229 in general funds for changes in utilities based on EnergyCap projections.
- Increases of \$176,057 in general funds and \$21,203 in federal fund expenditure authority for provider inflation of 1.25%.
- Increase of \$164,587 in general funds with a corresponding decrease in federal fund expenditure authority due to the end of the 5% enhanced FMAP from Medicaid Expansion.
- Increase of \$66,493 in general funds with a corresponding decrease in federal fund expenditure authority for the change in FMAP.
- Decrease of \$128,400 in general funds with a corresponding increase in other fund expenditure authority to cover warden salary expense based on available funding sources.
- Decrease of \$280,000 in general funds to reduce employee travel and decreased inmate transportation costs.



Agriculture and Natural Resources and Game, Fish, and Parks

- Includes the Departments of Agriculture and Natural Resources and Game, Fish, and Parks.
- \$1.8M decrease out of \$47.4M total ongoing general fund increase.
- \$22.5M out of \$2.5B, or 0.9%, of total ongoing general funds.
- \$226.9M out of \$7.3B, or 3.1%, of total ongoing funds.



Agriculture and Natural Resources	FTE	General	Federal	Other
Sioux Falls One-Stop		\$65,845	\$101,787	\$33,642
Vacant Positions	(2.0)	(\$190,000)		
Concentrated Animal Feeding Operation (CAFO) Fee Increase		(\$350,000)		\$350,000
Authority Adjustments			\$5,247,024	\$816,358
Boards and Commissions				\$3,272,517
Animal Disease Research and Diagnostic Lab Bond Payoff				(\$3,350,000)
Total	(2.0)	(\$474,155)	\$5,348,811	\$1,122,517

- Increases of \$65,845 in general funds, \$101,787 in federal fund expenditure authority, and \$33,642 in other fund expenditure authority for leased space at the Sioux Falls One-Stop.
- Decreases of 2.0 FTE and \$190,000 in general funds to eliminate vacant positions.
- Decrease of \$350,000 in general funds with a corresponding increase in other fund expenditure authority to reflect funding adjustments due to CAFO fee increase.
- Increases of \$5,247,024 in federal fund expenditure authority and \$816,358 in other fund expenditure authority to align budget with anticipated expenses.
- Increase of \$3,272,517 in other fund expenditure authority for various changes throughout the department's boards and commissions.
- Decrease of \$3,350,000 in other fund expenditure authority to pay off bonds for the Animal Disease Research and Diagnostic Lab with one-time funds.

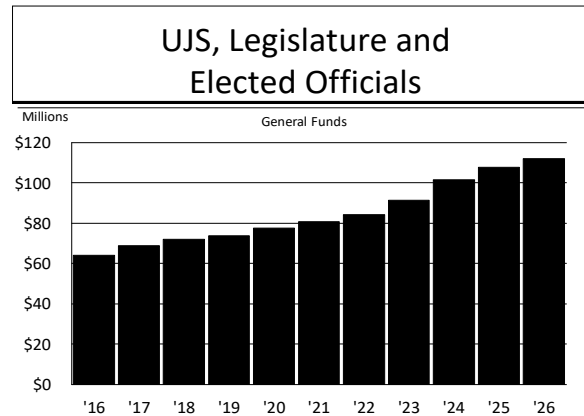
Game, Fish, and Parks	FTE	General	Federal	Other
Bond Payment		(\$2,355)		
Salary Funding Swap		(\$500,000)		\$500,000
Fish Hatchery Bond Payoff		(\$793,655)		
Parks & Recreation Capital Development			(\$164,500)	\$795,000
Total	0.0	(\$1,296,010)	(\$164,500)	\$1,295,000

- Decrease of \$2,355 in general funds to align funding with bond payment schedules.
- Decrease of \$500,000 in general funds with a corresponding increase in other fund expenditure authority to utilize park fee revenue for seasonal employee salaries.
- Decrease of \$793,655 in general funds to pay off bonds for Fish Hatcheries with one-time funds.
- Decrease of \$164,500 in federal fund expenditure authority and an increase of \$795,000 in other fund expenditure authority to align the Parks & Recreation capital development budget with planned projects.

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

- Includes the Legislature, Unified Judicial System, Public Utilities Commission, Office of the Attorney General, Secretary of State, School and Public Lands, Office of the State Auditor, and Office of the State Treasurer.

- \$1.3M increase out of \$47.4M total ongoing general fund increase.
- \$108.9M out of \$2.5B, or 4.4%, of total ongoing general funds.
- \$221.9M out of \$7.3B, or 3.0%, of total ongoing funds.



Legislature	FTE	General	Federal	Other
Auditor Positions	2.0	\$319,452		
Legislative Salaries		\$172,348		
Total	2.0	\$491,800	\$0	\$0

- Increases of 2.0 FTE and \$319,452 in general funds in the Department of Legislative Audit for additional auditors.
- Increase of \$172,348 in general funds in the Legislative Research Council to align budget with the actual legislator salary.

Unified Judicial System	FTE	General	Federal	Other
Sioux Falls One-Stop		\$153,390		
Circuit Court Staff Attorney	1.0	\$107,334		
Provider Inflation		\$42,876		
IT Operating Expenses				\$906,596
Total	1.0	\$303,600	\$0	\$906,596

- Increase of \$153,390 in general funds for leased space at the Sioux Falls One-Stop.
- Increases of 1.0 FTE and \$107,334 in general funds for a Circuit Court Staff Attorney in the Third Circuit.
- Increase of \$42,876 in general funds for provider inflation of 1.25%.
- Increase of \$906,596 in other fund expenditure authority for software maintenance costs.

Public Utilities Commission	FTE	General	Federal	Other
No Changes				
Total	0.0	\$0	\$0	\$0

- No changes recommended to the FY2026 budget.

Attorney General	FTE	General	Federal	Other
Tribal Law Enforcement Training Class		\$176,985		
Inmate Prosecution	1.0	\$139,448		
Case Management System		\$92,400		
Internet Crimes Against Children		\$53,800		
Victims' Witness Specialist			(\$107,521)	
Consumer Protection Investigator	1.0			\$599,339
Total	2.0	\$462,633	(\$107,521)	\$599,339

- Increase of \$176,985 in general funds to host a tribal-focused basic law enforcement course.
- Increases of 1.0 FTE and \$139,448 in general funds for an attorney to prosecute crimes committed within the state's correctional facilities.
- Increases of \$92,400 in general funds for a case management system to streamline attorney workload.
- Increase of \$53,800 in general funds to support the operational expenses of the Internet Crimes Against Children program.
- Decrease of \$107,521 in federal fund expenditure authority to align budget with anticipated federal grant awards.
- Increases of 1.0 FTE and \$559,339 in other fund expenditure authority for a consumer protection investigator and outreach programming with Dakota State University.

