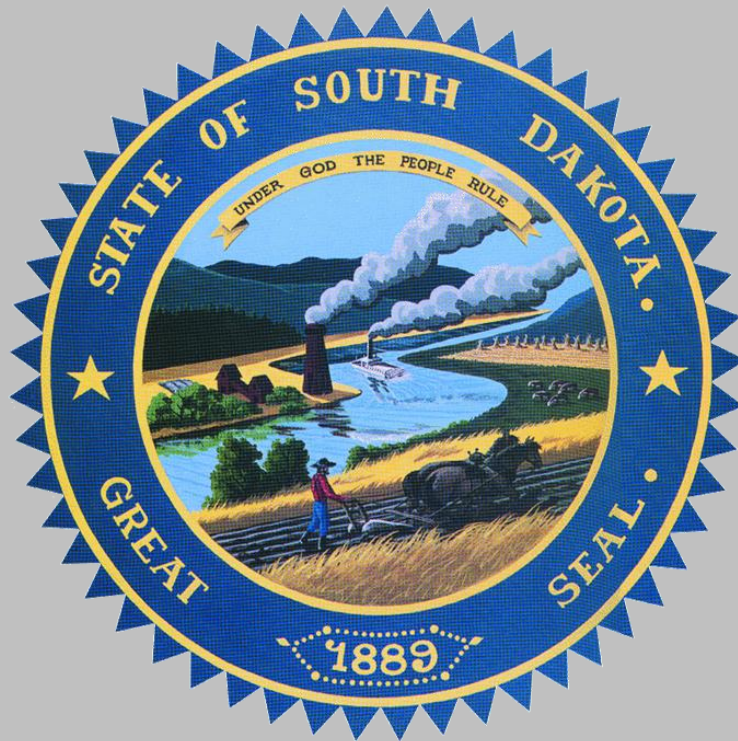


STATE OF SOUTH DAKOTA SUMMARY OF GOVERNOR'S BUDGET FISCAL YEAR 2027

OUR 137TH YEAR OF A BALANCED BUDGET



LARRY RHODEN, GOVERNOR

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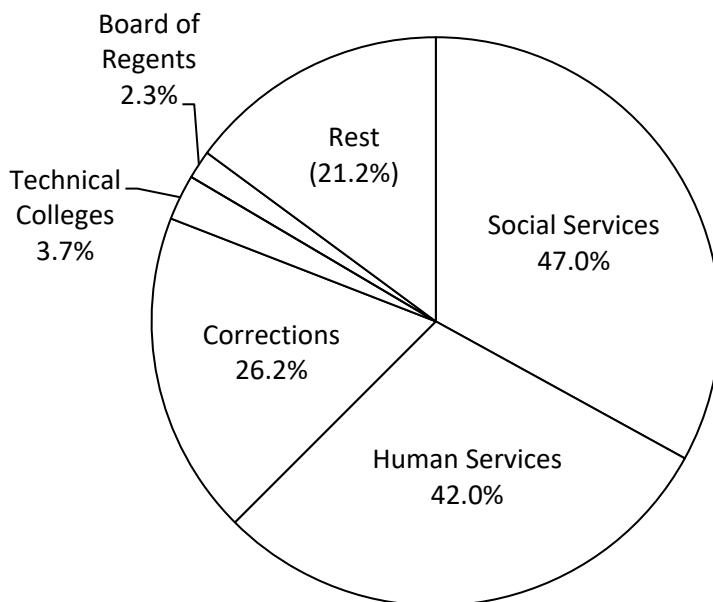
SUMMARY OVERVIEW

Governor Rhoden is recommending a budget (including special and continuing appropriations) for FY2027 of \$7,457,060,284 in total funds and 14,230.3 FTE. For FY2027, the Governor is proposing a general fund budget of \$2,521,438,703, which is an increase of \$51,615,230 over the adopted FY2026 budget. This includes an increase of \$885,120 in continuing appropriations. The proposed FY2027 general fund budget is distributed as follows:

- \$1,039.0 million, or 41.2%, for Health, Human, and Social Services
- \$768.9 million, or 30.5%, for State Aid to Education
- \$314.4 million, or 12.5%, for Higher Education
- \$170.9 million, or 6.8%, for Corrections
- \$114.1 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
- \$91.7 million, or 3.6%, for the Remainder of State Government

The table below depicts the FY2027 recommended general fund increases, excluding special and continuing appropriations and transfers.

