



Fiscal Year 2027 Budget Overview

*Bureau of Finance and Management
January 13, 2026*

Agenda



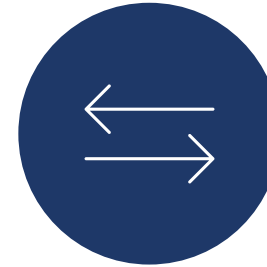
**BUDGET
BACKGROUND**



**ECONOMIC
OUTLOOK**



REVENUES



**FY2026
MID-YEAR
ADJUSTMENTS**



**FY2027
ONGOING
EXPENSES**

BUDGET BACKGROUND



BFM Budget Team



**Jim
Terwilliger**

Commissioner



**Steven
Kohler**

*Deputy
Commissioner*



**Derek
Johnson**

*State
Economist*



**Brandy
Miesner**

*Chief
Budget
Analyst*



**Yolanda
Sung**

*Budget
Analyst*



**Duncan
Koch**

*Budget
Analyst*



**Grant
Judson**

*Budget
Analyst*



**Kate
Schnabel**

*Budget
Analyst*



**Colin
Keeler**

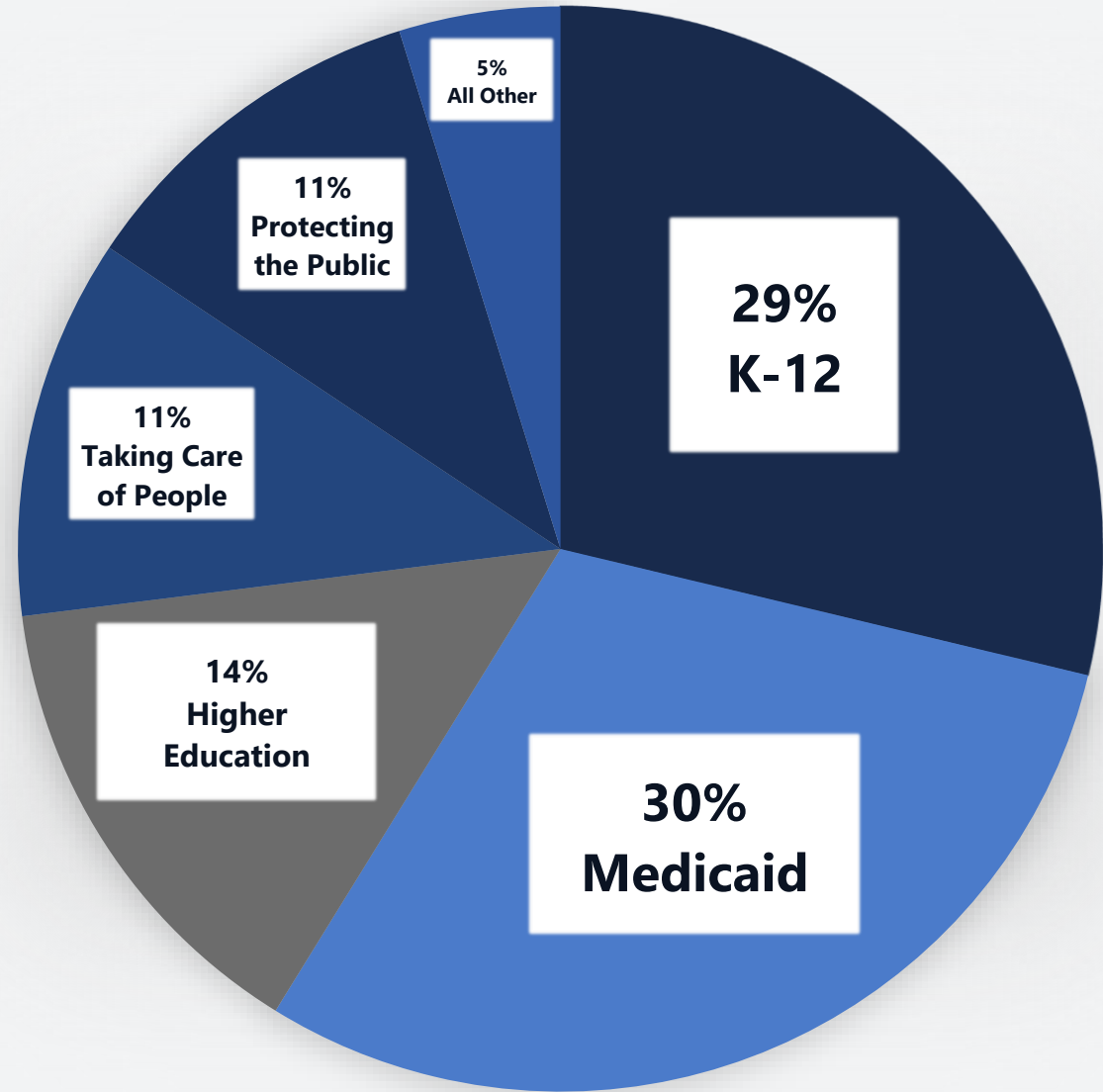
*Financial
Systems
Director*



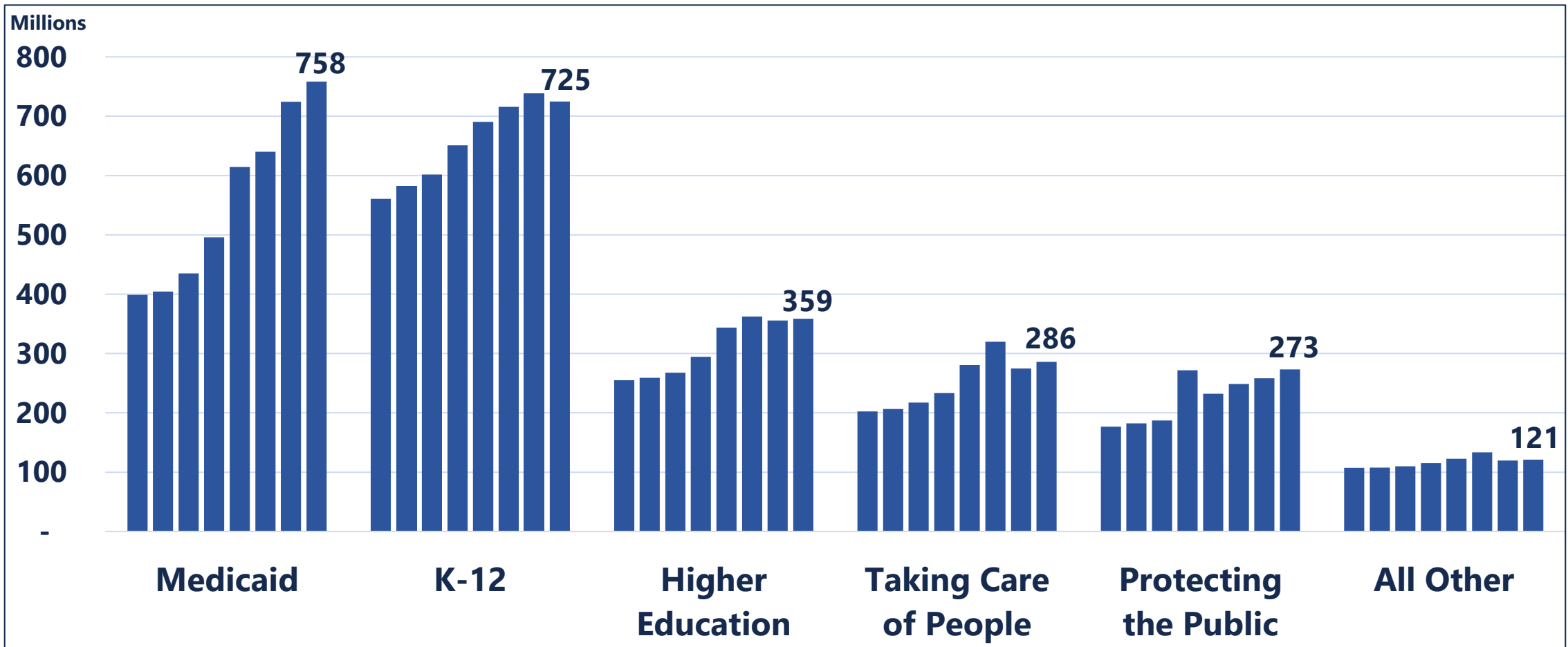
Historical Adopted General Fund Budget



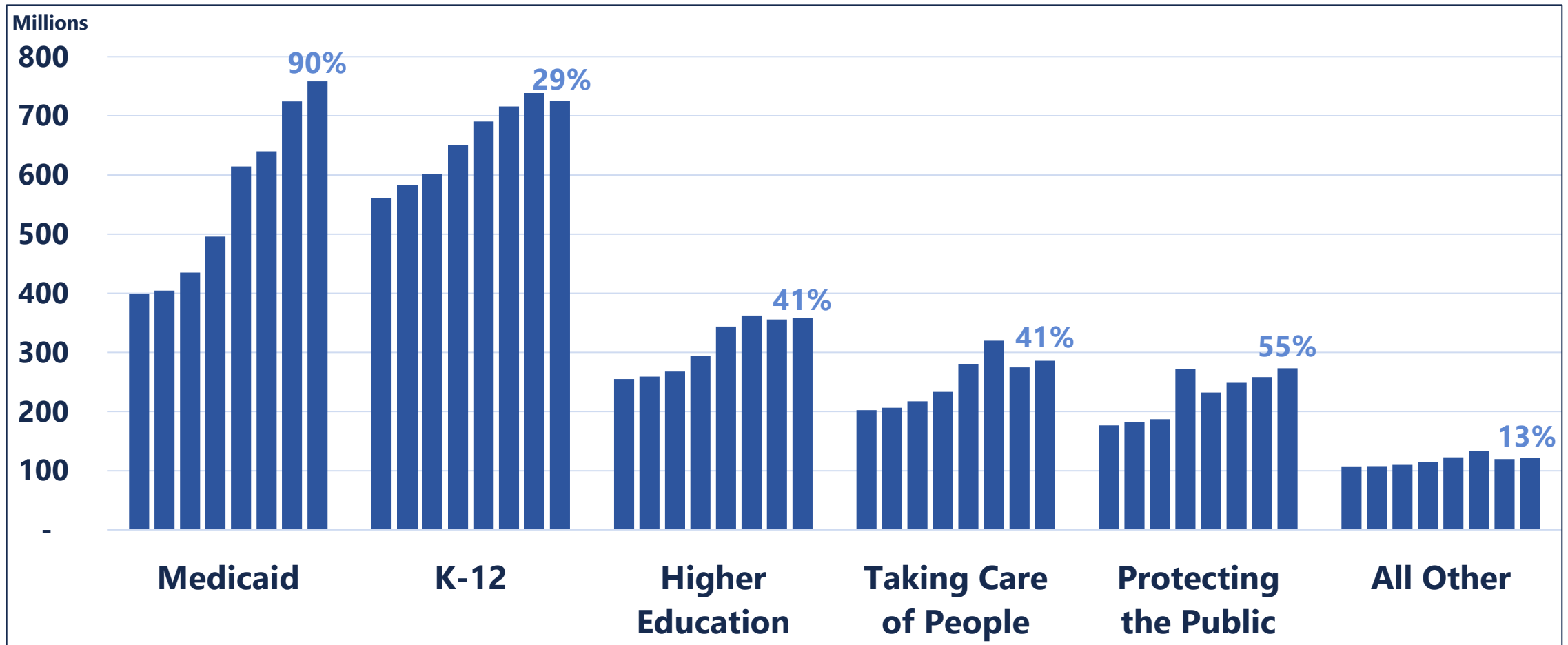
Budget by Category



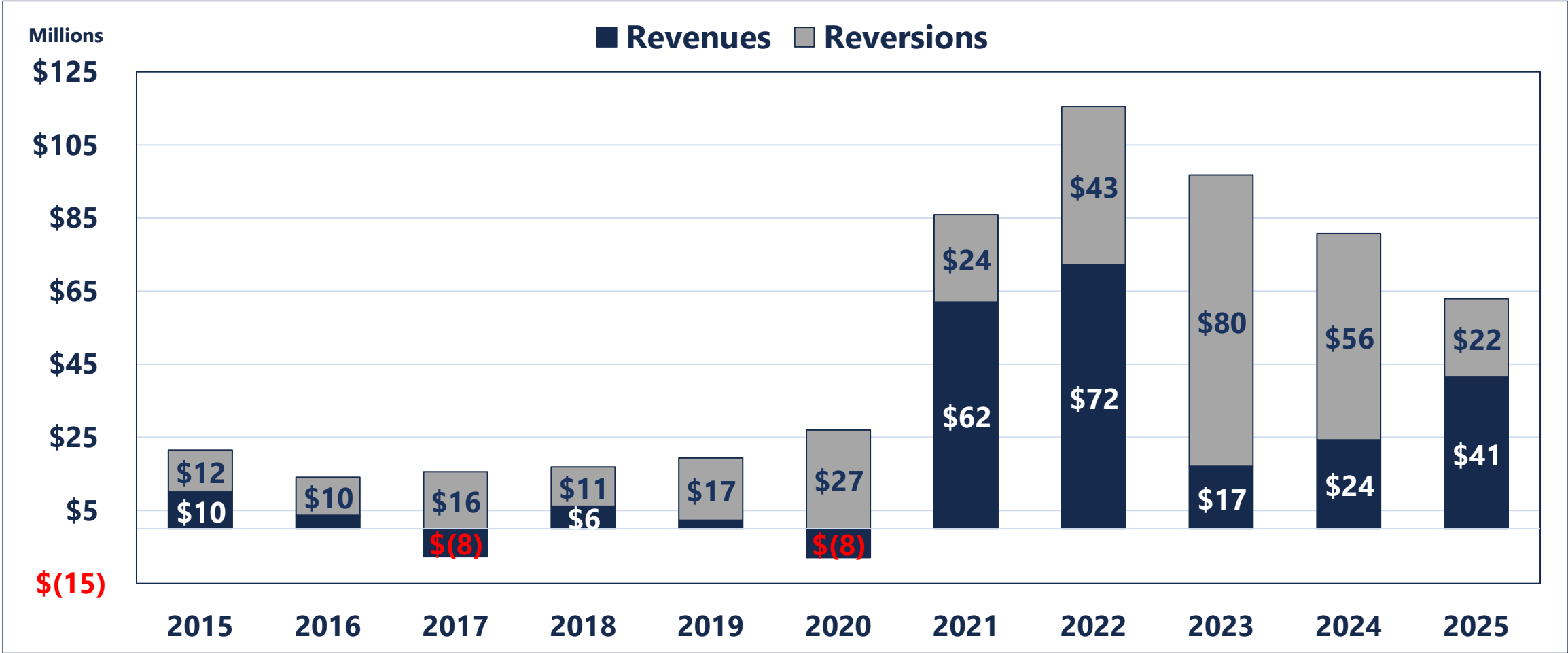
Budget by Category Since 2020



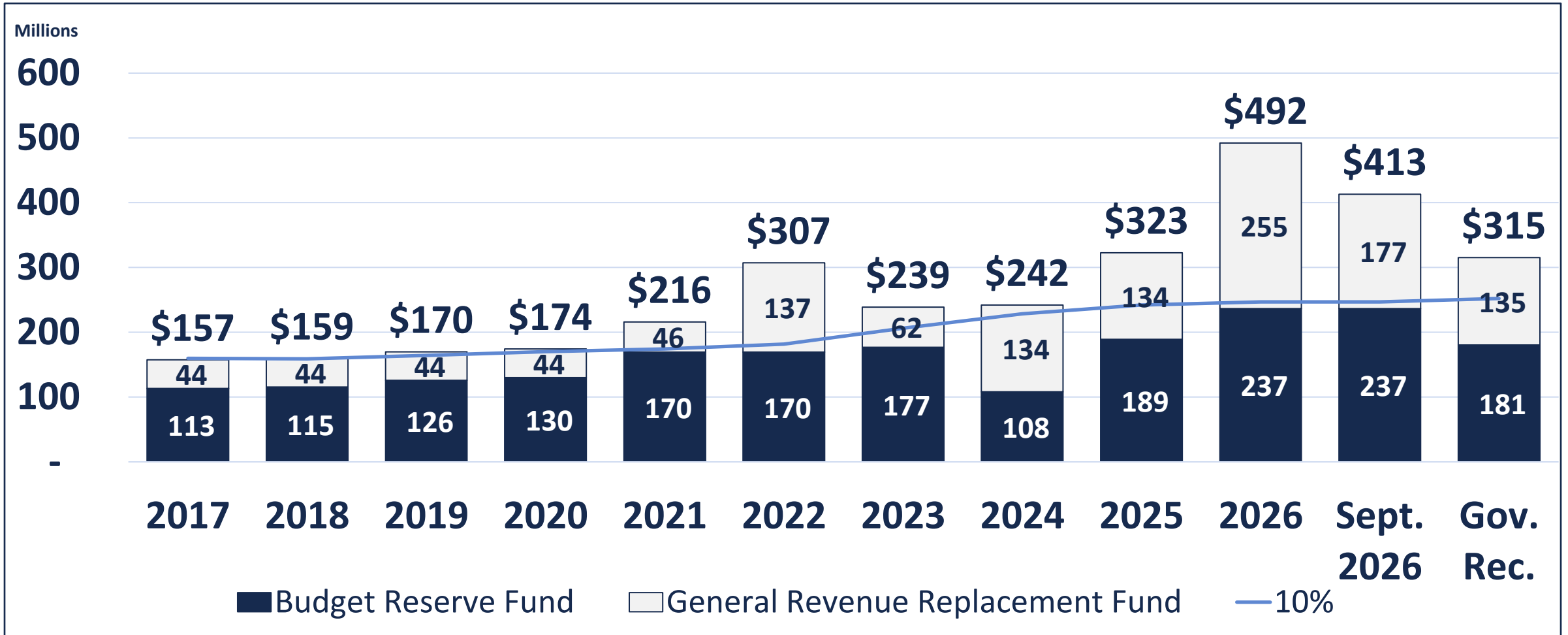
Growth by Category Since 2020



Historical Year-End Surplus