Secretary of State	FTE	General	Federal	Other
Elections FTE	1.0	\$91,051	\$24,076	
Online Business Filing Fee		(\$100,000)	(\$1,500)	(\$113,500)
Business Services	1.0			\$ 442,065
Total	2.0	(\$8,949)	\$22,576	\$328,565

- Increases of 1.0 FTE, \$91,051 in general funds, and \$24,076 in federal fund expenditure authority for an additional FTE to assist with increased elections workload.
- Decreases of \$100,000 in general funds, \$1,500 in federal fund expenditure authority, and \$113,500 in other fund expenditure authority due to the Secretary of State's office charging a credit card processing fee at the point of sale.
- Increases of 1.0 FTE and \$442,065 in other fund expenditure authority to support the Business Services division and ongoing maintenance of the Business Services Platform.

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

- No changes recommended to the FY2026 budget.

State Auditor	FTE	General	Federal	Other
No Changes				
Total	0.0	\$0	\$0	\$0

- No changes recommended to the FY2026 budget.

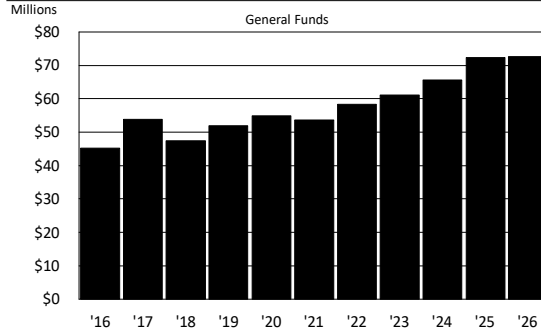
State Treasurer	FTE	General	Federal	Other
Database Expenses		\$11,000		
Disbursements from Unclaimed Property				\$5,000,000
Incentive Funding				\$615,056
Audit Expenses				\$500,000
Operating Expenses				\$114,442
Personal Services				(\$92,751)
Total	0.0	\$11,000	\$0	\$6,136,747

- Increase of \$11,000 in general funds for maintenance costs of the Public Deposit and Unclaimed Property databases.
- Increase of \$5,000,000 in other fund expenditure authority due to increases in Unclaimed Property disbursements.
- Increase of \$615,056 in other fund expenditure authority to align budget with potential performance-based compensation from zero to 225% of prior-year base salaries for the South Dakota Investment Council.
- Increase of \$500,000 in other fund expenditure authority for audit costs of Unclaimed Property.
- Increase of \$114,442 in other fund expenditure authority for the South Dakota Investment Council's operating expenses.
- Decrease of \$92,751 in other fund expenditure authority for salary increases related to promotions within 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.
- \$0.3M increase out of \$47.4M total ongoing general fund increase.
- \$72.7M out of \$2.5B, or 3.0%, of total ongoing general funds.
- \$2.0B out of \$7.3B, or 26.8%, of total ongoing funds.

Remainder of State Government



Executive Management	FTE	General	Federal	Other
State Employee Salary Policy Pool		\$6,778,516	\$2,886,558	\$7,063,834
State Employee Health Insurance Pool		\$3,114,240	\$1,314,411	\$2,745,672
Bureau Billings Pool		\$1,803,149	\$1,201,447	\$3,265,623
State Radio Dispatch Site		\$123,384		
Sioux Falls One-Stop		\$120,057		\$146,424
Hearing Examiner		\$13,907		
Software Systems		\$7,250		\$4,343,223
Revenue Estimate Contract		(\$20,000)		
Salary Funding Swap		(\$140,000)		\$140,000
Marketing		(\$1,000,000)		
South Dakota Public Broadcasting Reduction		(\$3,613,698)		\$3,613,698
Maintenance and Repair		(\$6,381,945)		
Authority Adjustment			\$182,400	\$532,600
Coronavirus Stimulus Pool			(\$30,000,000)	
Server Replacement				\$870,973
Obligation Recovery Center Fees				\$520,000
Statewide Internal Controls	2.0			\$451,968
Mainframe Maintenance Support	(1.0)			\$445,323
Cybersecurity	3.0			\$372,128
Financial Systems Analysts	2.0			\$208,014
Utilities				\$101,813
Inmate Labor				\$40,000
Vacant Positions	(6.0)			(\$645,673)
Digital Dakota Network	(2.0)			(\$844,337)
Total	(2.0)	\$804,860	(\$24,415,184)	\$23,371,283

- Increases of \$6,778,516 in general funds, \$2,886,558 in federal fund expenditure authority, and \$7,063,834 in other fund expenditure authority within the Bureau of Finance and Management to be put in a funding pool and distributed to state agencies for 1.25% salary policy.

- Increases of \$3,114,240 in general funds, \$1,314,411 in federal fund expenditure authority, and \$2,745,672 in other fund expenditure authority within the Bureau of Finance and Management to be put in a funding pool and distributed to state agencies for health insurance.
- Increases of \$1,803,149 in general funds, \$1,201,447 in federal fund expenditure authority, and \$3,265,623 in other fund expenditure authority within the Bureau of Finance and Management to be distributed to state agencies for increases in Bureau of Information and Telecommunications billing rates.
- Increase of \$123,384 in general funds within the Bureau of Information and Telecommunications to add a State Radio dispatch site in Sioux Falls.
- Increases of \$120,057 in general funds and \$146,424 in other fund expenditure authority within the Governor's Office of Economic Development, the Bureau of Human Resources and Administration, and the Bureau of Information and Telecommunications for leased space at the Sioux Falls One-Stop.
- Increase of \$13,907 in general funds within the Bureau of Human Resources and Administration to hire a new administrative law judge to conduct hearings for citizens and state agencies.
- Increases of \$7,250 in general funds and \$4,343,223 in other fund expenditure authority within the Bureaus of Finance and Management, Information and Telecommunications, and Human Resources and Administration for software contract increases.
- Decrease of \$20,000 in general funds within the Bureau of Finance and Management to eliminate funding for a revenue estimate contract.
- Decrease of \$140,000 in general funds and a corresponding increase in other fund expenditure authority within the Bureau of Finance and Management to cover salary expense based on available funding sources.
- Decrease of \$1,000,000 in general funds within the Governor's Office of Economic Development to reduce funding for marketing campaigns.
- Decrease of \$3,613,698 in general funds and an increase of \$3,613,698 in other fund expenditure authority within the Bureau of Information and Telecommunications to align the budget of South Dakota Public Broadcasting with the national average of state support for public broadcasting.
- Decrease of \$6,381,945 in general funds within the Bureau of Human Resources and Administration to fund statewide maintenance and repair at 1.25% of replacement value.
- Increases of \$182,400 in federal fund expenditure authority and \$532,600 in other fund expenditure authority within the Governor's Office of Economic Development to align budget with anticipated expenses.
- Decrease of \$30,000,000 of federal fund expenditure authority within the Bureau of Finance and Management to align budget with anticipated COVID-19 federal awards received by agencies.
- Increase of \$870,973 in other fund expenditure authority within the Bureau of Information and Telecommunications for server replacements.
- Increase of \$520,000 in other fund expenditure authority within the Bureau of Human Resources and Administration to align budget with anticipated fees collected by the Obligation Recovery Center.

