Governor Larry Rhoden

2025 Budget Address – Supplemental Slides

Core Budget Principles

This is the people's money – not ours.

We balance our budget, every year, and don't spend money we don't have.

We don't spend one-time money on ongoing expenses.

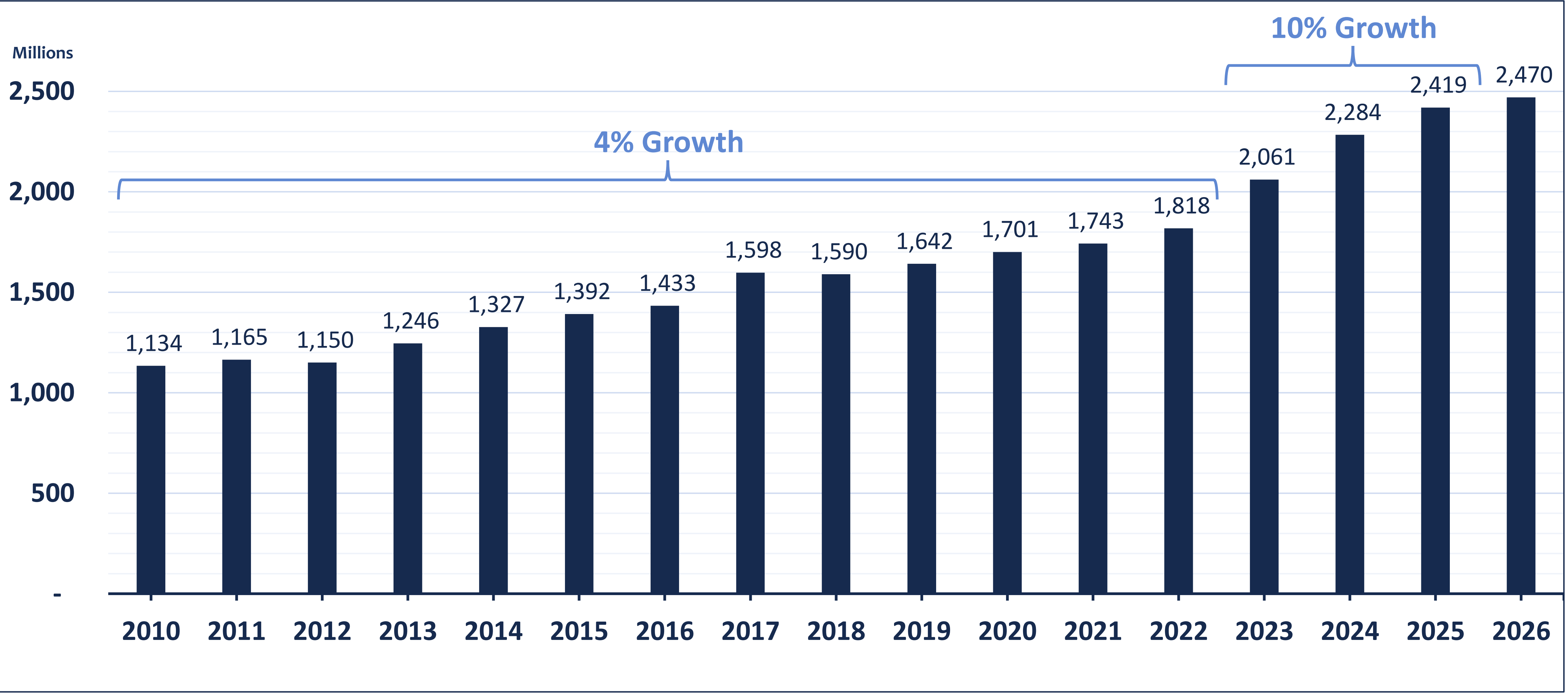
We use one-time dollars to pay debt and invest for the long-term.

We conservatively project revenue and expenses.

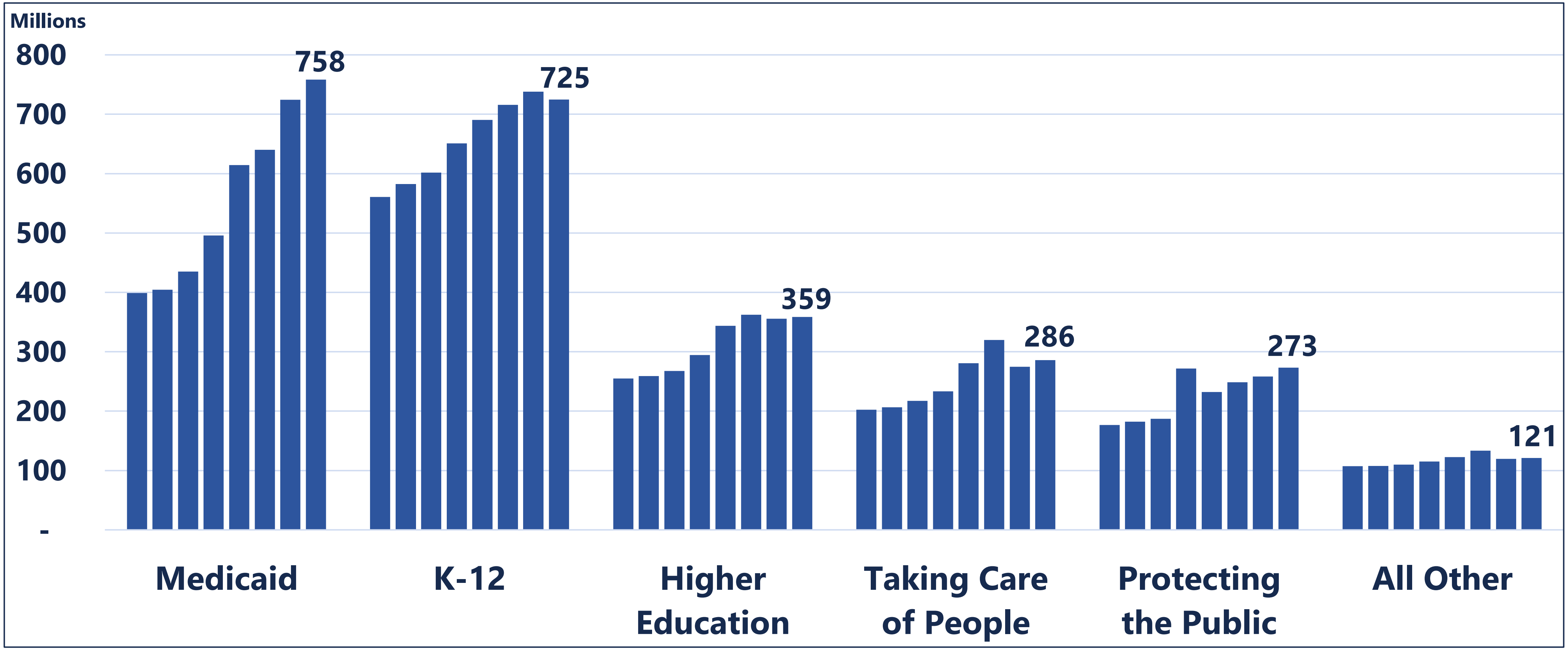
We maintain reserves of at least 10% for emergencies.

We fully fund our pension plan and protect our AAA credit rating.