Rainy Day Fund



ECONOMIC OUTLOOK

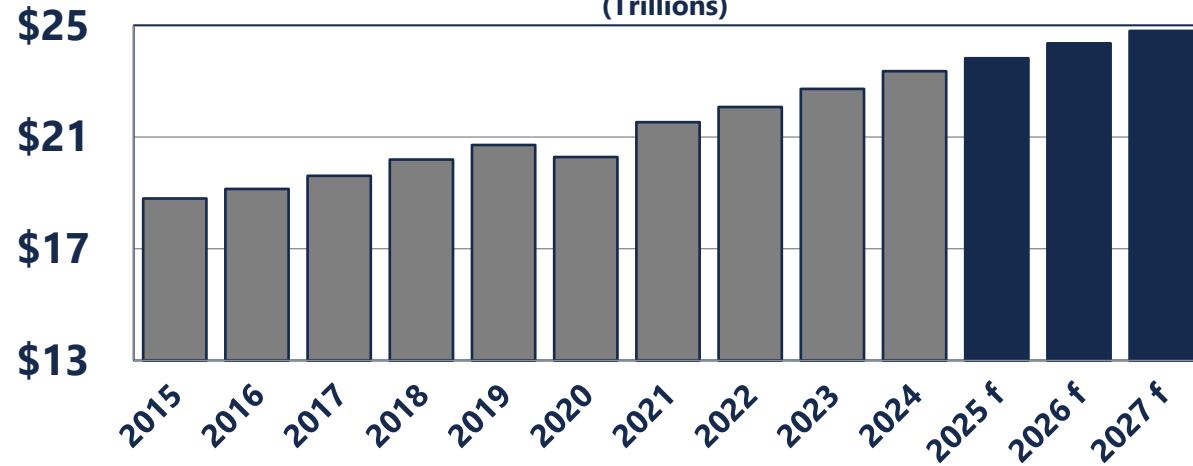


Economic Assumptions

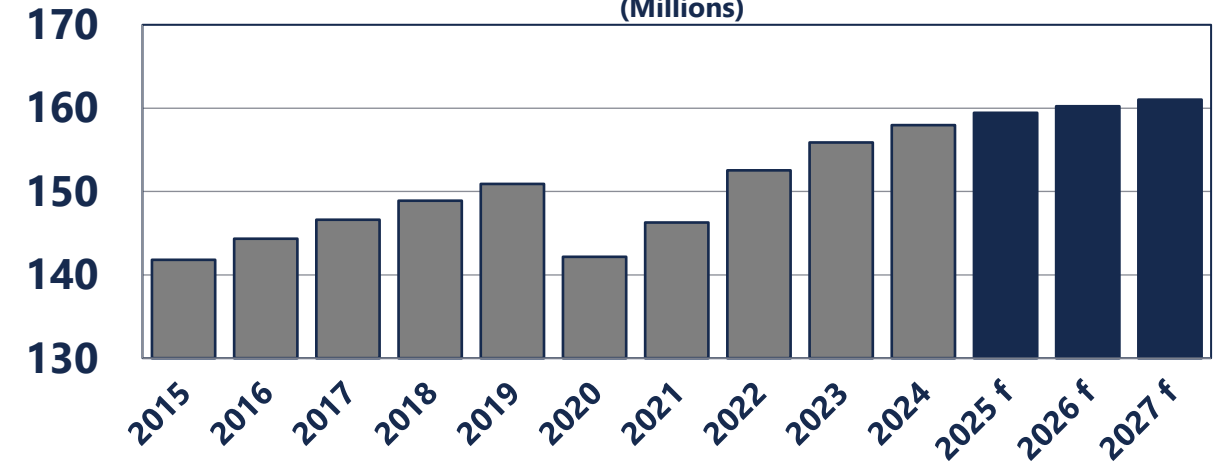
- Employment growth projected to slow both nationally and in South Dakota
- Two Fed policy rate cuts later in 2026
- Inflation still elevated in 2026 and 2027
- Near average income growth in South Dakota in 2026 and 2027
- Governor's Council of Economic Advisors expressed caution

S&P Global US Economy Forecast

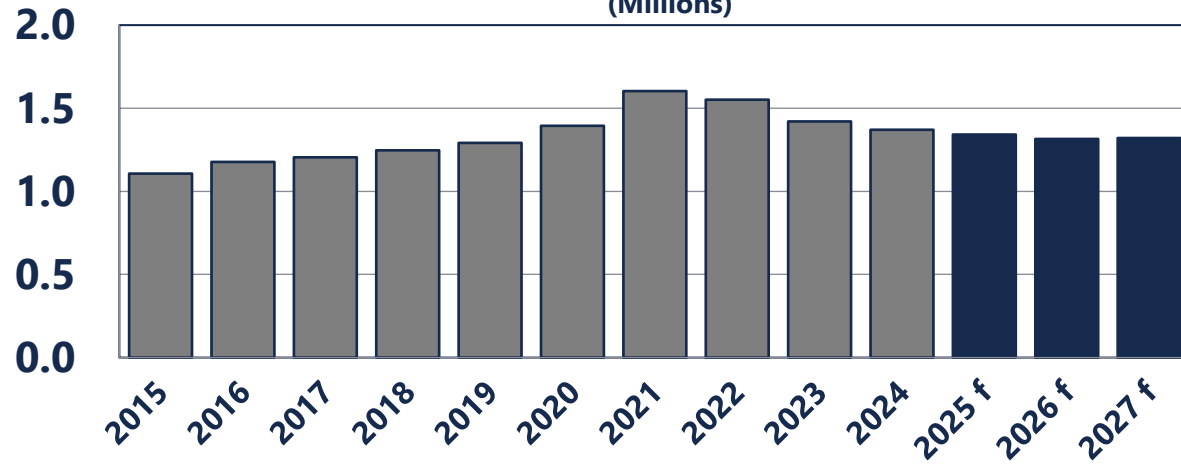
US Real GDP
(Trillions)