- Increases of 2.0 FTE and \$451,968 in other fund expenditure authority within the Bureau of Finance and Management to strengthen statewide internal controls.
- Decrease of 1.0 FTE and an increase of \$445,323 in other fund expenditure authority within the Bureau of Information and Telecommunications to transition support of the mainframe from internal staff to a third-party vendor.
- Increases of 3.0 FTE and \$372,128 in other fund expenditure authority within the Bureau of Information and Telecommunications to expand the state’s cybersecurity capabilities.
- Increases of 2.0 FTE and \$208,014 in other fund expenditure authority within the Bureau of Finance and Management for additional staff to work with agencies on enterprise resource planning requirements and interface needs.
- Increase of \$101,813 in other fund expenditure authority within the Bureau of Human Resources and Administration for changes in utilities based on EnergyCap projections.
- Increase of \$40,000 in other fund expenditure authority within the Bureau of Human Resources and Administration for inmate labor costs to reflect minimum wage.
- Decreases of 6.0 FTE and \$645,673 in other fund expenditure authority within the Bureau of Information and Telecommunications to eliminate vacant positions in the Development division.
- Decreases of 2.0 FTE and \$844,337 in other fund expenditure authority within the Bureau of Information and Telecommunications due to course delivery alternatives through Northern State University.

Military	FTE	General	Federal	Other
Utilities		\$17,042	\$18,858	
Civil Air Patrol		(\$60,023)		
National Guard Tuition Assistance Program		(\$450,000)		
Maintenance and Repair		(\$593,302)	(\$2,462,921)	
Total	0.0	(\$1,086,283)	(\$2,444,063)	\$0

- Increases of \$17,042 in general funds and \$18,858 in federal fund expenditure authority for utilities at the Army Guard and Air Guard based on projected costs.
- Decrease of \$60,023 in general funds to eliminate grant provided to the Civil Air Patrol.
- Decrease of \$450,000 in general funds to align budget of the National Guard Tuition Assistance program with anticipated utilization.
- Decreases of \$593,302 in general funds and \$2,462,921 in federal fund expenditure authority to fund maintenance and repair to 1.25% of replacement value.

Veterans' Affairs	FTE	General	Federal	Other
Enhanced Federal Medical Assistance Percentage (FMAP)		\$295,404	(\$295,404)	
Federal Medical Assistance Percentage (FMAP)		\$119,344	(\$119,344)	
Headstone and Burial Allowance		(\$52,700)		(\$61,080)
Veteran Service Officer Salary Support		(\$191,812)		
Cemetery Maintenance	2.0			\$115,000
Utilities				(\$46,090)
Total	2.0	\$170,236	(\$414,748)	\$7,830

- Increase of \$295,404 in general funds and a corresponding decrease in federal fund expenditure authority due to the end of the 5% enhanced FMAP from Medicaid Expansion.
- Increase of \$119,344 in general funds and a corresponding decrease in federal fund expenditure authority for the change in FMAP.
- Decreases of \$52,700 in general funds and \$61,080 in other fund expenditure authority to eliminate stipend for the headstone and burial of veterans.
- Decrease of \$191,812 in general funds to eliminate the salary support for County and Tribal Veteran Service Officers.
- Increases of 2.0 FTE and \$115,000 in other fund expenditure authority to maintain the Veterans' Cemetery.
- Decrease of \$46,090 in other fund expenditure authority for changes in utilities at the State Veterans' Home based on EnergyCap projections.

Revenue	FTE	General	Federal	Other
Property Tax Program		(\$60,000)		
Motor Vehicle Technology Fee				\$2,000,000
Sioux Falls One-Stop				\$275,000
Watertown and Mitchell Field Offices	(2.0)			(\$167,281)
605Drive Efficiencies	(1.0)			(\$651,874)
Total	(3.0)	(\$60,000)	\$0	\$1,455,845

- Decrease of \$60,000 in general funds as the agricultural land valuations will be able to be collected internally.
- Increase of \$2,000,000 in other fund expenditure authority for the ongoing maintenance costs of the 605Drive system.
- Increase of \$275,000 in other fund expenditure authority for leased space at the Sioux Falls One-Stop.
- Decreases of 2.0 FTE and \$167,281 in other fund expenditure authority due to the closure of the Watertown and Mitchell field offices as these employees work remotely.
- Decrease of 1.0 FTE and \$651,874 in other fund expenditure authority due to savings from the implementation of 605Drive.

Tourism	FTE	General	Federal	Other
Arts Council Authority Alignment			\$487,527	
Gaming and Tourism Promotion Tax				\$588,219
Total	0.0	\$0	\$487,527	\$588,219

- Increase of \$487,527 in federal fund expenditure authority to align budget with anticipated federal grant awards.
- Increase of \$588,219 in other fund expenditure authority to align budget with projected increase in gaming and tourism promotion tax revenues.

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

- No changes recommended to the FY2026 budget.

Transportation	FTE	General	Federal	Other
Operating Expenses				\$3,473,867
Grants to Non-Profits				\$26,133
Total	0.0	\$0	\$0	\$3,500,000

- Increase of \$3,473,867 in other fund expenditure authority to align budget with anticipated expenses.
- Increase of \$26,133 in other fund expenditure authority for grants to transit providers.

Labor and Regulation	FTE	General	Federal	Other
Sioux Falls One-Stop		\$365,193		
Adult Education and Literacy Inflation		\$32,896		
State Digital Opportunity Capacity Grant	1.0		\$964,753	
Building Maintenance	(1.0)		(\$76,689)	
Division of Banking	3.0			\$1,363,801
Board and Commissions	2.1			\$453,562
Career Ready	(6.0)			(\$600,000)
Total	(0.9)	\$398,089	\$888,064	\$1,217,363

- Increase of \$365,193 in general funds for leased space at the Sioux Falls One-Stop.
- Increase of \$32,896 in general funds for 1.25% inflation for Adult Education and Literacy providers.
- Increases of 1.0 FTE and \$964,753 in federal fund expenditure authority to improve digital literacy and digital access in rural communities.
- Decreases of 1.0 FTE and \$76,689 in federal fund expenditure authority to eliminate a maintenance position because of efficiencies from movement to the Sioux Falls One-Stop.