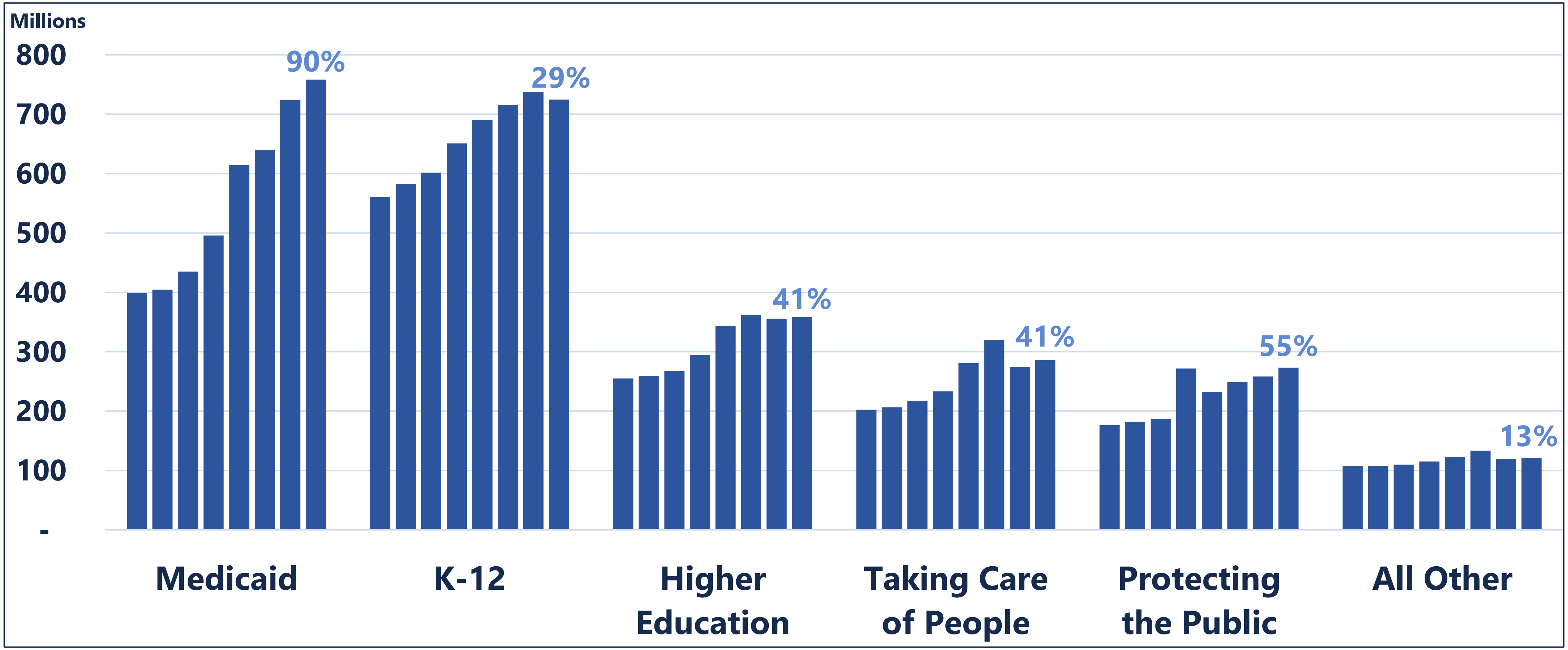
Historical Adopted General Fund Budget



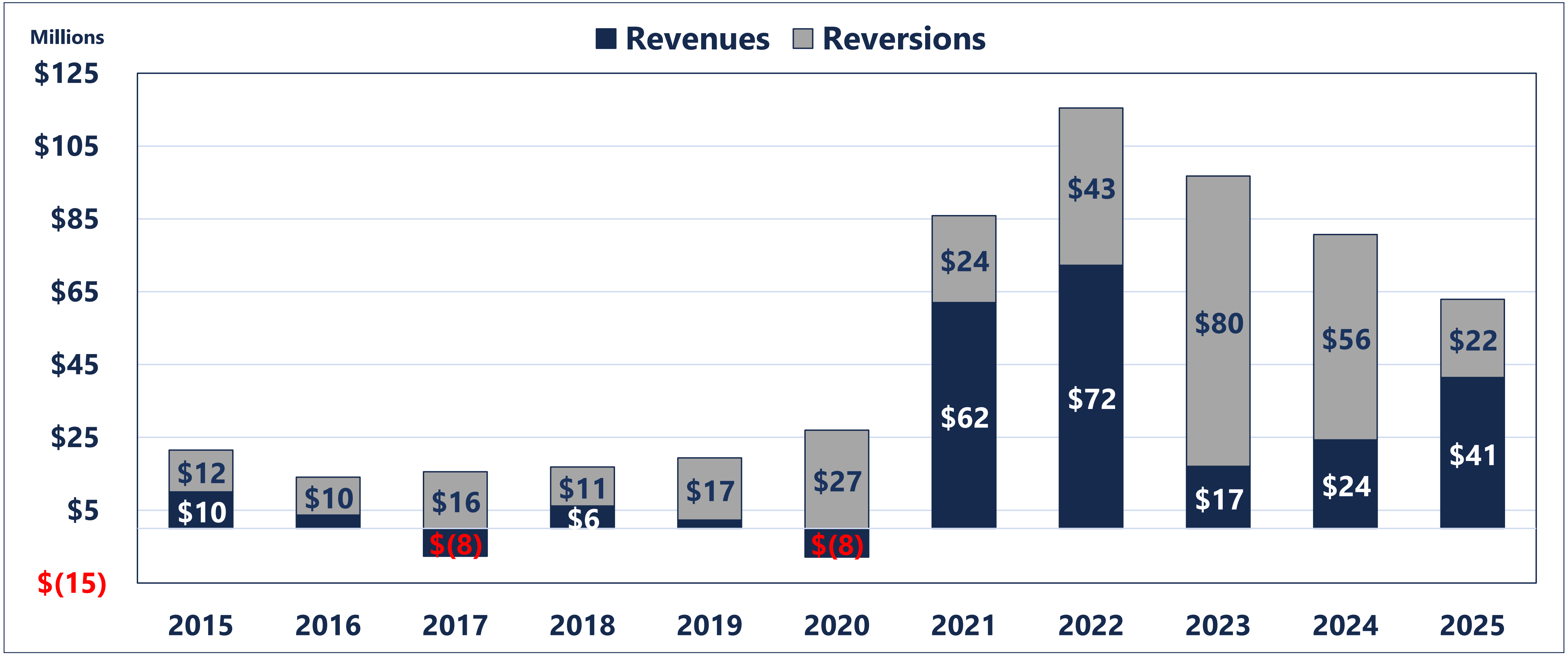
Budget by Category Since 2020



Growth by Category Since 2020



Historical Year-End Surplus



ECONOMIC OUTLOOK

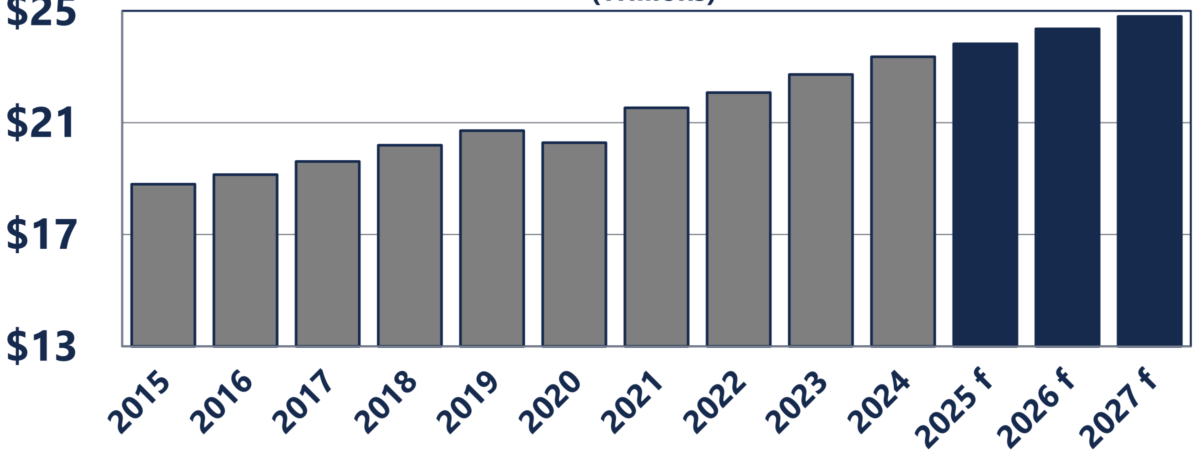
Economic Assumptions

- Employment growth projected to slow both nationally and in South Dakota
- Fed policy rate cut in December (25 basis points) and two more rate cuts later in 2026