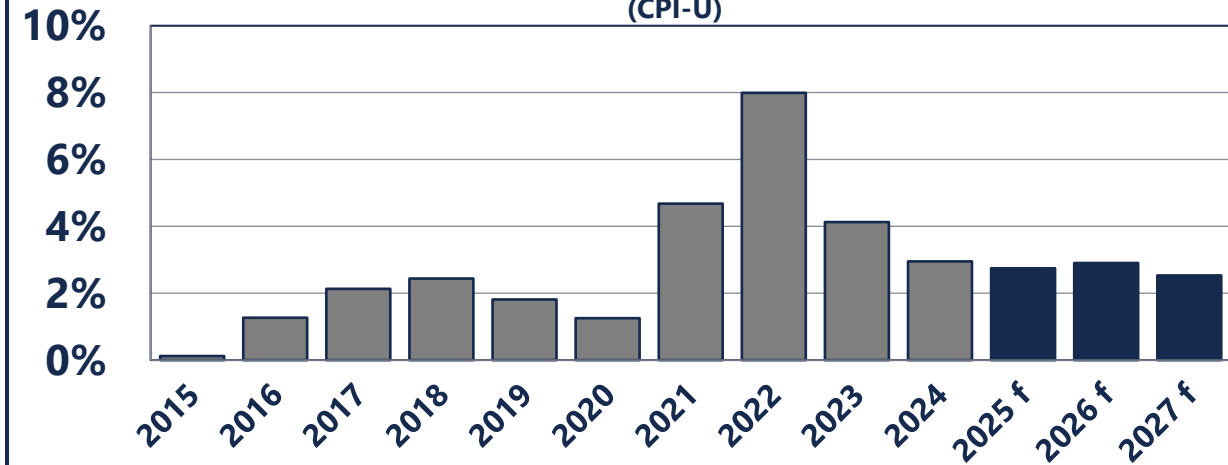
US Jobs
(Millions)



US Housing Starts
(Millions)



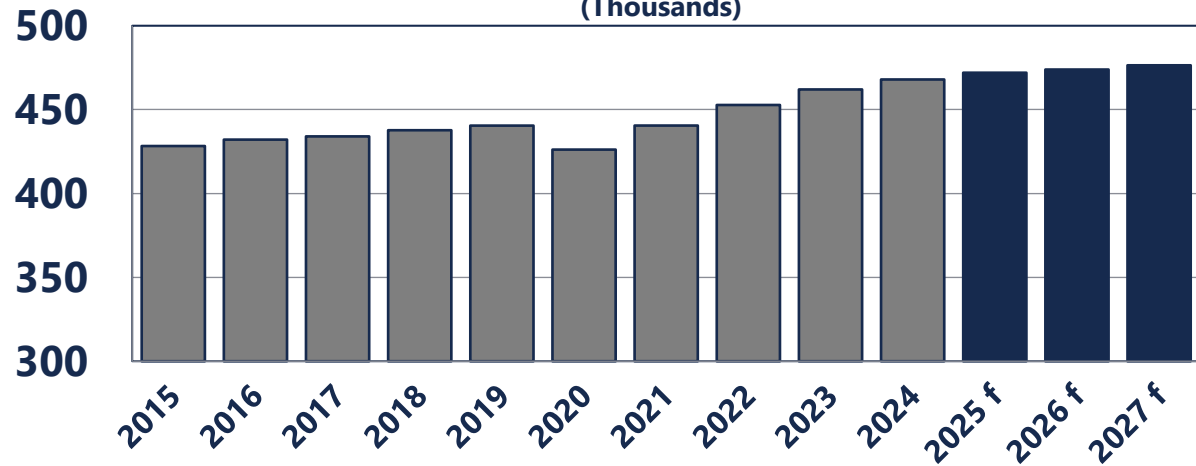
US Inflation
(CPI-U)



SD Economy Forecast

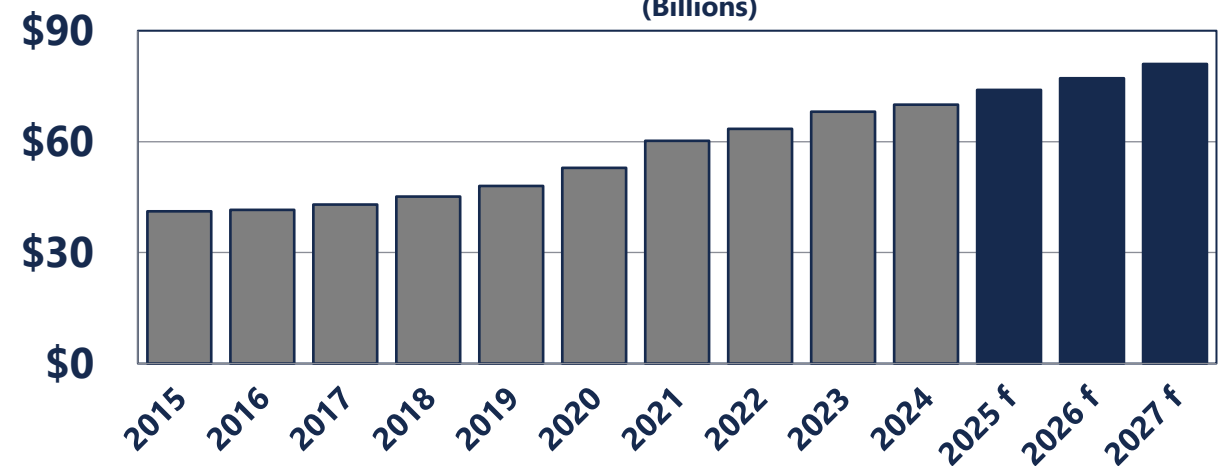
SD Employment

(Thousands)



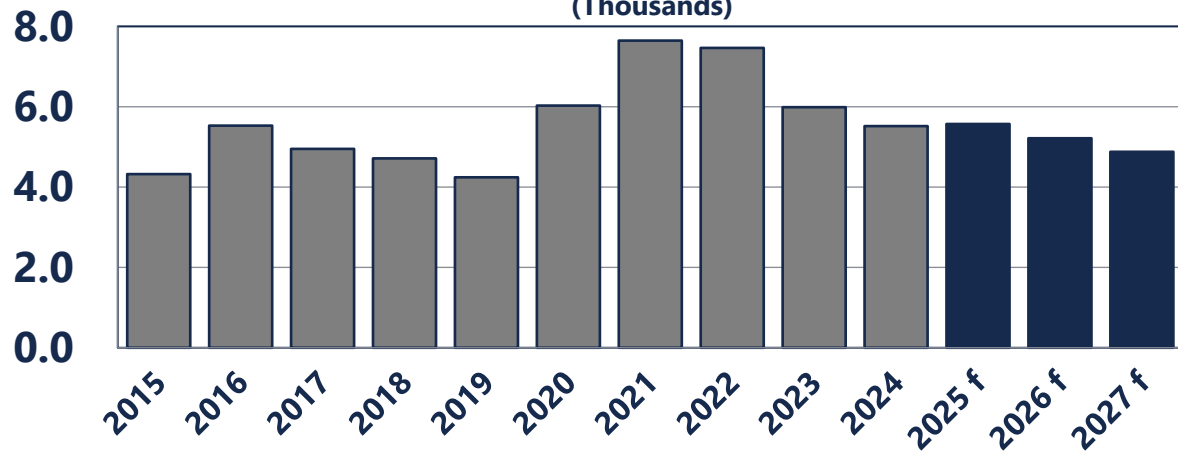
SD Personal Income

(Billions)