FY2027 General Fund Increases



TOTAL INCREASE: \$50,730,110

Social Services	\$23.8M
Human Services	\$21.3M
Corrections	\$13.3M
Technical Colleges	\$1.9M
Board of Regents	\$1.1M
Rest of State Government	(\$10.8M)

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 quarters of 2022 and 2025, which realized real GDP declines, United States real GDP is in its fifth year of expansion. In 2024, GDP grew 0.8%, 3.5%, 3.3%, and 1.8% in the first through fourth quarters, respectively. In 2025, GDP declined 0.6% in the first quarter and then increased 3.8% in the second quarter, followed by an estimate of 3.2% in the third quarter.

United States payroll employment for September reported an increase of 119,000 jobs. However, the labor market has downshifted, with the average monthly gain in payrolls since May around only 40,000 jobs. Both June and August had negative job growth. The average monthly gain in 2024 for United States payroll employment was approximately 168,000 jobs. The unemployment rate was at 4.4% in September. While this is still a low unemployment rate for the United States historically, it is 0.4% higher than the 2024 average (4.0%).

In November, Congress passed a continuing resolution to fund federal agencies through January 2026. This ended a 43-day shutdown – the longest in history. The debt ceiling was increased by \$5 trillion in the One Big Beautiful Bill Act, which was signed into law in July 2025.

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 2024 and 25 basis points in November 2024, December 2024, September 2025, and October 2025, the current target range is now at 3.75% – 4.00%. 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 2025, the Federal Reserve balance sheet is approximately \$6.6 trillion.

The following are recent key national economic statistics:

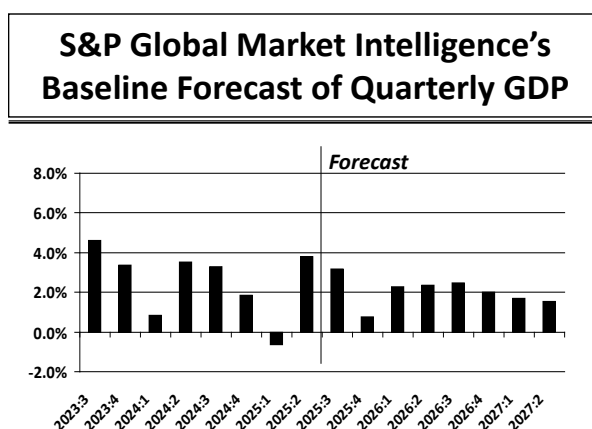
- Estimates indicate real GDP grew 3.2% at an annualized pace in the third quarter of 2025, which followed an increase of 3.8% in the second quarter.
- The unemployment rate was 4.4% in September. The current rate is 0.3% higher than September 2024 and 0.6% higher than September 2023.
- The labor force participation rate was 62.4% in September. This is 0.3% lower than September 2024 and September 2023.
- United States personal income increased 5.1% in the second quarter of 2025 from the second quarter of 2024. Personal income grew 6.9% in 2020, 9.5% in 2021, 3.1% in 2022, 6.5% in 2023, and 5.6% in 2024.
- Real personal consumption expenditures increased 3.1% in the third quarter of 2025, up from 2.5% in the second quarter.

NATIONAL FORECAST HIGHLIGHTS

This section summarizes S&P Global Market Intelligence's forecast as of November 2025 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): With the exception of the first quarter of 2025, real GDP has grown in every quarter since 2022 – most recently at 3.8% in the second quarter of 2025. Growth is expected to continue at 2.2% in 2026 and 1.8% in 2027.

In the first two quarters of this year, real GDP change was -0.6% and 3.8%, respectively, and is expected to be 3.2% in the third quarter and 0.8% in the fourth quarter. In the four quarters in 2026, S&P Global is projecting GDP change of 2.3%, 2.4%, 2.5%, and 2.0%. In 2027, GDP is forecast to increase 1.7% and 1.5% in the first two quarters.



On an annual basis, GDP grew 2.6% in 2019. It declined 2.1% in 2020 before growing 6.2% in 2021, 2.5% in 2022, 2.9% in 2023, and 2.8% in 2024. S&P Global Market Intelligence's latest baseline forecast projects real GDP at 2.0% in 2025, 2.2% in 2026, and 1.8% in 2027.

S&P Global is currently assigning a higher probability of positive (30%) versus negative (20%) risks in the United States economic outlook. The largest risks to the forecast are deteriorating financial conditions and higher inflation. The optimistic scenario assumes faster moderation in inflation, lower interest rates, and improved financial conditions.