- Inflation at 2.9% in 2026 and 2.5% in 2027
- Below average income growth in South Dakota in 2026 and 2027
- Governor’s Council of Economic Advisors expressed caution

S&P Global US Economy Forecast

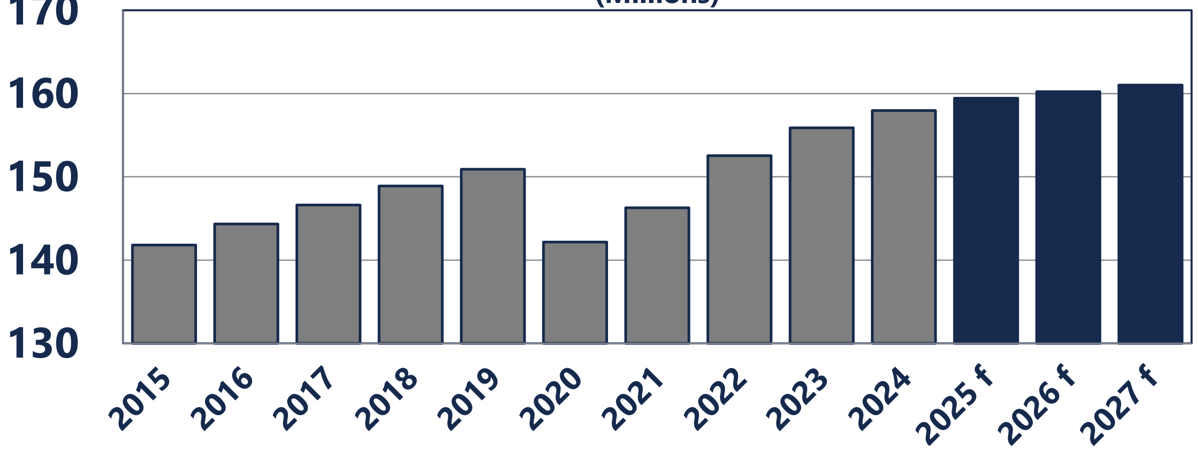
US Real GDP

(Trillions)



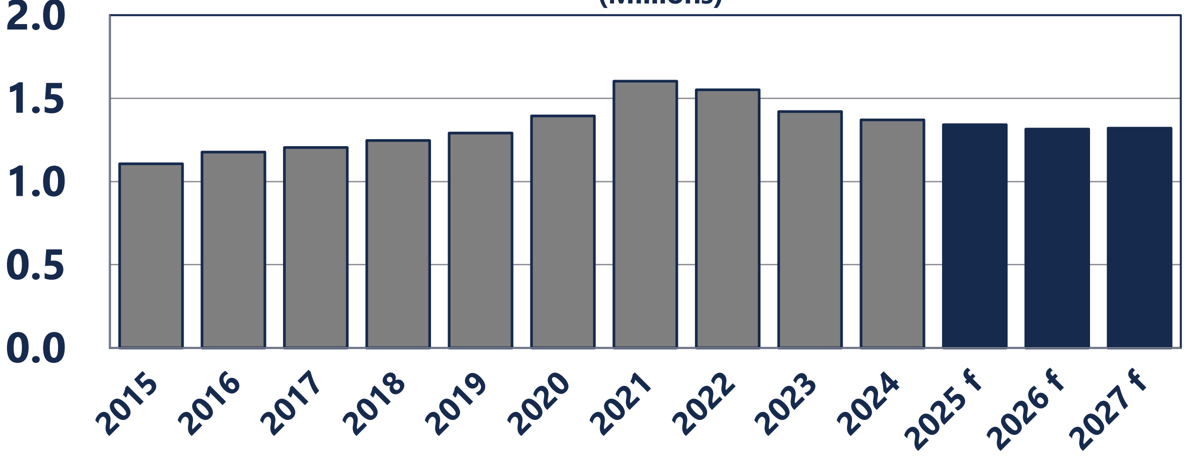
US Jobs

(Millions)



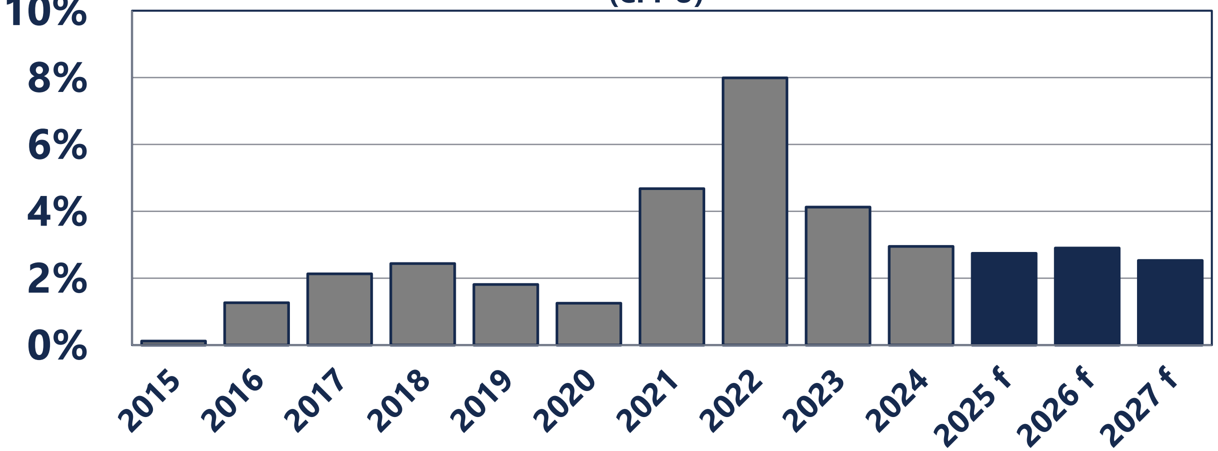
US Housing Starts

(Millions)