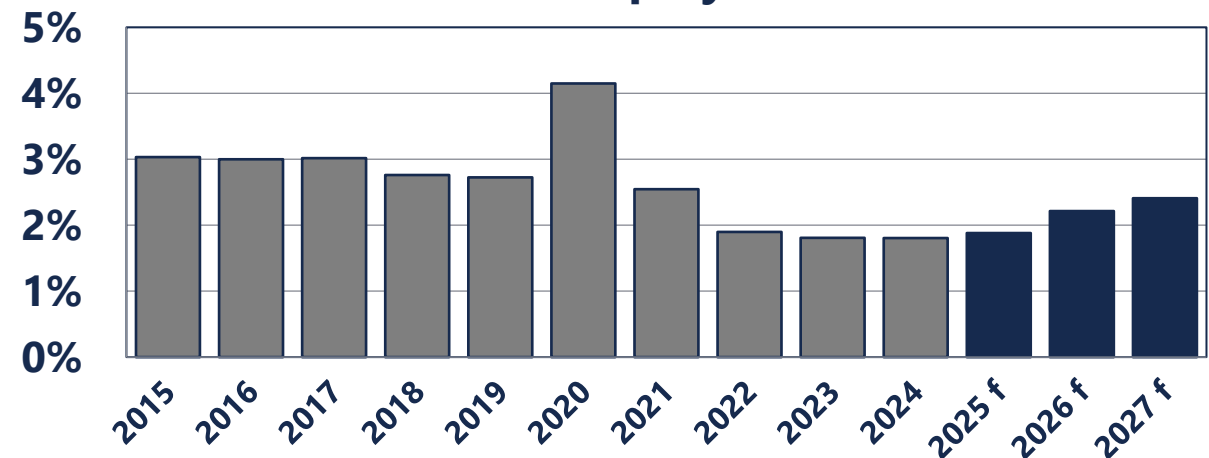


SD Housing Starts

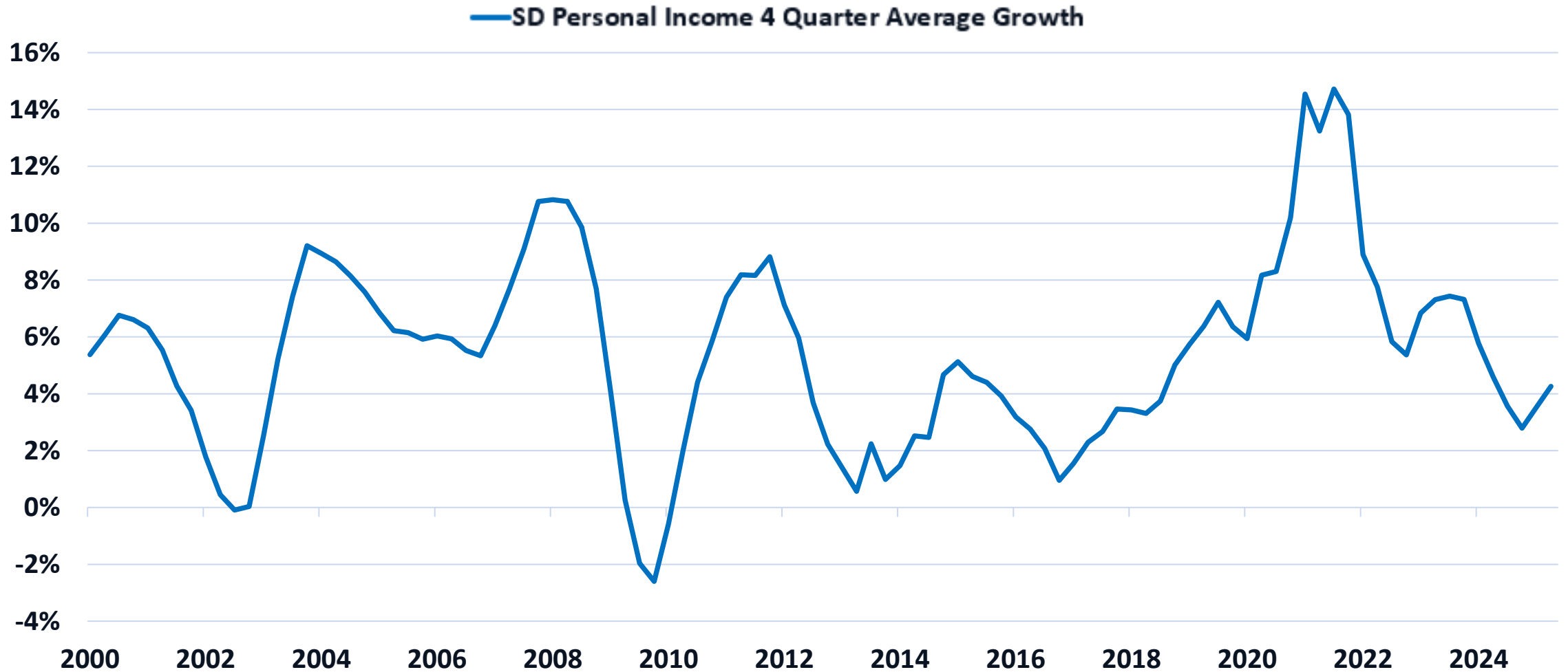
(Thousands)