- Increases of 3.0 FTE and \$1,363,801 in other fund expenditure authority for leased space at the Sioux Falls One-Stop, staff compensation, and insurance premium increases for the Division of Banking.
- Increases of 2.1 FTE and \$453,562 in other fund expenditure authority for various changes throughout the department's boards and commissions.
- Decreases of 6.0 FTE and \$600,000 in other fund expenditure authority to eliminate the Career Ready program.

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

- No changes recommended to the FY2026 budget.

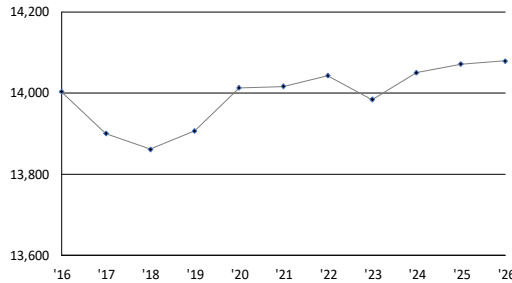
Public Safety	FTE	General	Federal	Other
Weights and Measures		\$63,384		
State Radio Contract		\$27,924		
Arson Dog		\$15,000		
Salary Funding Swap		(\$26,397)		\$11,397
Crash Assistance Program			(\$165,892)	
Office of Emergency Management			(\$315,885)	
Authority Adjustment			(\$1,000,000)	
Driver Licensing Operating Expenses				\$438,761
Highway Patrol Supplies				\$181,500
Total	0.0	\$79,911	(\$1,481,777)	\$631,658

- Increase of \$63,384 in general funds for inspection rates paid by the Weights and Measures program and additional inspection hours.
- Increase of \$27,924 in general funds for inflationary increases in state radio contracts.
- Increase of \$15,000 in general funds for the Office of the Fire Marshal to take over the Arson Dog program from the Division of Criminal Investigation.
- Decrease of \$26,397 in general funds and an increase of \$11,397 in other fund expenditure authority to cover salary expense based on available funding sources.
- Decrease of \$165,892 in federal fund expenditure authority to align budget of the Crash Assistance Program with anticipated federal awards.
- Decrease of \$315,885 in federal fund expenditure authority to align budget of the Office of Emergency Management with anticipated federal awards.
- Decrease of \$1,000,000 in federal fund expenditure authority to align the budget of Wildland Fire, Homeland Security, and Victims' Services with anticipated federal grant awards.
- Increase of \$438,761 in other fund expenditure authority in Driver Licensing for an increase in the cost per card and leased space at the Sioux Falls One-Stop.
- Increase of \$181,500 in other fund expenditure authority for vehicles and vehicle maintenance supplies for Highway Patrol.

Full-Time Equivalent Employee Change

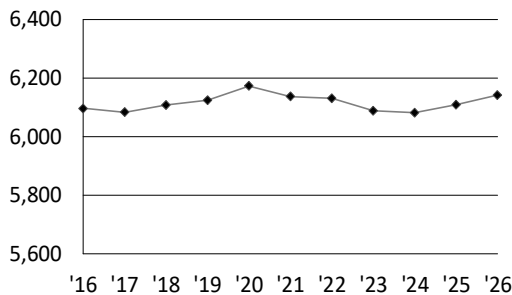
- The total appropriated FTE across all of state government rose from 14,003.6 in FY2016 to a recommended level of 14,079.3 in FY2026.
- This is an increase of 75.7 FTE, or 0.54%, over the decade. The recommended change in FTE for FY2026 is an increase of 7.6 across state government.

**FTE History
All of State Government**

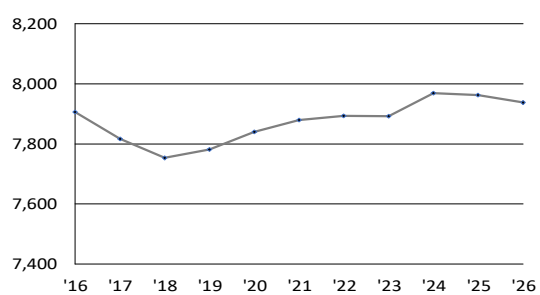


- For offices outside the control of the Governor, total appropriated FTE changed from 6,096.5 in FY2016 to a recommended level of 6,141.6 in FY2026. This is a net increase of 45.1, or 0.74%, over the decade.
- The recommended change for these offices in the FY2026 budget is an increase of 33.1 FTE.
- For agencies under direct control of the Governor, total appropriated FTE changed from 7,907.1 in FY2016 to a recommended level of 7,937.7 in FY2026. This is a net increase of 30.6, or 0.39%, over the decade.
- The recommended change for these agencies in the FY2026 budget is a decrease of 25.5 FTE.

**FTE History for Offices Outside
Control of Governor**



**FTE History for Offices
Under Control of Governor**



SPECIAL APPROPRIATION RECOMMENDATIONS

FY2025 EMERGENCY SPECIAL APPROPRIATIONS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL FUNDS
Bond Payoff		\$ 53,713,826			\$ 53,713,826
Richmond Dam Replacement		\$ 13,046,882			\$ 13,046,882
School Safety		\$ 10,000,000			\$ 10,000,000
Emergency and Disaster Fund		\$ 4,951,260			\$ 4,951,260
Fire Suppression Fund		\$ 2,602,081			\$ 2,602,081
Rural Recruitment Assistance Programs		\$ 2,116,393			\$ 2,116,393
Tax Refunds for the Elderly and Disabled		\$ 425,000			\$ 425,000
Veterans' Cemetery Expansion		\$ 75,000	\$ 1,500,000	\$ 75,000	\$ 1,650,000
Governor's Omnibus Water Funding Bill			\$ 30,400,000	\$ 18,300,000	\$ 48,700,000
Male Prison Facility				\$ 763,000,000	\$ 763,000,000
Cultural Heritage Center Exhibits				\$ 3,000,000	\$ 3,000,000
TOTAL FY2025 EMERGENCY SPECIAL APPROPRIATIONS	0.0	\$ 86,930,442	\$ 31,900,000	\$ 784,375,000	\$ 903,205,442

NOTE: FY2025 emergency special appropriations become available for expenditure upon passage of the bill and are included in the FY2025 column of the General Fund Condition Statement.