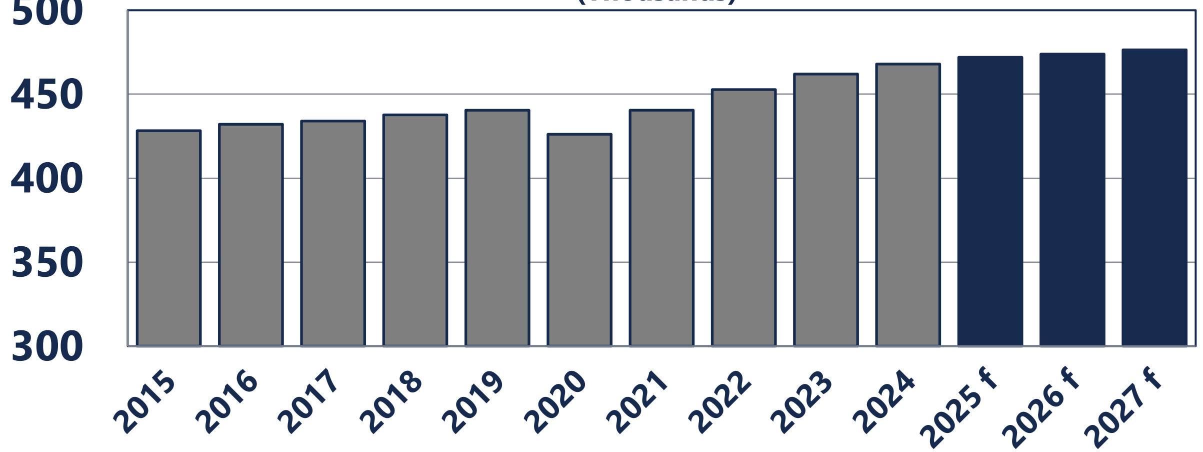
US Inflation

(CPI-U)

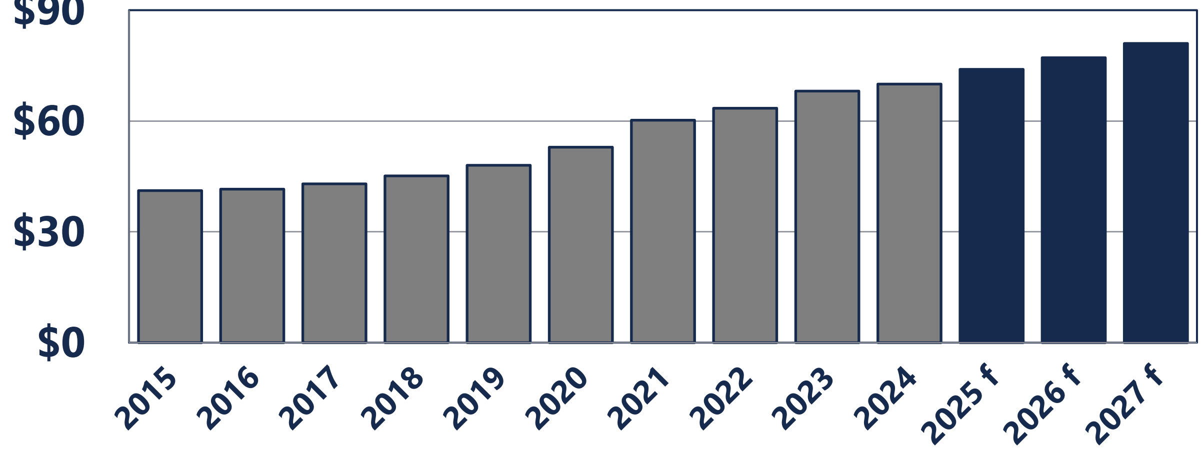


SD Economy Forecast

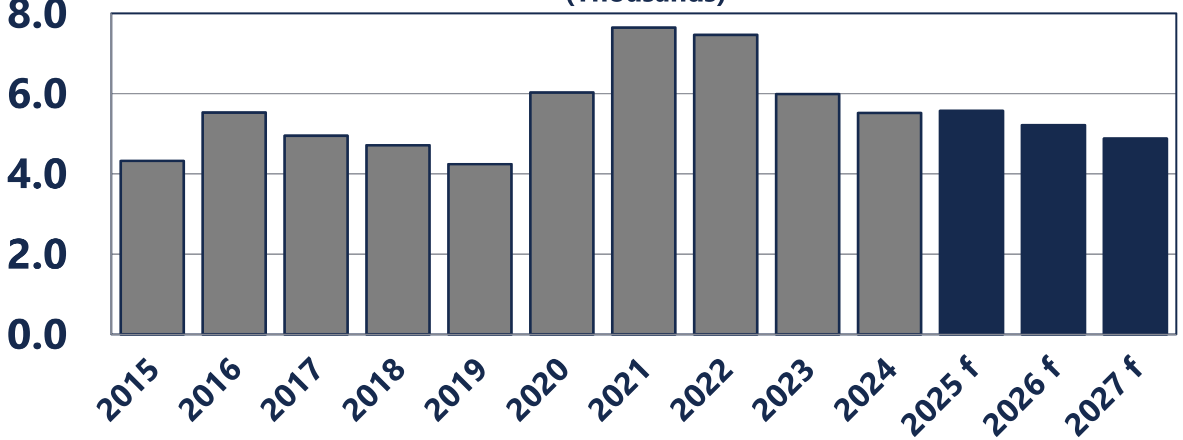
SD Employment
(Thousands)



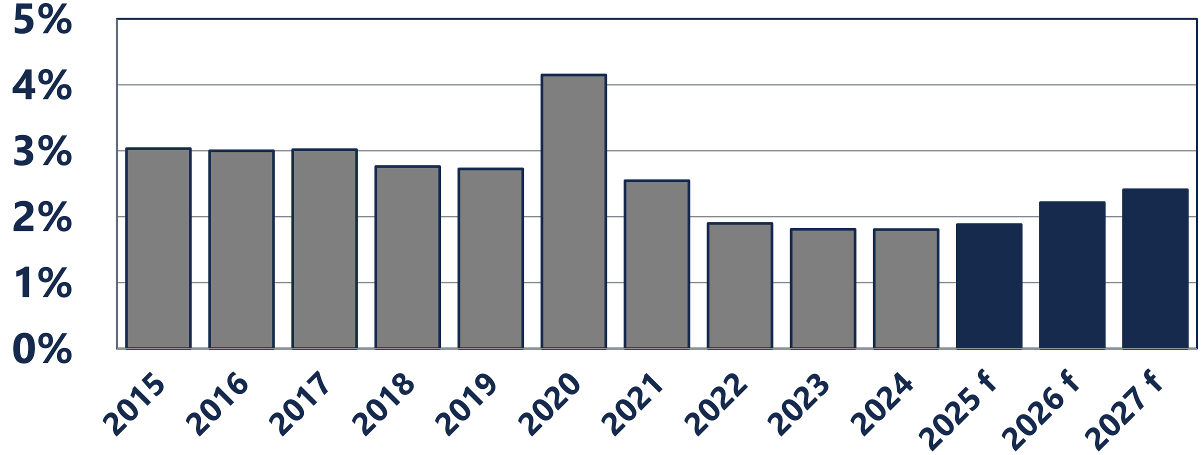
SD Personal Income
(Billions)