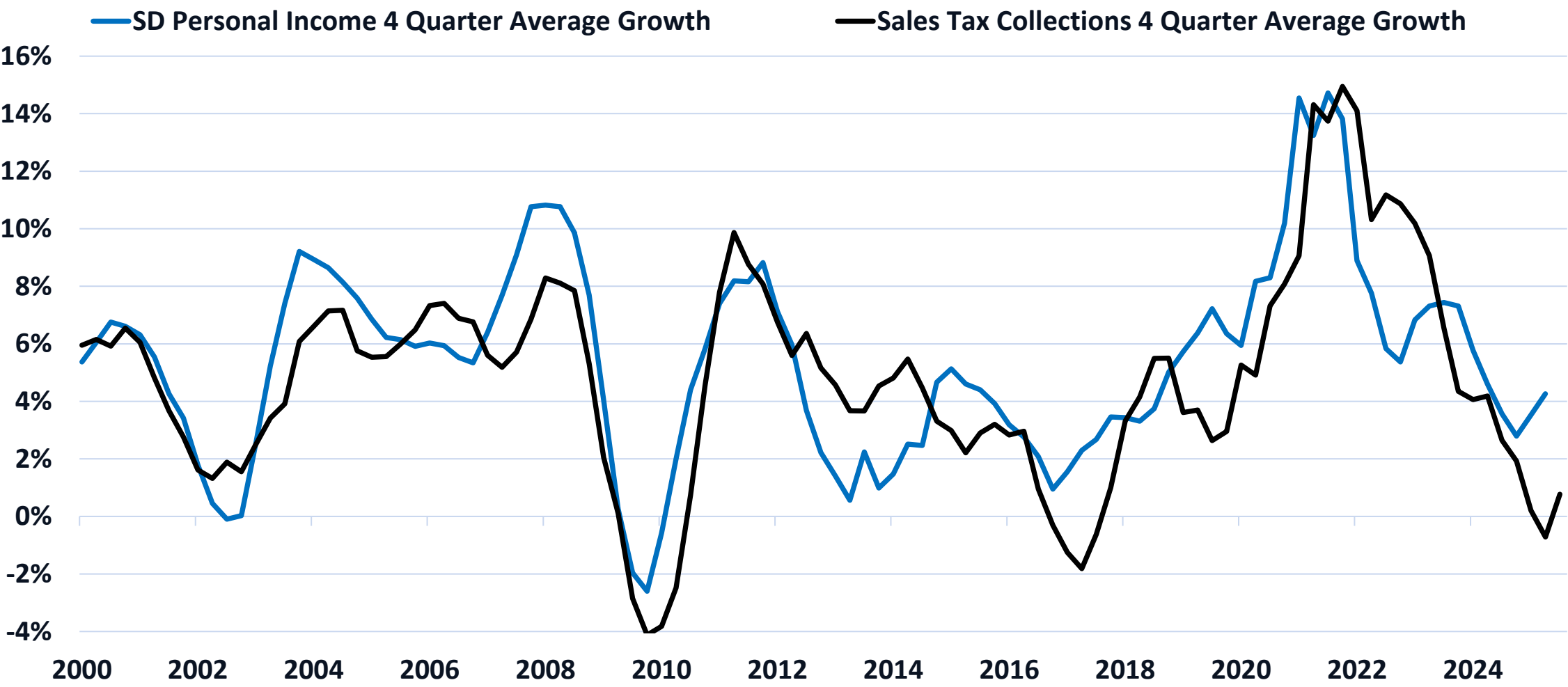
SD Unemployment Rate



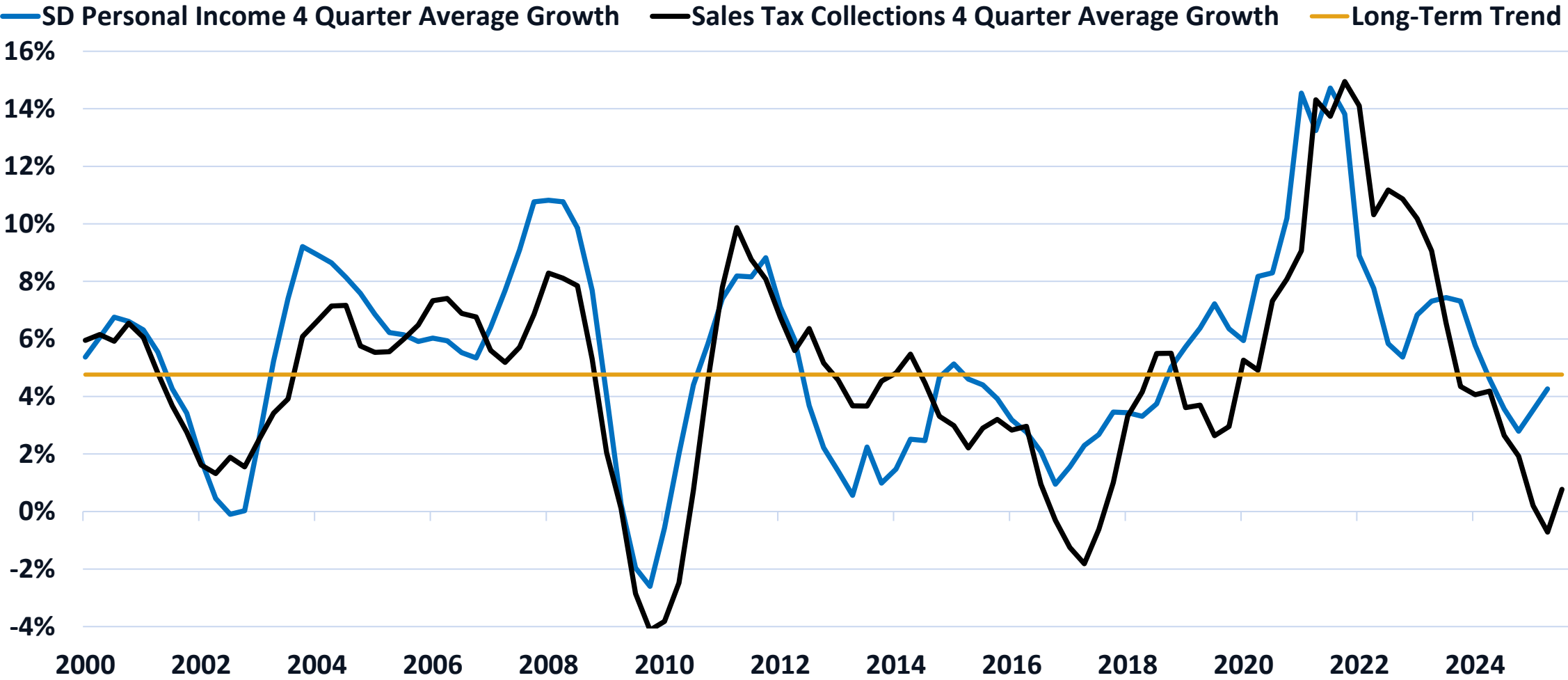
SD Personal Income



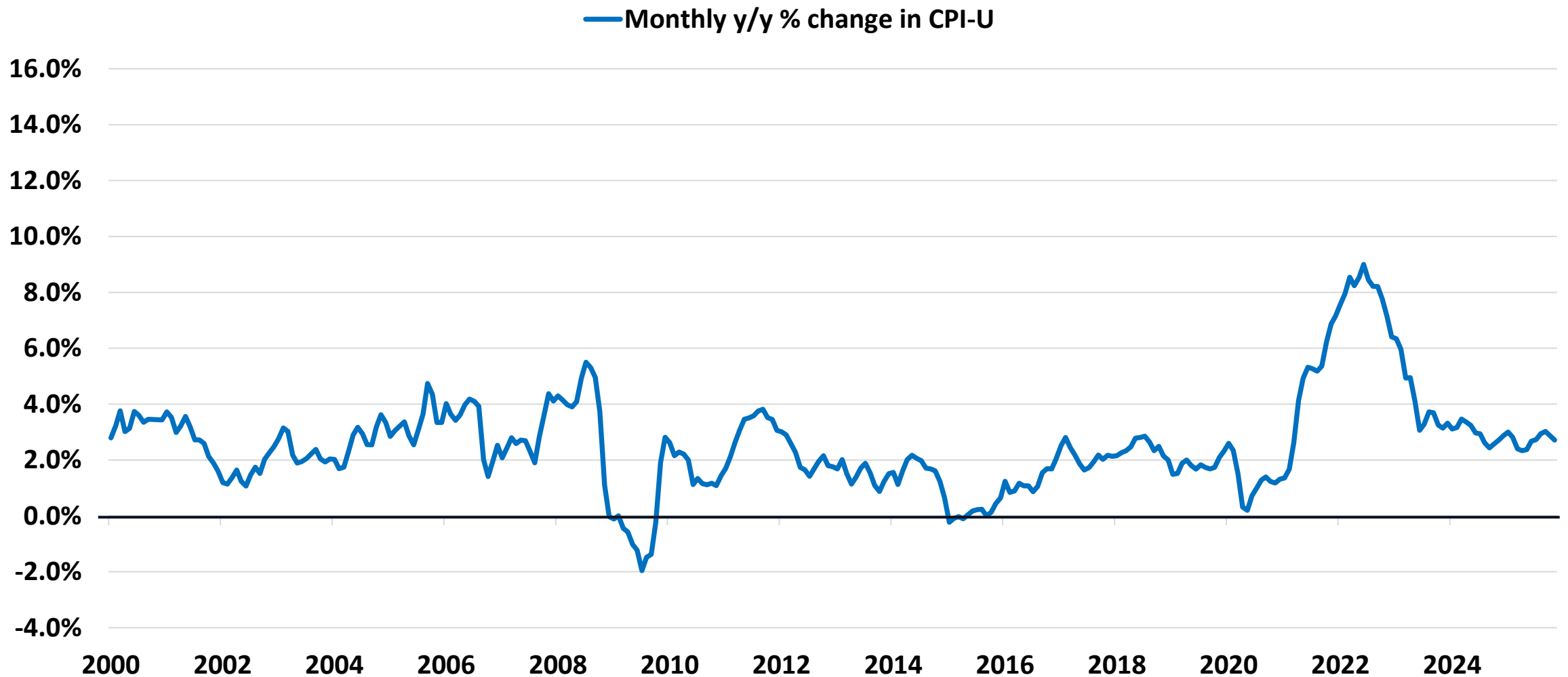
SD Personal Income vs. Sales Tax Collections