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. Estimated growth of 3.1% in the third quarter of 2025 was up from growth of 2.5% in the second quarter and 0.6% in the first 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 increased 8.8% in 2021, 3.0% in 2022, 2.6% in 2023, and 2.9% in 2024. The forecast projects real personal consumption expenditures at 2.5% in 2025, 2.1% in 2026, and 1.8% in 2027. Consumer confidence has declined for four consecutive months due to the persistence of high prices and weakening incomes. The University of Michigan's Index of Consumer Sentiment decreased 2.6 points in November, registering at 51.0. This is the lowest consumer sentiment reading since 2022.

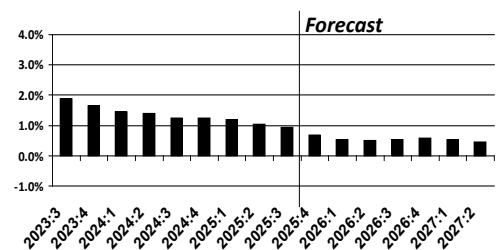
The personal savings rate (as a percentage of disposable income) declined to 4.7% in the third quarter of 2025, after readings of 5.2% in the first quarter and 5.3% in the second quarter. The personal saving rate declined rapidly in 2022 after peaks of stimulus in 2020 and 2021. Personal savings rate was 7.3% in 2019, 15.2% in 2020, 11.4% in 2021, 3.4% in 2022, 5.6% in 2023, and 5.5% in 2024. The S&P Global Market Intelligence baseline forecast calls for the savings rate to increase from 4.9% in 2025 to approximately 6.0% in 2026 and 7.1% in 2027.

EMPLOYMENT: The latest United States payroll employment report indicated total nonfarm employment grew by 119,000 jobs in September, which was a significant increase from previous months. However, labor markets have shown signs of loosening. The expectation is for slowing growth in nonfarm employment. Employment is expected to grow at

0.7% in the fourth quarter of 2025. For 2026, employment is projected at 0.5%, 0.5%, 0.5%, and 0.6% for each quarter. The labor force participation rate was 62.4% in September. After being driven down during the pandemic, the participation rate moved upward in 2021 and 2022 and has been relatively steady in 2023 through 2025. The labor force participation rate is expected to decline slightly in both 2026 and 2027.

The unemployment rate in September was 4.4%, up from 4.3% in August and 4.2% in July. The unemployment rate is expected to continue trending upward. On an annual basis, the unemployment rate was 5.4% in 2021, 3.6% in 2022, 3.6% in 2023 and 4.0% in 2024. It is forecast to be 4.2% in 2025, 4.5% in 2026, and 4.5% in 2027.

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



HOUSING: Higher interest rates and decreased affordability have led to declining housing statistics. Many homeowners are locked into low mortgage rates, which contributes to existing home inventory shortages. Homebuilder sentiment is low. The National Association of Home Builders Index is at 38 in November, which is down from 46 a year ago but improved from readings of 32 in August and September. The average monthly index reading for 2025 is the lowest figure since 2012. Existing home sales in the third quarter were at a 4.02-million-unit annual rate. Housing starts in the third quarter were at a rate of 1.35 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 2.4% in 2025 (-0.3% real) and 0.1% in 2026 (-2.7% real).

Total housing starts are projected to be 1.35 million units in 2025, 1.30 million units in 2026, and 1.30 million units in 2027. In 2020, 2021, 2022, 2023, and 2024, total housing starts were 1.39 million, 1.60 million, 1.55 million, 1.42 million, and 1.37 million units, respectively.

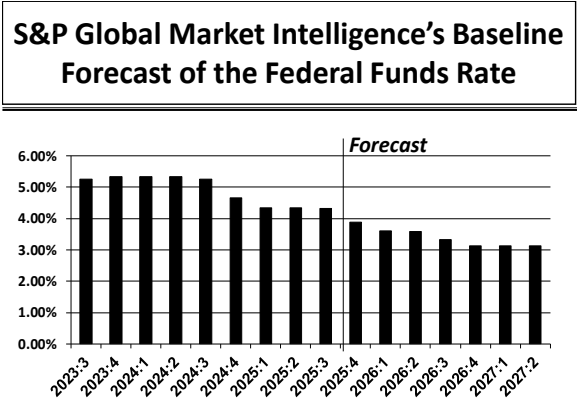
INFLATION: Inflation remains elevated. The Consumer Price Index (CPI) was at 3.0% in September year-over-year, on a seasonally adjusted basis. CPI has generally fallen since it peaked at 9.0% in June 2022; however, the rate of inflation has ticked up recently.

The CPI increased 1.3% in 2020, 4.7% in 2021, 8.0% in 2022, 4.1% in 2023, and 3.0% in 2024. The CPI is forecast to grow 2.7% in 2025, 2.9% in 2026, and 2.5% in 2027. The Producer Price Index for Finished Goods decreased 1.3% in 2020, before increasing 8.9% in 2021, 13.4% in 2022, 1.6% in 2023, and 1.2% in 2024. The current forecast calls for increases of 1.7% in 2025, 1.8% in 2026, and 1.8% in 2027.