- **Bond Payoff:** The Governor is recommending an increase of \$53,713,826 in general funds to pay off bonds issued for the construction of the Animal Disease Research and Diagnostic Lab within the Department of Agriculture and Natural Resources, the Precision Agriculture Building within the Board of Regents, and the Fish Hatcheries within the Department of Game, Fish, and Parks.
- **Richmond Dam Replacement:** The Governor is recommending an increase of \$13,046,882 in general funds for costs associated with the replacement of Richmond Dam.
- **School Safety:** The Governor is recommending an increase of \$10,000,000 in general funds to provide grants that enhance safety within K-12 schools in South Dakota.
- **Emergency and Disaster Fund:** The Governor is recommending an increase of \$4,951,260 in general funds to be deposited into the Emergency and Disaster Fund for costs related to emergencies and disasters impacting South Dakota.
- **Fire Suppression Fund:** The Governor is recommending an increase of \$2,602,081 in general funds to be deposited into the Fire Suppression Fund for costs related to the suppression of wildfires in South Dakota.
- **Rural Recruitment Assistance Programs:** The Governor is recommending an increase of \$2,116,393 in general funds to recruit medical professionals to rural communities.
- **Tax Refunds for the Elderly and Disabled:** The Governor is recommending an increase of \$425,000 in general funds for tax refunds to elderly and disabled individuals who meet income guidelines.
- **Veterans' Cemetery Expansion:** The Governor is recommending increases of \$75,000 in general funds, \$1,500,000 in federal fund expenditure authority, and \$75,000 in other fund expenditure authority to build additional columbariums at the Veterans' Cemetery.
- **Governor's Omnibus Water Funding Bill:** The Governor is recommending increases of \$30,400,000 in federal fund expenditure authority and \$18,300,000 in other fund expenditure authority for water development, solid waste, and water quality improvement projects throughout the state.
- **Male Prison Facility:** The Governor is recommending an increase of \$763,000,000 in other fund expenditure authority for building costs associated with the Male Prison Facility.
- **Cultural Heritage Center Exhibits:** The Governor is recommending an increase of \$3,000,000 in other fund expenditure authority for exhibits at the Cultural Heritage Center.

<u>FY2025 GENERAL BILL AMENDMENTS</u>	<u>FTE</u>	<u>GENERAL FUNDS</u>	<u>FEDERAL FUNDS</u>	<u>OTHER FUNDS</u>	<u>TOTAL FUNDS</u>
Bureau Billings		\$ 1,918,166	\$ 1,254,355	\$ 3,191,174	\$ 6,363,695
Veterans' Home Resident Medical Expenses		\$ 704,938			\$ 704,938
Food Services		\$ 565,719			\$ 565,719
Spearfish Radio Tower Equipment		\$ 427,046			\$ 427,046
Utilities		\$ 425,268	\$ (69,413)	\$ (15,276)	\$ 340,579
Offender Healthcare		\$ 424,959			\$ 424,959
Juvenile Community Corrections Placements		\$ 375,005	\$ (486,479)		\$ (111,474)
Sioux Falls One-Stop		\$ 191,425	\$ 70,980		\$ 262,405
Legislator Salaries		\$ 172,348			\$ 172,348
2024 Post Election Audit		\$ 130,000			\$ 130,000
Legislative Broadcasting Equipment		\$ 123,200			\$ 123,200
Tribal Law Enforcement Training		\$ 110,000			\$ 110,000
Unclaimed Property Data Matching		\$ 101,407		\$ 19,000,000	\$ 19,101,407
Technical Colleges Formula		\$ (182,551)			\$ (182,551)
State Aid to General Education Revision		\$ (5,746,526)			\$ (5,746,526)
Change in Medicaid Expansion Enrollments		\$ (7,827,295)	\$ (32,067,960)		\$ (39,895,255)
Change in Medicaid and CHIP Enrollments		\$ (17,272,905)	\$ (23,717,724)		\$ (40,990,629)
Department of Social Services Utilization Adjustment		\$ (19,500,000)	\$ (17,000,000)		\$ (36,500,000)
Department of Human Services Utilization Adjustment		\$ (22,815,483)	\$ (3,900,404)	\$ 42,237	\$ (26,673,650)
5% FMAP from Medicaid Expansion Buy-Down		\$ (31,668,300)			\$ (31,668,300)
Federal Fund Expenditure Authority	6.0		\$ 31,453,321		\$ 31,453,321
Coronavirus Stimulus Pool			\$ (27,000,000)		\$ (27,000,000)
Board of Regents Maintenance and Repair				\$ 16,834,604	\$ 16,834,604
Board of Regents Other Fund Expenditure Authority	19.0			\$ 15,151,503	\$ 15,151,503
Bureau of Information and Telecommunications Contractual Increases				\$ 2,965,809	\$ 2,965,809
Gaming and Tourism Promotion Tax				\$ 920,558	\$ 920,558
Driver Licensing System Modernization Plan				\$ 385,000	\$ 385,000
Obligation Recovery Center Authority Adjustment				\$ 360,600	\$ 360,600
Division of Banking Employee Compensation				\$ 318,268	\$ 318,268
TOTAL FY2025 GENERAL BILL AMENDMENTS	25.0	\$ (99,343,579)	\$ (71,463,324)	\$ 59,154,477	\$ (111,652,426)

NOTE: FY2025 general bill amendments are changes made to the FY2025 General Appropriations Act and are included in the FY2025 column of the General Fund Condition Statement.