SD Housing Starts
(Thousands)

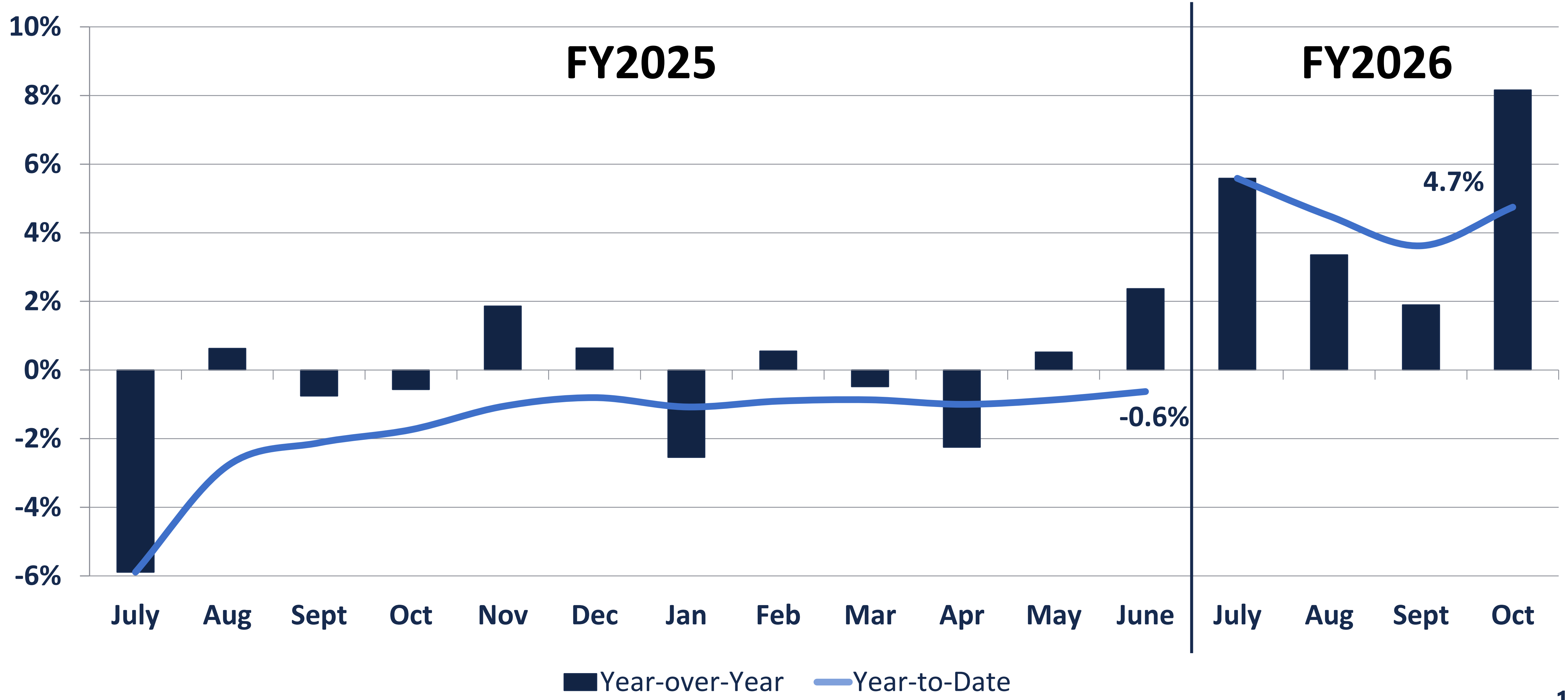


SD Unemployment Rate



REVENUES

Ongoing State Sales and Use Tax



FY2026 Adopted vs. Revised Revenue

Revenue Source	Adopted FY2026	Revised FY2026	Change
Sales and Use Tax	1,504.8	1,496.1	(8.6)
Lottery	184.5	183.6	(0.9)
Contractor's Excise Tax	219.2	219.1	(0.1)
Insurance Company Tax	147.2	152.5	5.2
Unclaimed Property	61.4	61.4	0.0
Licenses, Permits, and Fees	76.5	76.8	0.3
Tobacco Taxes	42.7	40.8	(1.8)
Other Ongoing Receipts	233.6	232.4	(1.2)
Total Ongoing Receipts	**$2,469.8**	**$2,462.8**	**($7.0)**

Amounts shown are in millions and may not add due to rounding.

One-Time Revenue Available

	FY2026
Revised Ongoing Revenue Shortfall	(7,046,833)
One-Time Revenue Growth	25,923
Transfer from Reserves	98,028,526
Total One-Time Revenue Available	**$91,007,616**

FY2026 & FY2027 Revenue Forecast

Revenue Source	Adopted FY2026	Revised FY2026	Recommended FY2027	Revised FY2026 vs. Rec. FY2027
Sales and Use Tax	1,504.8	1,496.1	1,556.4	60.3
Lottery	184.5	183.6	184.6	0.9
Contractor's Excise Tax	219.2	219.1	225.8	6.6
Insurance Company Tax	147.2	152.5	159.3	6.8
Unclaimed Property	61.4	61.4	58.0	(3.4)
Licenses, Permits, and Fees	76.5	76.8	77.7	1.0
Tobacco Taxes	42.7	40.8	38.9	(1.9)
Other Ongoing Receipts	233.6	232.4	220.8	(11.6)
Total Ongoing Receipts	**$2,469.8**	**$2,462.8**	**$2,521.4**	**$58.7**

Amounts shown are in millions and may not add due to rounding.

Ongoing Revenue Available

	FY2027
FY2026 Revised Ongoing Revenue Shortfall	(7,046,833)
FY2027 Projected Ongoing Revenue Growth	58,662,063
Total Ongoing Revenue Available	**$51,615,230**

FY2026 MID-YEAR ADJUSTMENTS

FY2026 Recommendation Summary

	General Funds
Revenue Available	91,007,616
General Bill Amendment Reductions	17,507,818
General Bill Amendment Increases	(55,835,587)
Expenditure Transfers	(14,600,000)
Emergency Special Appropriations	(23,314,177)
Continuous Appropriation Adjustment	(379,846)
FY2026 Bottom-Line	**$14,385,824**