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 2025, the Federal Reserve balance sheet is approximately \$6.6 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 2024 and 25 basis points in November 2024, December 2024, September 2025, and October 2025, the current target range is now at 3.75% – 4.00%. The forecast is for the target rate to be further decreased by 25 basis

points in December 2025 followed by cuts in mid-to-late 2026 to eventually reach a target range of 3.00% – 3.25% by late 2026.



The unified federal deficit for FFY2024 was \$1.82 trillion. S&P Global forecasts deficits of \$1.77 trillion for FFY2025, \$1.79 trillion for FFY2026, and \$1.94 trillion for FFY2027.

INTERNATIONAL: Real foreign GDP is projected to decrease from 2.1% in 2024 and 2025 to 1.9% in 2026. Real exports grow 0.8% this year and 3.0% next year. Real imports grow 3.3% this year and decline 1.9% next year. The price of Brent crude oil is projected to decline to approximately \$58/barrel in 2026 and \$64/barrel in 2027.

RISKS TO THE FORECAST

Economic risks to the baseline forecast are reflected in alternate scenarios. There are upside risks as the result of lower tariffs leading to a faster moderation in inflation. Modestly stronger consumer demand would lead to expanded business investment plans. The downside risks stem from higher tariffs, higher inflation, and a decline in consumer and business confidence. S&P Global Market Intelligence assigns a greater probability to the optimistic scenario than the pessimistic scenario at this time.

A 30% 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 2.2% in 2025, 3.2% in 2026, and 2.0% in 2027. The optimistic scenario assumes stronger growth driven by improved financial conditions.

The pessimistic scenario assumes a shallow recession beginning in late 2025. S&P Global assigns a 20% probability to this scenario. In S&P Global Market Intelligence’s pessimistic scenario, GDP is projected to increase by 1.8% in 2025, 0.5% in 2026, and 0.7% in 2027. 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 steadily. Total nonfarm employment is forecast to grow 0.9% in 2025. Real Gross State Product (GSP) is projected to finish the year 0.9% higher than 2024. Additionally, South Dakota personal income is projected to finish the year at 5.8% growth.

The following are some recent key South Dakota economic statistics:

- South Dakota nonfarm employment grew 1.3% in 2024 and is projected to finish 2025 at 0.9%. Nonfarm employment growth in 2026 is forecast at 0.5%.
- The unemployment rate in South Dakota in August of 2025 was 1.9%. This was 2.4% below the national rate of 4.3%.
- Housing starts surged in 2020 through 2022 due to high demand and low mortgage rates. Housing starts remained elevated in 2023 before falling to a historical average rate in 2024. Projections are to finish 2025 similar to 2024 and then declining slightly in 2026 and 2027.

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 \$3.7 billion in 2024. The number of estimated visitors in South Dakota totaled approximately 14.9 million, spending an estimated \$5.1 billion statewide, an increase of 2.8% from 2023.

Tourism activity has remained steady in 2025. Total estimated visitation is up 0.4% through September, while visitor spending is estimated to be up 1.7% year-over-year. Year to date, State and National Park visits are up 2.9%, but airport arrivals are down 4.6%.

AGRICULTURE: In 2024, the agricultural economy in South Dakota produced cash receipts of \$13.1 billion, which was a decrease of \$0.5 billion from 2023 cash receipts. Crops generated \$6.7 billion, and animals and products generated \$6.4 billion in 2024. Cash receipts from crops decreased \$1.0 billion, while cash receipts from animals and products increased \$0.5 billion.

Overall, crop production levels are expected to be strong in 2025. According to the National Agricultural Statistics Service (NASS), as of November 1st, corn production is projected to be 1.06 billion bushels, up 20% from 2024 production. Corn acres harvested is estimated at 6.11 million acres, which is up 13% from a year ago. The corn yield is estimated to be 173 bushels per acre, up 9 bushels from last year and a record high yield. Soybean production is expected to be 243 million bushels, up 5% from a year ago, with a yield of 48 bushels per acre, up 5 bushels from the 2024 yield. Soybean acres harvested is estimated at 5.06 million, down 6% from last year. Sorghum for grain production is forecast to be 13.3 million bushels, down 43% from 2024 with 170,000 acres for harvest estimated, which is down 44% from last year. The yield is estimated to be 78 bushels per acre, which is up 2 bushels from last year.