- **Bureau Billings:** The Governor is recommending increases of \$1,918,166 in general funds, \$1,254,355 in federal fund expenditure authority, and \$3,191,174 in other fund expenditure authority to be distributed to state agencies for increases in Bureau of Information and Telecommunications billing rates.
- **Veterans' Home Resident Medical Expenses:** The Governor is recommending an increase of \$704,938 in general funds to cover the cost of veteran medical expenses and contract nursing staff at the Veterans' Home.
- **Food Services:** The Governor is recommending an increase of \$565,719 in general funds due to meal rate and population changes within the Department of Corrections and increased costs at the Veterans' Home.
- **Spearfish Radio Tower Equipment:** The Governor is recommending an increase of \$427,046 in general funds to install State Radio equipment on the Spearfish Tower.
- **Utilities:** The Governor is recommending an increase of \$425,268 in general funds and decreases of \$69,413 in federal fund expenditure authority and \$15,276 in other fund expenditure authority for adjustments in utilities based on projected usage and utility costs.
- **Offender Healthcare:** The Governor is recommending an increase of \$424,959 in general funds to pay for increased inmate medical costs at the state's correctional facilities.
- **Juvenile Community Corrections Placements:** The Governor is recommending an increase of \$375,005 in general funds and a decrease of \$486,479 in federal fund expenditure authority for changes in the placement mix for youth adjudicated to the Department of Corrections.
- **Sioux Falls One-Stop:** The Governor is recommending increases of \$191,425 in general funds and \$70,980 in federal fund expenditure authority to pay for leased space at the Sioux Falls One-Stop within the Department of Labor and Regulation and the Department of Human Services.
- **Legislator Salaries:** The Governor is recommending an increase of \$172,348 in general funds to reflect the legislator salary increase for the 2024 legislative session.
- **2024 Post Election Audit:** The Governor is recommending an increase of \$130,000 in general funds to reimburse counties for audit expenses following the 2024 general election.
- **Legislative Broadcasting Equipment:** The Governor is recommending an increase of \$123,200 in general funds to replace existing streaming and recording hardware for publicly broadcasted sessions.
- **Tribal Law Enforcement Training:** The Governor is recommending an increase of \$110,000 in general funds to pay for the costs associated with a Tribal-focused basic law enforcement course.
- **Unclaimed Property Data Matching:** The Governor is recommending increases of \$101,407 in general funds and \$19,000,000 in other fund expenditure authority to cover expenses and payouts associated with Unclaimed Property data matching.
- **Technical Colleges Formula:** The Governor is recommending a decrease of \$182,551 in general funds due to changes in the number of full-time equivalent students.
- **State Aid to General Education Revision:** The Governor is recommending a decrease of \$5,746,526 in general funds due to lower than projected student numbers and higher than projected property tax valuations in FY2025.

- **Change in Medicaid Expansion Enrollments:** The Governor is recommending decreases of \$7,827,295 in general funds and \$32,067,960 in federal fund expenditure authority to align the Medicaid Expansion budget with projected enrollments and utilization.
- **Change in Medicaid and CHIP Enrollments:** The Governor is recommending decreases of \$17,272,905 in general funds and \$23,717,724 in federal fund expenditure authority to align the traditional Medicaid budget with projected enrollments and utilization.
- **Department of Social Services Utilization Adjustment:** The Governor is recommending decreases of \$19,500,000 in general funds and \$17,000,000 in federal fund expenditure authority to align budget with anticipated expenses.
- **Department of Human Services Utilization Adjustment:** The Governor is recommending decreases of \$22,815,483 in general funds and \$3,900,404 in federal fund expenditure authority and an increase of \$42,237 in other fund expenditure authority to align budget with anticipated eligibles and utilization.
- **5% FMAP from Medicaid Expansion Buy-Down:** The Governor is recommending a decrease of \$31,668,300 in general funds for funding that was set aside to buy-down the cost of the 5% enhanced FMAP from Medicaid Expansion.
- **Federal Fund Expenditure Authority:** The Governor is recommending increases of 6.0 FTE and \$31,453,321 in federal fund expenditure authority to align budget with anticipated federal awards within the Departments of Education, Social Services, Agriculture and Natural Resources, Labor and Regulation, Revenue, Tourism, the Board of Regents, and the Office of the Attorney General.
- **Coronavirus Stimulus Pool:** The Governor is recommending a decrease of \$27,000,000 in federal fund expenditure authority to align budget with anticipated COVID-19 federal awards received by agencies.
- **Board of Regents Maintenance and Repair:** The Governor is recommending an increase of \$16,834,604 in other expenditure authority for the Board of Regents to complete maintenance and repair projects.
- **Board of Regents Other Fund Expenditure Authority:** The Governor is recommending increases of 19.0 FTE and \$15,151,503 in other fund expenditure authority to align budget with anticipated expenses.
- **Bureau of Information and Telecommunications Contractual Increases:** The Governor is recommending an increase of \$2,965,809 in other fund expenditure authority to align budget with anticipated contractual costs.
- **Gaming and Tourism Promotion Tax:** The Governor is recommending an increase of \$920,558 in other fund expenditure authority to align budget with projected increase in Gaming and Tourism Promotion Tax revenues.
- **Driver Licensing System Modernization Plan:** The Governor is recommending an increase of \$385,000 in other fund expenditure authority for the Department of Public Safety to prepare to replace the Driver Licensing system.
- **Obligation Recovery Center Authority Adjustment:** The Governor is recommending an increase of \$360,600 in other fund expenditure authority to align budget with anticipated collection fees and contractual costs.
- **Division of Banking Employee Compensation:** The Governor is recommending an increase of \$318,268 in other fund expenditure authority for increases in compensation for the Division of Banking.

FY2025 EXPENDITURE TRANSFERS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL FUNDS
Incarceration Construction Fund (Male Prison Facility)		\$ 182,035,971			\$ 182,035,971
IT Modernization Fund		\$ 5,000,000			\$ 5,000,000
TOTAL FY2025 EXPENDITURE TRANSFERS	0.0	\$ 187,035,971	\$ -	\$ -	\$ 187,035,971

NOTE: FY2025 expenditure transfers are included in the FY2025 column of the General Fund Condition Statement.

- **Incarceration Construction Fund (Male Prison Facility):** The Governor is recommending a transfer of \$182,035,971 in general funds to the Incarceration Construction Fund for the construction of a Male Prison Facility.
- **IT Modernization Fund:** The Governor is recommending a transfer of \$5,000,000 in general funds to the IT Modernization Fund to improve state IT infrastructure.

**GOVERNOR NOEM'S RECOMMENDATION FOR THE FY2026
STATE EMPLOYEE COMPENSATION PLAN**

	<u>GENERAL FUNDS</u>	<u>FEDERAL FUNDS</u>	<u>OTHER FUNDS</u>	<u>TOTAL FUNDS</u>
MARKET ADJUSTMENT:	\$ 6,778,516	\$ 2,886,558	\$ 7,063,834	\$ 16,728,908
The Governor is recommending a 1.25% market adjustment for state employees.				
HEALTH INSURANCE:	\$ 3,114,240	\$ 1,314,411	\$ 2,745,672	\$ 7,174,323
The Governor is recommending an increase for the state employee health insurance plan.				
TOTAL COST OF RECOMMENDED STATE EMPLOYEE COMPENSATION PLAN:	<u>\$ 9,892,756</u>	<u>\$ 4,200,969</u>	<u>\$ 9,809,506</u>	<u>\$ 23,903,231</u>

For FY2026, 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 RECOMMENDED FY2026
GENERAL FUND BASE BUDGET**