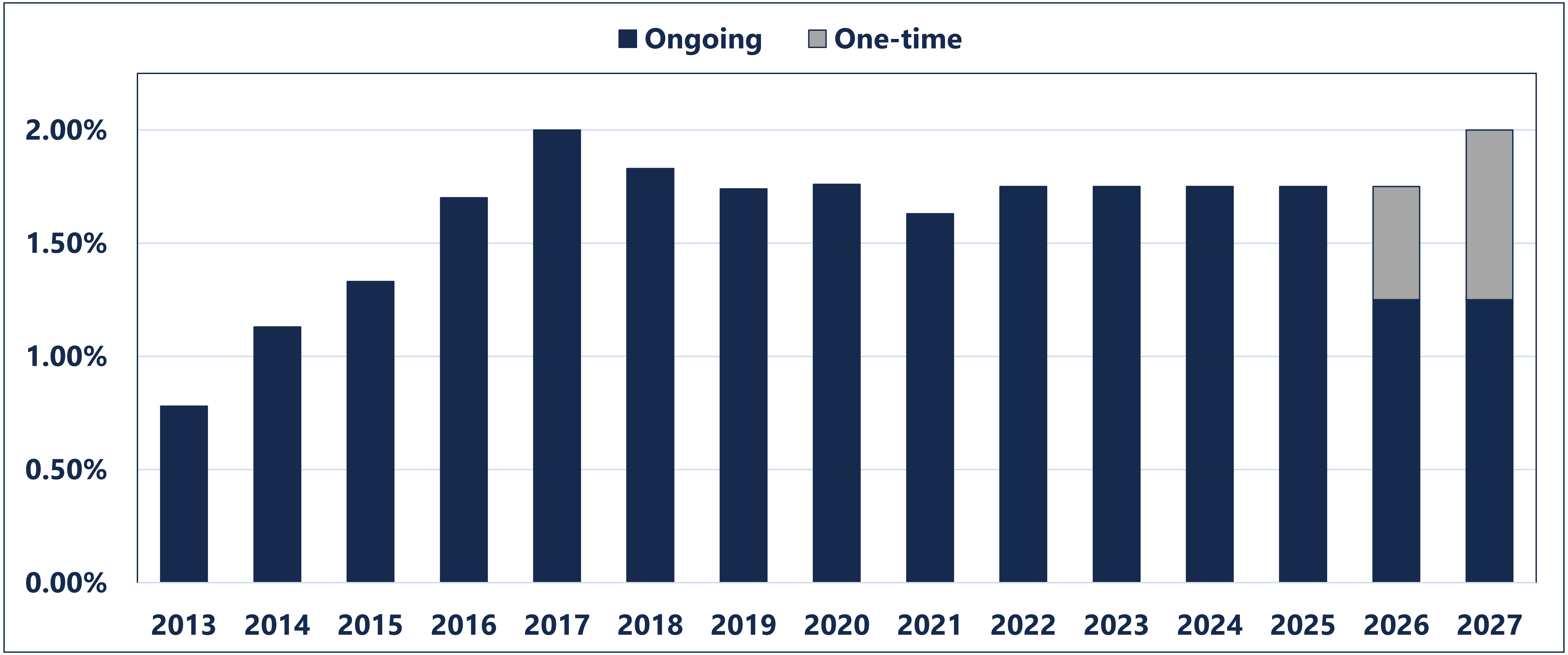
General Bill Amendment Reductions

	General Funds
State Aid to General Education Revision (DOE)	15,547,891
Community Corrections Placements (DOC)	1,417,608
Homemaker Services Funding Adjustment (DHS)	284,467
Treatment Courts (UJS)	257,852
FY2026 General Bill Amendment Reductions	**$17,507,818**

General Bill Amendment Increases

	General Funds
Maintenance and Repair (Various)	(30,633,952)
Utilization Adjustment (DHS)	(10,850,992)
Technical Colleges Equipment (BOTE)	(4,317,384)
Rapid City Correctional Facility (DOC)	(2,384,715)
Technical Colleges Formula (BOTE)	(1,461,043)
All Others	(6,187,501)
FY2026 General Bill Amendment Increases	**($55,835,587)**

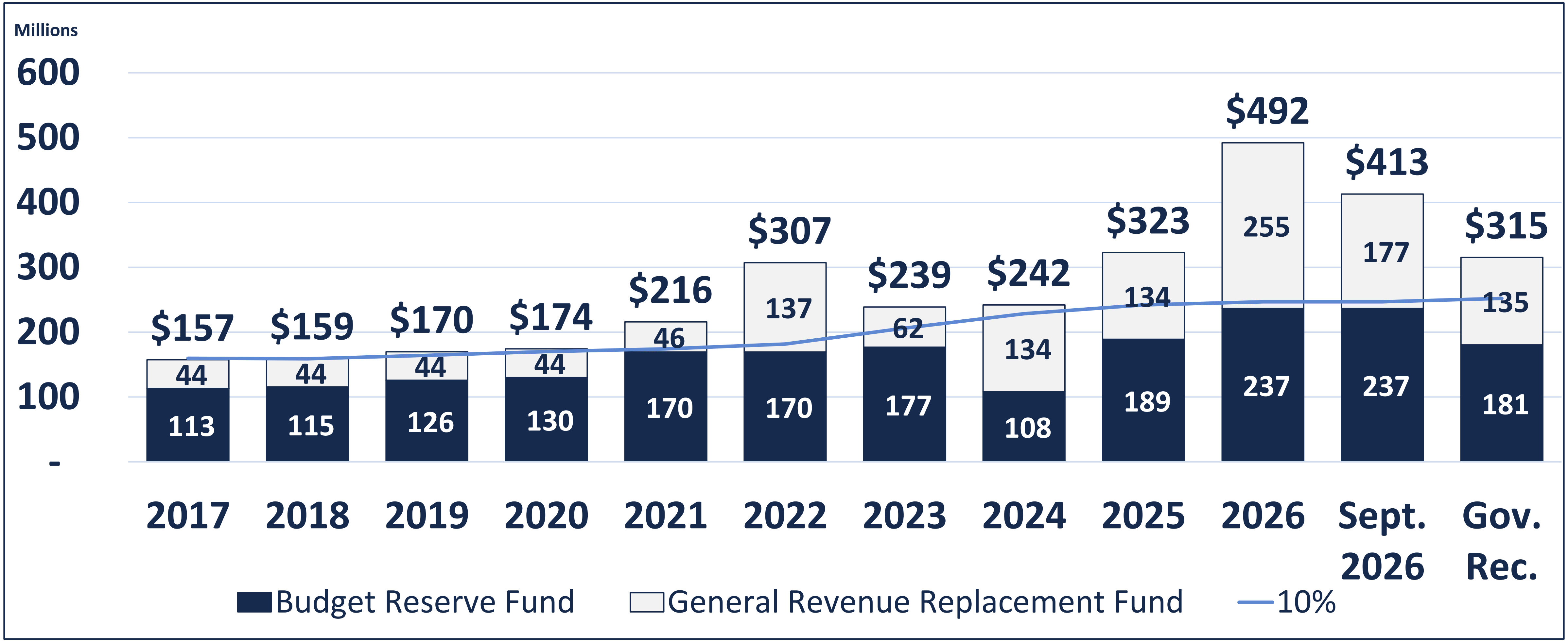
Maintenance and Repair



Expenditure Transfers

	General Funds
IT Modernization Fund (BIT)	(10,000,000)
Reemployment Assistance Modernization Fund (DLR)	(3,100,000)
Court Security Fund (UJS)	(1,500,000)
FY2026 Expenditure Transfers	**($14,600,000)**