SD Personal Income vs. Sales Tax Collections



Inflation: Consumer Price Index



Ag Economy

SD Corn Prices



SD Wheat Prices



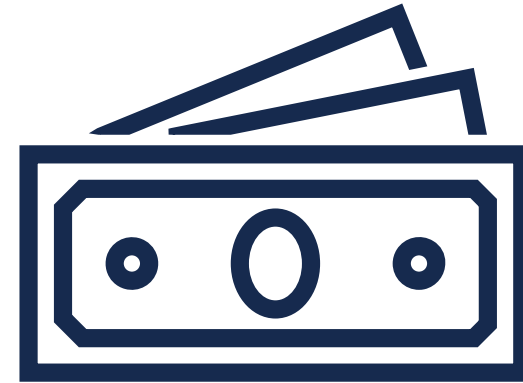
SD Soybean Prices



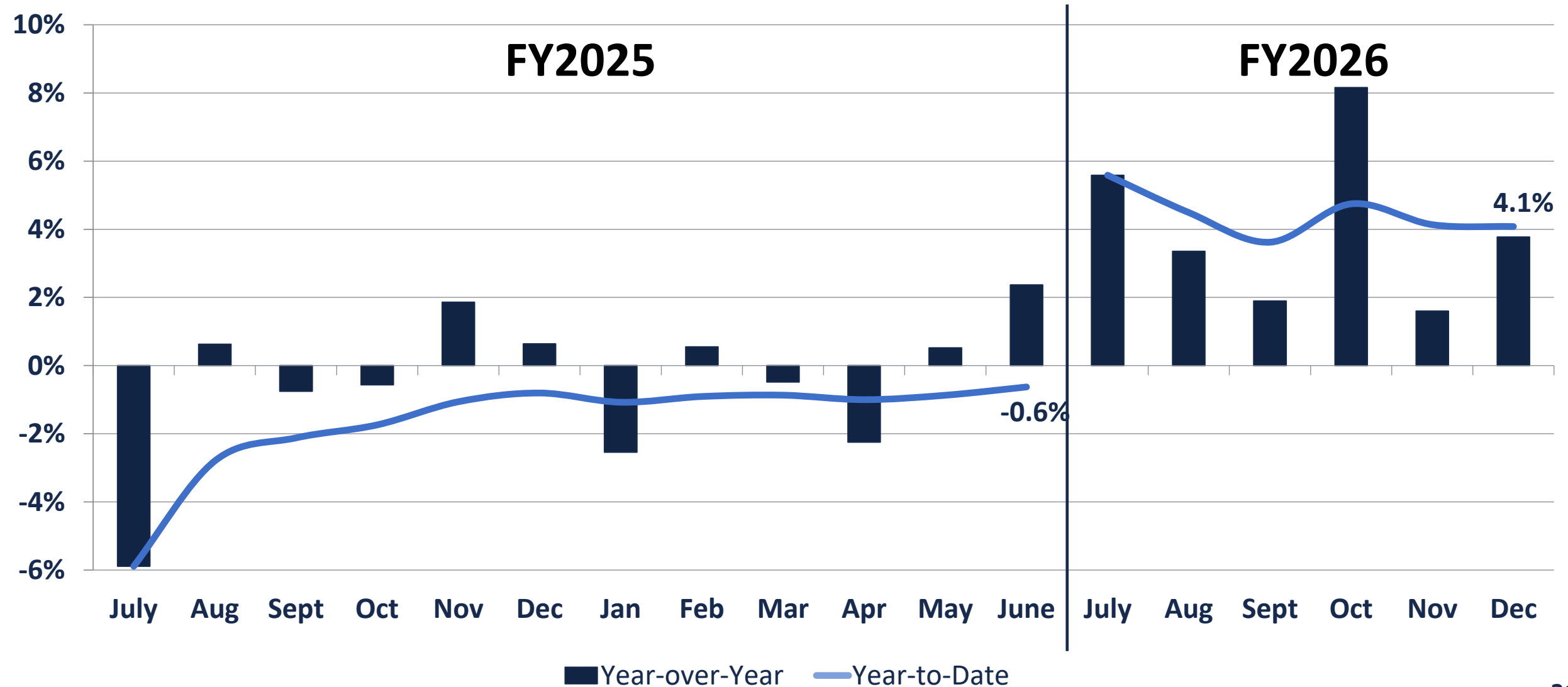
Prices Received All Beef Cattle (US) \$/cwt



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 | <u>233.6</u> | <u>232.4</u> | <u>(1.2)</u> |
| 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 | <u>98,028,526</u> |
| 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 | <u>233.6</u> | <u>232.4</u> | <u>220.8</u> | <u>(11.6)</u> |
| 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 | <u>58,662,063</u> |
| 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 | <u>(379,846)</u> |
| FY2026 Bottom-Line | \$14,385,824 |

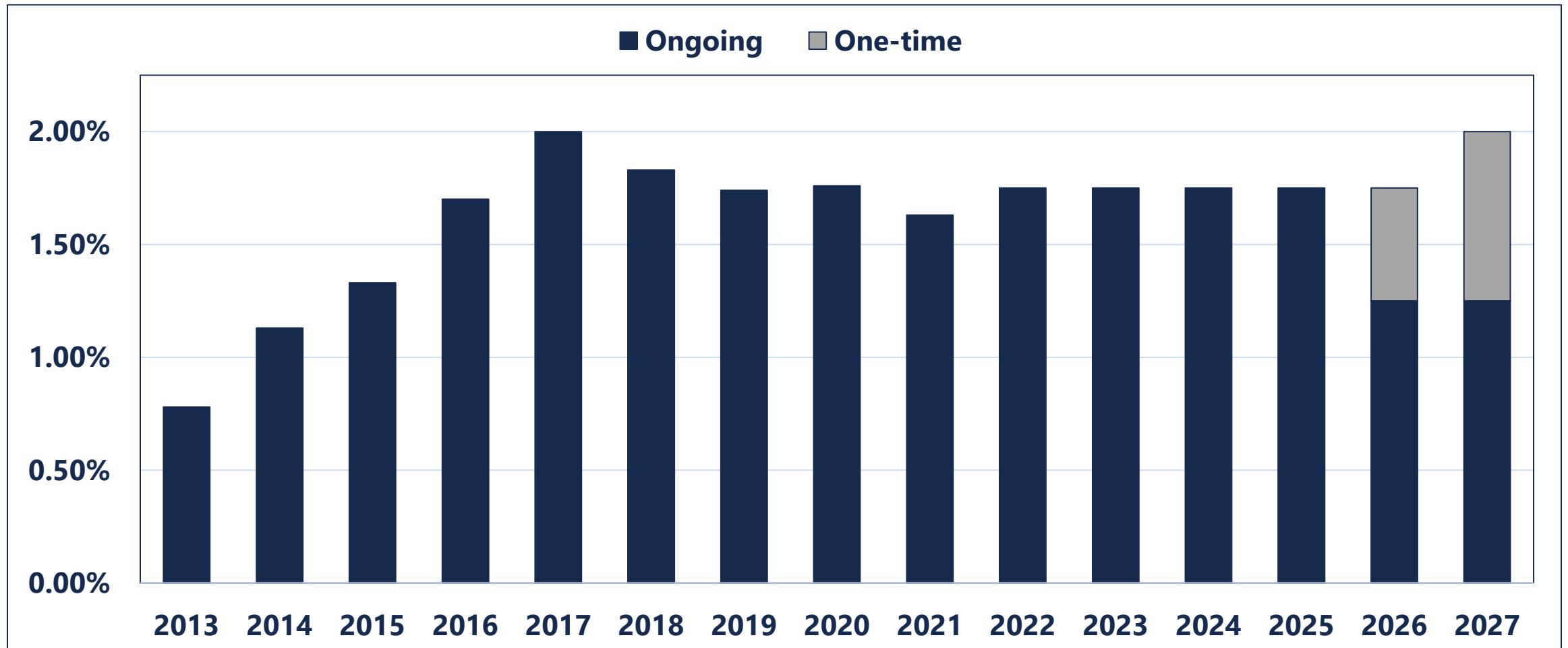
General Bill Amendment Reductions

| | 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) | <u>257,852</u> |
| 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 | <u>(6,187,501)</u> |
| 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) | <u>(1,500,000)</u> |
| FY2026 Expenditure Transfers | (\$14,600,000) |