GENERAL BILL	FTE EXPANSION/ (REDUCTION)	GENERAL FUND EXPANSION/ (REDUCTION)	TOTAL GENERAL FUND RECOMMENDED
Agriculture and Natural Resources	(2.0)	(474,155)	16,308,530
Attorney General	2.0	462,633	20,137,673
Corrections	0.0	5,055,972	156,220,919
Education (Excluding State Aid and Technical Colleges)	(6.5)	1,996,498	23,985,502
State Aid to Education	0.0	21,598,616	737,258,040
Technical Colleges	0.0	(246,060)	42,273,022
Finance and Management	4.0	4,757,389	6,270,914
Employee Compensation Package	0.0	6,778,516	6,778,516
Game, Fish, and Parks	0.0	(1,296,010)	6,185,011
Office of the Governor (Excluding GOED)	0.0	0	3,101,388
Governor's Office of Economic Development	0.0	(925,943)	7,540,029
Health	4.9	141,688	14,696,749
Human Resources and Administration	0.0	(6,368,038)	14,852,601
Human Services	0.0	26,378,201	316,091,576
Information and Telecommunications	(6.0)	(3,437,064)	6,874,704
Labor and Regulation	(0.9)	398,089	4,089,577
Legislature	2.0	491,800	15,340,584
Military	0.0	(1,086,283)	7,175,389
Public Safety	0.0	79,911	7,901,859
Public Utilities Commission	0.0	0	750,783
Regents	26.1	(10,382,174)	308,507,996
Retirement	0.0	0	0
Revenue	(3.0)	(60,000)	1,131,914
School and Public Lands	0.0	0	889,773
Secretary of State	2.0	(8,949)	1,575,001
Social Services	(18.0)	3,074,313	653,857,914
State Auditor	0.0	0	1,789,768
State Treasurer (Including Investment Council)	0.0	11,000	2,134,604
Tourism	0.0	0	0
Transportation	0.0	0	718,399
Tribal Relations	0.0	0	879,899
Unified Judicial System	1.0	303,600	66,238,797
Veterans' Affairs	2.0	170,236	5,347,923
TOTAL FY2026 GENERAL BILL RECOMMENDED	7.6	47,413,786	2,456,905,354
BREAKDOWN			
Executive Branch	(25.5)	28,404,804	1,250,129,409
Unified Judicial System and Other Elected Officials	7.0	1,260,084	111,958,371
State Aid	0.0	21,598,616	737,258,040
Technical Colleges	0.0	(246,060)	42,273,022
Board of Regents	26.1	(10,382,174)	308,507,996
Employee Compensation Package	0.0	6,778,516	6,778,516
TOTAL FY2026 GENERAL BILL RECOMMENDED	7.6	47,413,786	2,456,905,354

GENERAL FUND CONDITION STATEMENT

	ACTUAL FY2023	ACTUAL FY2024	REVISED FY2025	PROJECTED FY2026
RECEIPTS				
Sales and Use Tax	\$ 1,480,572,850	\$ 1,441,678,770	\$ 1,447,481,493	\$ 1,515,543,231
Lottery	176,663,767	179,328,773	180,371,432	182,417,534
Contractor's Excise Tax	189,407,586	216,712,589	210,476,413	215,914,398
Insurance Company Tax	112,141,293	128,189,481	137,869,952	145,772,725
Unclaimed Property Receipts	74,981,213	133,617,777	61,013,556	62,293,327
Tobacco Taxes	47,074,649	43,462,155	42,022,292	43,533,077
Bank Franchise Tax	20,425,082	28,659,255	26,038,817	26,222,175
Other	197,023,622	241,660,538	287,836,203	272,047,245
One-Time Receipts	28,963,409	28,673,277	167,719,099	0
Transfer from Budget Reserves	0	0	33,926,134	0
Obligated Cash Carried Forward	115,478,433	96,775,123	80,735,092	0
TOTAL RECEIPTS	\$ 2,442,731,904	\$ 2,538,757,738	\$ 2,675,490,483	\$ 2,463,743,712
EXPENDITURES				
General Bill Excl. State Aid to Education	\$ 1,229,733,043	\$ 1,452,408,125	\$ 1,600,235,091	\$ 1,719,647,314
State Aid to Education	627,379,332	672,120,554	709,912,898	737,258,040
Emergency Special Appropriations	199,187,743	66,783,383	86,930,442	0
Cont. Appropriations/Transfers	174,178,230	169,935,462	197,676,960	6,838,358
TOTAL EXPENDITURES	\$ 2,230,478,348	\$ 2,361,247,524	\$ 2,594,755,391	\$ 2,463,743,712
TRANSFERS				
Budget Reserve Fund	\$ 7,177,198	\$ 25,166,956	\$ 80,735,092	\$ 0
General Revenue Replacement Fund	108,301,235	71,608,167	0	0
TOTAL TRANSFERS	\$ 115,478,433	\$ 96,775,123	\$ 80,735,092	\$ 0
Beginning Unobligated Cash Balance	\$ 0	\$ 0	\$ 0	\$ 0
Net (Receipts less Expend./Transfers)	\$ 96,775,123	\$ 80,735,092	\$ 0	\$ 0
OBLIGATIONS AGAINST CASH				
Budget Reserve Fund	\$ (25,166,956)	\$ (80,735,092)	\$ 0	\$ 0
General Revenue Replacement Fund	(71,608,167)	0	0	0
Total Obligations Against Cash	\$ (96,775,123)	\$ (80,735,092)	\$ 0	\$ 0
Net Adjustments for Accruals	\$ 0	\$ 0	\$ 0	\$ 0
Ending Unobligated Cash Balance	\$ 0	\$ 0	\$ 0	\$ 0

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 2023	ACTUAL FY 2024	BUDGETED FY 2025	REQUESTED FY 2026	GOVERNOR'S RECOMMENDED FY 2026	RECOMMENDED INC/(DEC) FY 2026
FUNDING SOURCE:						
General Funds	\$ 1,857,112,375	\$ 2,124,528,678	\$ 2,409,491,568	\$ 2,689,434,622	\$ 2,456,905,354	\$ 47,413,786
Federal Funds	1,541,739,421	2,024,850,985	2,262,405,690	2,203,624,704	2,138,408,790	(123,996,900)
Other Funds	802,545,009	853,279,150	979,640,178	1,016,698,360	1,024,952,780	45,312,602
Total	<u>\$ 4,201,396,805</u>	<u>\$ 5,002,658,813</u>	<u>\$ 5,651,537,436</u>	<u>\$ 5,909,757,686</u>	<u>\$ 5,620,266,924</u>	<u>(\$ 31,270,512)</u>
EXPENDITURE DETAIL:						
Personal Services	\$ 918,436,551	\$ 1,045,950,416	\$ 1,176,396,893	\$ 1,192,805,135	\$ 1,200,861,010	\$ 24,464,117
Operating Expenses	3,282,960,254	3,956,708,396	4,475,140,543	4,716,952,551	4,419,405,914	(55,734,629)
Total	<u>\$ 4,201,396,805</u>	<u>\$ 5,002,658,813</u>	<u>\$ 5,651,537,436</u>	<u>\$ 5,909,757,686</u>	<u>\$ 5,620,266,924</u>	<u>(\$ 31,270,512)</u>
Staffing Level FTE:	10,324.6	10,669.7	12,061.7	12,170.8	12,059.3	(2.4)

SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

	REVISED BUDGETED FY 2025	GOVERNOR'S RECOMMENDED FY 2026	RECOMMENDED INC/(DEC) FY 2026
FUNDING SOURCE:			
General Funds	\$ 185,263,823	\$ 6,838,358	(\$ 178,425,465)
Federal Funds	(34,563,324)	6,000,000	40,563,324
Other Funds	841,812,747	1,283,270	(840,529,477)
Total	<u>\$ 992,513,246</u>	<u>\$ 14,121,628</u>	<u>(\$ 978,391,618)</u>
Staffing Level FTE:	17.0	0.0	(17.0)

TOTAL STATE GOVERNMENT BUDGET

	REVISED BUDGETED FY 2025	GOVERNOR'S RECOMMENDED FY 2026	RECOMMENDED INC/(DEC) FY 2026
FUNDING SOURCE:			
General Funds	\$ 2,594,755,391	\$ 2,463,743,712	(\$ 131,011,679)
Federal Funds	2,227,842,366	2,144,408,790	(83,433,576)
Other Funds	1,821,452,925	1,026,236,050	(795,216,875)
Total	<u>\$ 6,644,050,682</u>	<u>\$ 5,634,388,552</u>	<u>(\$ 1,009,662,130)</u>
Staffing Level FTE:	12,078.7	12,059.3	(19.4)

INFORMATIONAL BUDGETS CONTAINED IN THE GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2023	ACTUAL FY 2024	BUDGETED FY 2025	REQUESTED FY 2026	GOVERNOR'S RECOMMENDED FY 2026	RECOMMENDED INC/(DEC) FY 2026
FUNDING SOURCE:						
General Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal Funds	620,266,314	739,842,094	965,428,498	968,172,911	964,166,835	(1,261,663)
Other Funds	655,761,201	675,795,125	689,262,216	701,639,258	702,159,156	12,896,940
Total	\$ 1,276,027,515	\$ 1,415,637,220	\$ 1,654,690,714	\$ 1,669,812,169	\$ 1,666,325,991	\$ 11,635,277
EXPENDITURE DETAIL:						
Personal Services	\$ 237,788,053	\$ 242,255,317	\$ 284,742,769	\$ 285,804,494	\$ 286,269,494	\$ 1,526,725
Operating Expenses	1,038,239,462	1,173,381,902	1,369,947,945	1,384,007,675	1,380,056,497	10,108,552
Total	\$ 1,276,027,515	\$ 1,415,637,220	\$ 1,654,690,714	\$ 1,669,812,169	\$ 1,666,325,991	\$ 11,635,277
Staffing Level FTE:	2,324.0	2,319.8	2,010.0	2,020.0	2,020.0	10.0

INFORMATIONAL BUDGETS

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

Board of Pharmacy
 Board of Podiatry Examiners
 Board of Massage Therapy
 Board of Physical 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 2023	ACTUAL FY 2024	BUDGETED FY 2025	REQUESTED FY 2026	GOVERNOR'S RECOMMENDED FY 2026	RECOMMENDED INC/(DEC) FY 2026
FUNDING SOURCE:						
General Funds	\$ 1,857,112,375	\$ 2,124,528,678	\$ 2,409,491,568	\$ 2,689,434,622	\$ 2,456,905,354	\$ 47,413,786
Federal Funds	2,162,005,735	2,764,693,079	3,227,834,188	3,171,797,615	3,102,575,625	(125,258,563)
Other Funds	1,458,306,209	1,529,074,275	1,668,902,394	1,718,337,618	1,727,111,936	58,209,542
Total	<u>\$ 5,477,424,319</u>	<u>\$ 6,418,296,032</u>	<u>\$ 7,306,228,150</u>	<u>\$ 7,579,569,855</u>	<u>\$ 7,286,592,915</u>	<u>(\$ 19,635,235)</u>
EXPENDITURE DETAIL:						
Personal Services	\$ 1,156,224,604	\$ 1,288,205,734	\$ 1,461,139,662	\$ 1,478,609,629	\$ 1,487,130,504	\$ 25,990,842
Operating Expenses	4,321,199,716	5,130,090,299	5,845,088,488	6,100,960,226	5,799,462,411	(45,626,077)
Total	<u>\$ 5,477,424,319</u>	<u>\$ 6,418,296,032</u>	<u>\$ 7,306,228,150</u>	<u>\$ 7,579,569,855</u>	<u>\$ 7,286,592,915</u>	<u>(\$ 19,635,235)</u>
Staffing Level FTE:	12,648.6	12,989.5	14,071.7	14,190.8	14,079.3	7.6

SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

	REVISED BUDGETED FY 2025	GOVERNOR'S RECOMMENDED FY 2026	RECOMMENDED INC/(DEC) FY 2026
FUNDING SOURCE:			
General Funds	\$ 185,263,823	\$ 6,838,358	(\$ 178,425,465)
Federal Funds	(33,563,324)	6,000,000	39,563,324
Other Funds	844,812,747	1,283,270	(843,529,477)
Total	<u>\$ 996,513,246</u>	<u>\$ 14,121,628</u>	<u>(\$ 982,391,618)</u>
Staffing Level FTE:	25.0	0.0	(25.0)

TOTAL STATE GOVERNMENT BUDGET

	REVISED BUDGETED FY 2025	GOVERNOR'S RECOMMENDED FY 2026	RECOMMENDED INC/(DEC) FY 2026
FUNDING SOURCE:			
General Funds	\$ 2,594,755,391	\$ 2,463,743,712	(\$ 131,011,679)
Federal Funds	3,194,270,864	3,108,575,625	(85,695,239)
Other Funds	2,513,715,141	1,728,395,206	(785,319,935)
Total	<u>\$ 8,302,741,396</u>	<u>\$ 7,300,714,543</u>	<u>(\$ 1,002,026,853)</u>
Staffing Level FTE:	14,096.7	14,079.3	(17.4)