Rainy Day Fund



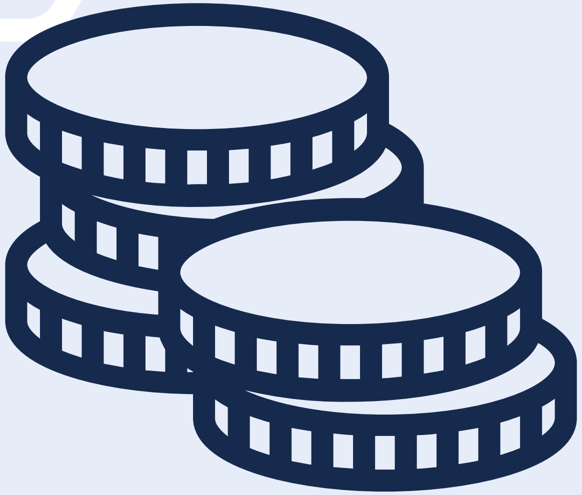
Emergency Special Appropriations

	General Funds
Southeast Technical College Center for Advanced Manufacturing (BOTE)	(6,000,000)
Highway Patrol Airplane (DPS)	(5,000,000)
Emergency and Disaster Fund (DPS)	(4,205,497)
Fire Suppression Fund (DPS)	(2,652,561)
Sturgis Readiness Center (DOM)	(2,350,000)
Rural Recruitment Assistance Programs (DOH)	(1,348,294)
Pierre Minimum Center Demolition (DOC)	(682,825)
Extraordinary Litigation Fund (BHRA)	(650,000)
Tax Refunds for the Elderly and Disabled (DOR)	(425,000)
FY2026 Emergency Special Appropriations	**($23,314,177)**

FY2026 Recommendation Summary

	General Funds
Revenue Available	91,007,616
General Bill Amendment Reductions	17,507,818
General Bill Amendment Increases	(55,835,587)
Expenditure Transfers	(14,600,000)
Emergency Special Appropriations	(23,314,177)
Continuous Appropriation Adjustment	(379,846)
FY2026 Bottom-Line	**$14,385,824**

FY2027 ONGOING EXPENSES



Ongoing Revenue Available

	FY2027
FY2026 Revised Revenue Shortfall	(7,046,833)
FY2027 Projected Revenue Growth	58,662,063
Total Ongoing Revenue Available	**$51,615,230**

Ongoing Expense Overview

- State's share of FMAP increased by 0.86%, from 48.47% to 49.33%
- Staffing for new Women's Prison in Rapid City
- Federal funding cuts evaluated individually to determine if state should backfill with general funds
- Maintenance and repair maintained at 1.25% of replacement value
- No inflationary growth for healthcare providers, education, or state employees

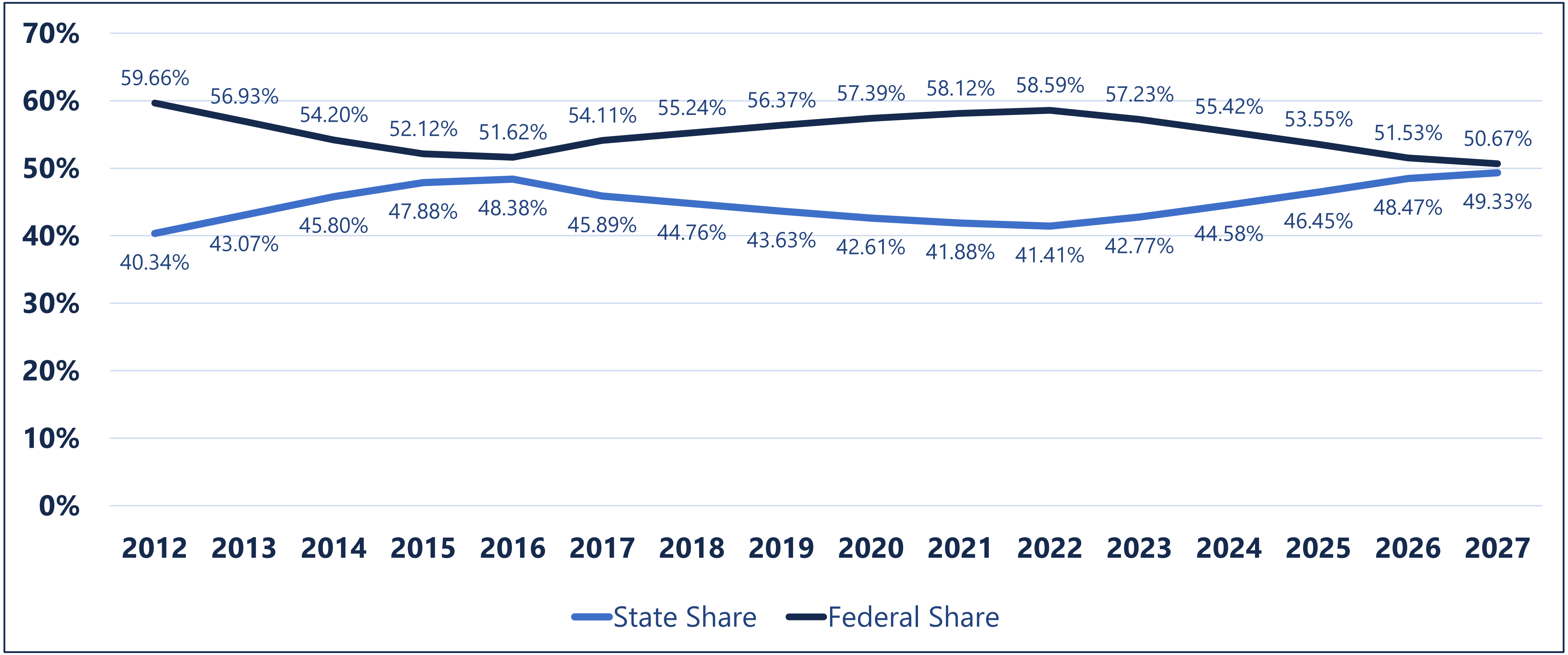
FY2027 Recommended Expense Summary

	General Funds
Mandatory Changes	47,157,144
Federal Funding Replacement	6,231,094
Discretionary Changes	(2,658,128)
Continuous Appropriations	885,120
Total Recommended Expense Summary	**$51,615,230**