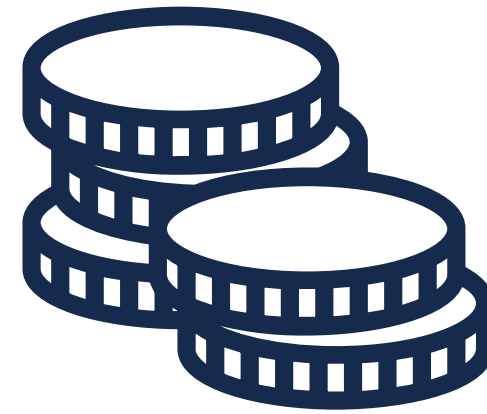
Emergency Special Appropriations

| | 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 | <u>(379,846)</u> |
| FY2026 Bottom-Line | \$14,385,824 |

FY2027 ONGOING EXPENSES



Ongoing Revenue Available

| | FY2027 |
|--|---------------------|
| FY2026 Revised Revenue Shortfall | (7,046,833) |
| FY2027 Projected Revenue Growth | <u>58,662,063</u> |
| 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

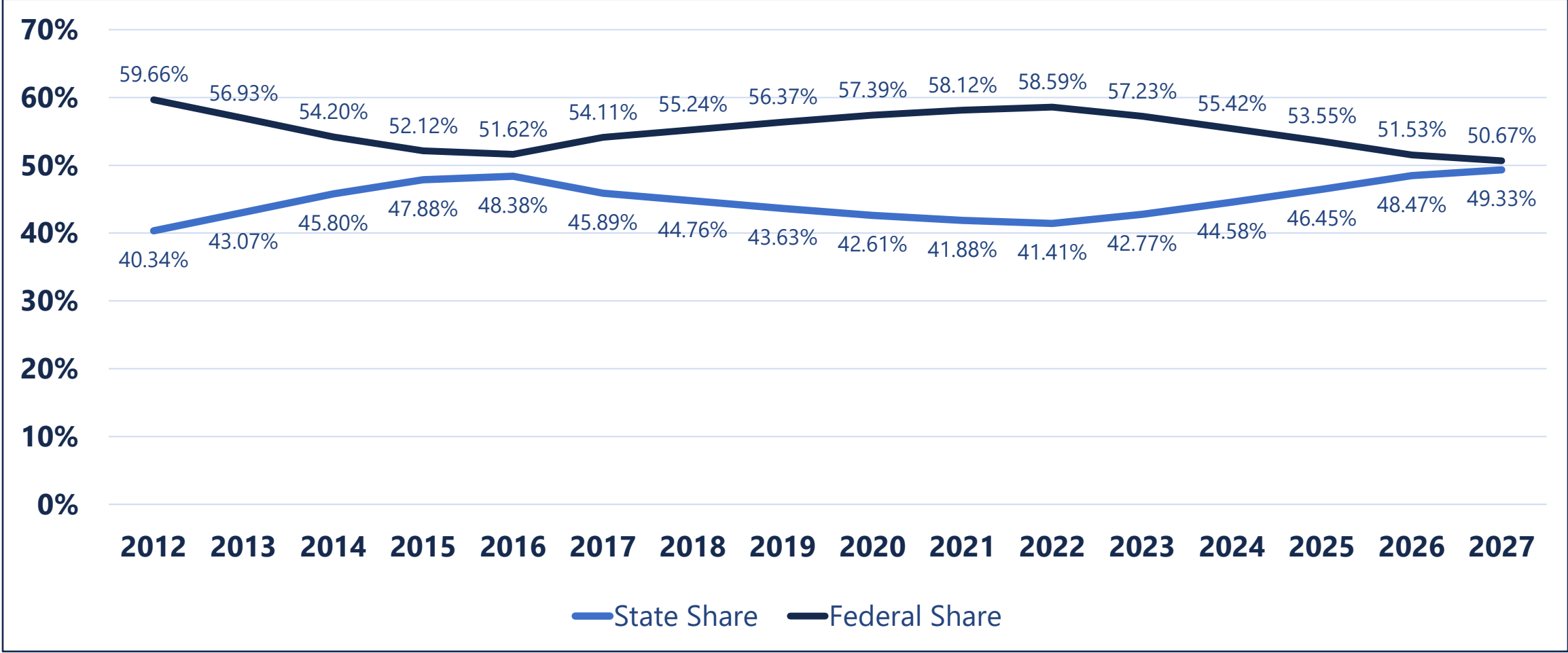
FY2027 Recommended Expense Summary

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

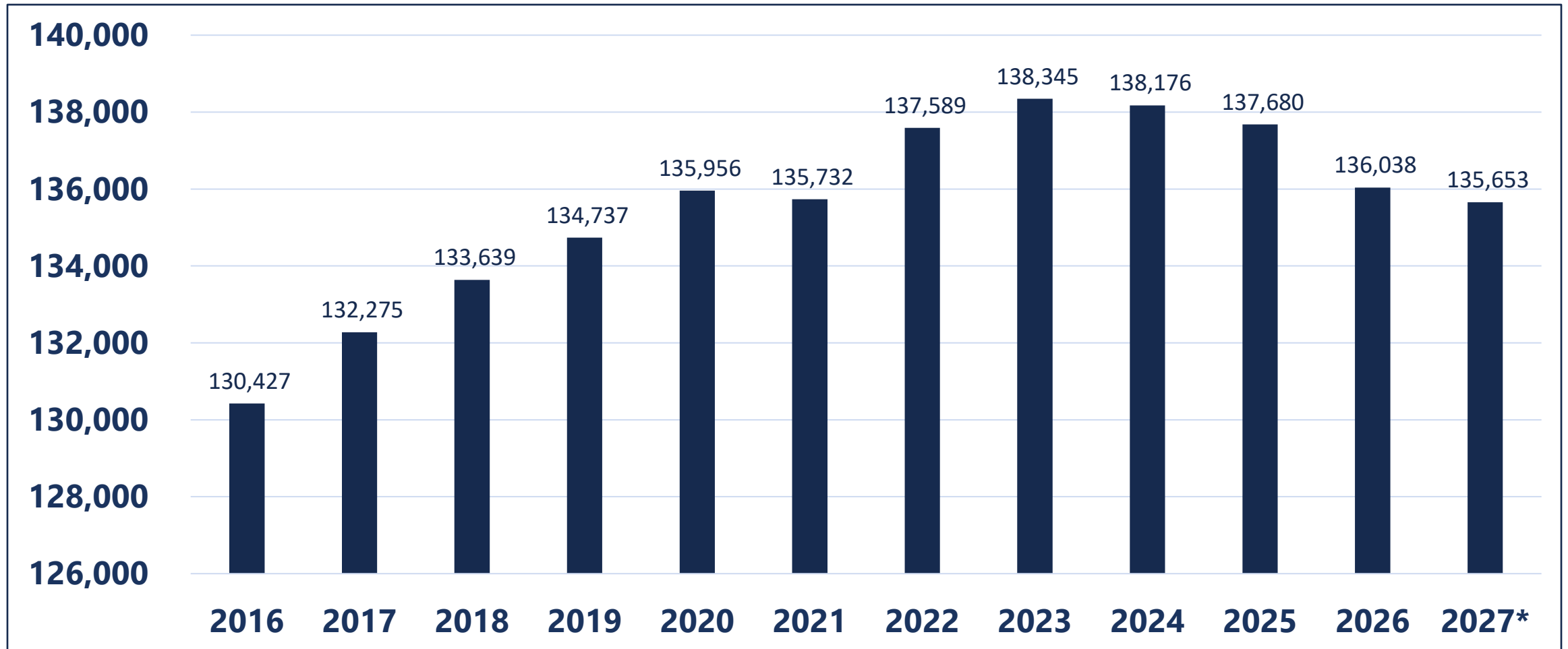
Mandatory Changes

| | 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) | <u>436,243</u> |
| Total Mandatory Changes | \$47,157,144 |

Title XIX Medicaid FMAP History



State Aid Student Enrollment



Federal Funding Replacement

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

Discretionary Changes

| | General Funds |
|---|----------------------|
| Maintenance and Repair (Various) | 741,231 |
| Administration Funding Adjustment (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) | <u>446,761</u> |
| 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 | <u>885,120</u> |
| 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 | <u>(379,846)</u> | <u>(885,120)</u> |
| Bottom Line | \$14,385,824 | \$0 |



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*Bureau of Finance and Management
January 13, 2026*