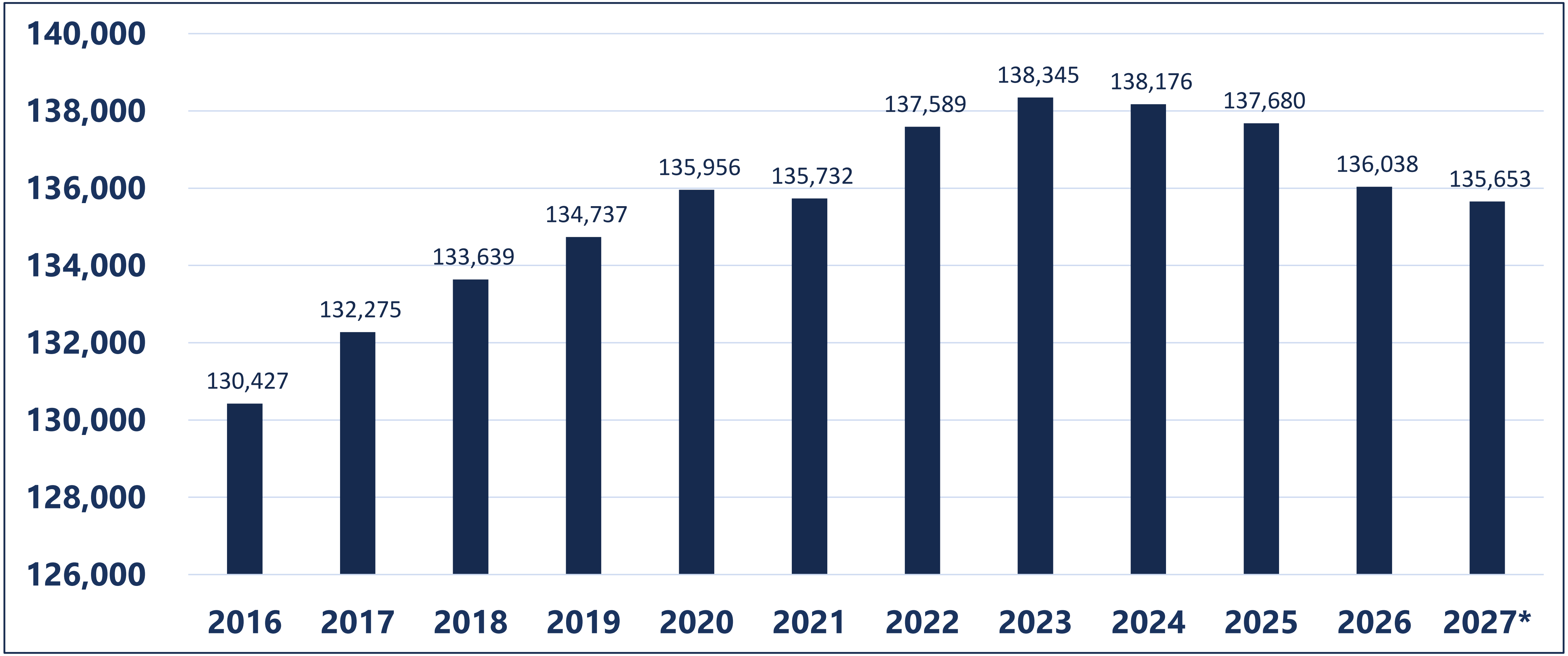
Mandatory Changes

	General Funds
Utilization Adjustment (DHS)	16,363,333
Mandatory Inflation for Providers (DSS)	14,072,438
Rapid City Correctional Facility (DOC)	13,201,573
Federal Medical Assistance Percentage (FMAP) (Various)	11,816,237
State Aid to Special Education Rebase (DOE)	2,860,236
State Aid to General Education (DOE)	(15,741,802)
Technical Colleges Formula (BOTE)	1,688,519
Food Services and Utilities (Various)	1,321,527
Offender Healthcare (DOC)	1,138,840
All Others (Various)	436,243
Total Mandatory Changes	**$47,157,144**

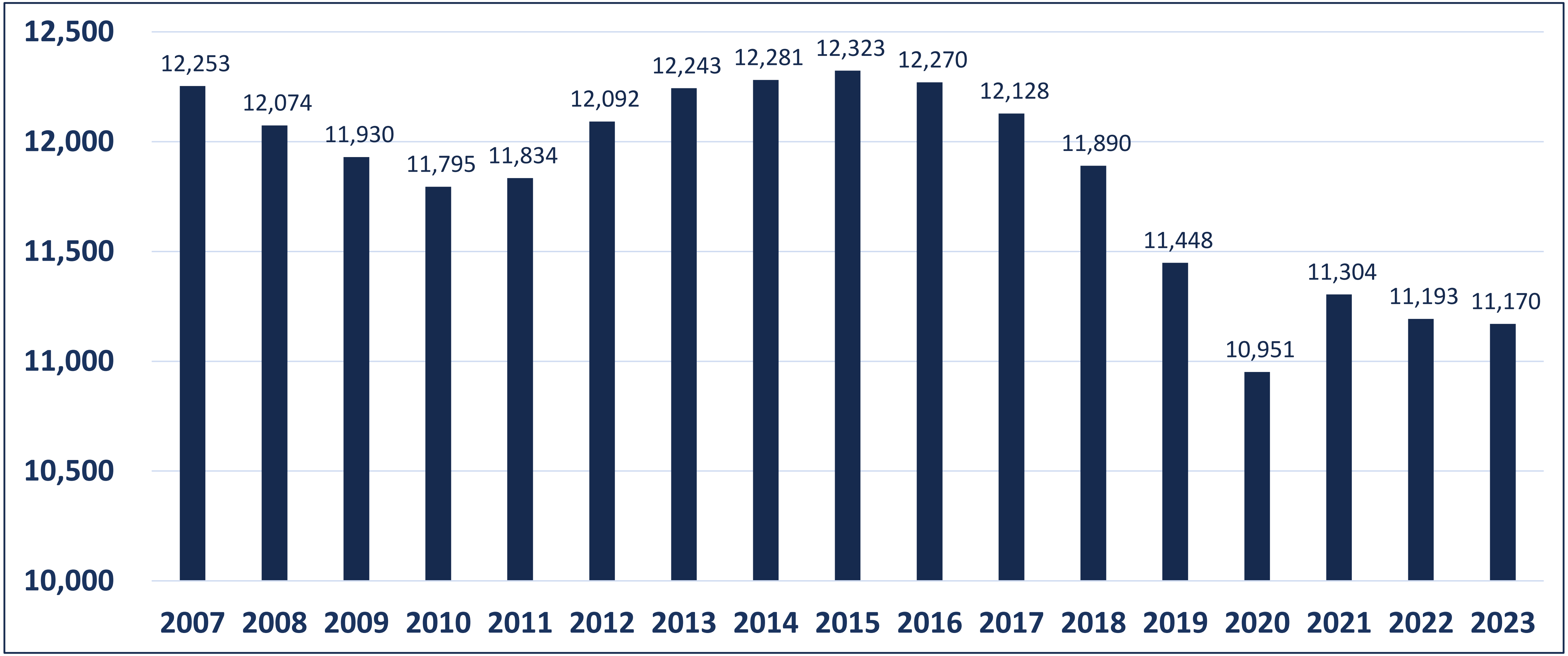
Title XIX Medicaid FMAP History



State Aid Student Enrollment



Number of Births



Federal Funding Replacement

	General Funds
SNAP Administrative Costs (DSS)	5,500,000
State Fire Assistance (DPS)	435,041
South Dakota Public Broadcasting (BIT)	296,053
Total Federal Funding Replacement	**$6,231,094**

Discretionary Changes

	General Funds
Maintenance and Repair (Various)	741,231
Administration Funding Swap (PUC)	424,035
State Radio (BIT/DPS)	297,255
Dual Credit (DOE)	270,688
National Guard Tuition Assistance Utilization (DOM)	(250,000)
Homemaker Fee Funding Adjustment (DHS)	(284,467)
National Career and Readiness Certificate (DOE)	(450,000)
Community Corrections Placements (DOC)	(1,353,631)
Medicaid Eligibility Staff Funding Adjustment (DSS)	(2,500,000)
All Others (Various)	446,761
Total Discretionary Changes	**($2,658,128)**

FY2027 Recommended Expense Summary

	General Funds
Mandatory Changes	47,157,144
Federal Funding Replacement	6,231,094
Discretionary Changes	(2,658,128)
Continuous Appropriations	885,120
Total Recommended Expense Summary	**$51,615,230**

Bottom Line

	FY2026	FY2027
Revenue Available	91,007,616	51,615,230
General Bill Amendment Reductions	17,507,818	
General Bill Amendment Increases	(55,835,587)	
Expenditure Transfers	(14,600,000)	
Emergency Special Appropriations	(23,314,177)	
Ongoing Expense Adjustments		(50,730,110)
Continuous Appropriation Adjustment	(379,846)	(885,120)
Bottom Line	**$14,385,824**	**$0**

Governor Larry Rhoden

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