Prices received for crops are down slightly in 2025 compared to last year. In August 2025, the average price received for corn in South Dakota was \$3.67 per bushel, nearly flat from \$3.66 per bushel in August 2024. The average price received for soybeans in South Dakota in August 2025 was \$9.57 per bushel, down 1% from \$9.66 per bushel in August 2024.

South Dakota feedlots with capacities of 1,000 or more head contained 185,000 cattle on feed as of September 1st, which is up 5% from last year. Placements during August totaled 28,000 head, which is down 7% from last year. Fed cattle marketings were at 22,000 head, down 35% from last year. The inventory of all hogs and pigs as of September 1st was down 5% from the previous September and down 4% from June. The June to August pig crop total was 2.15 million head, up 4% from a year ago.

Weather conditions in 2025 were favorable for crop production and moisture supplies are adequate in most areas. As of mid-November, 72% of topsoil supplies are rated adequate or surplus and 67% of subsoil supplies are rated adequate or surplus. The council is specifically concerned with low commodity prices, elevated input prices, and global trade.

CONSTRUCTION: So far in fiscal year 2026, construction activity has been steady. Contractor’s Excise Tax, which is a good indicator of overall construction activity, is up 4.9% through the first four months of the fiscal year compared to the prior year. However, Contractor’s Excise Tax was down 2.2% in fiscal year 2025. Growth rates for fiscal years 2020 through 2024 ranged from 7.9% to 21.6%. Housing construction in 2024 and 2025 was down from its peak levels in 2020 through 2023 due to higher prices and mortgage rates. However, housing starts were still near the average levels for the previous decade and are projected to stay around that level in 2026 and 2027.

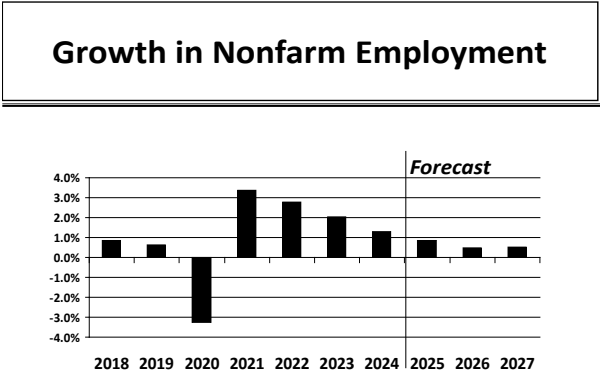
SOUTH DAKOTA FORECAST HIGHLIGHTS

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 2026 and 2027, similar to the national economy.

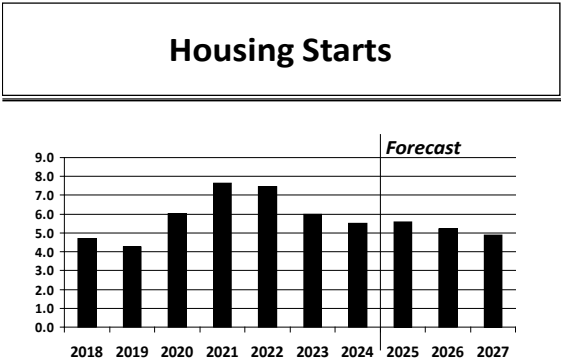
EMPLOYMENT: South Dakota has several advantages over other states to grow employment. Some of these advantages include a pro-business environment, a central geographic location, a low cost of doing business, and a high quality of life. A challenge the state continues to face now and over the long-term 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, averaging about 1% growth per year. Nonfarm employment declined 3.2% 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 2.0% in 2023. However, nonfarm employment growth has slowed more recently. In 2024, employment grew 1.3%. Employment growth is projected to finish 2025 at 0.9% 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 2026 and 2027, nonfarm employment is projected at 0.5% each year.



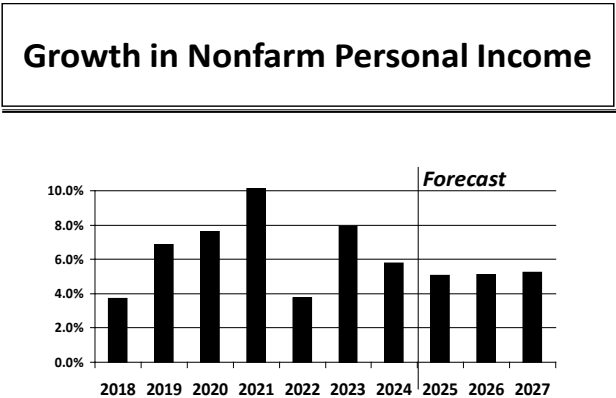
HOUSING/CONSTRUCTION: Housing starts were down in 2018 and 2019 but rebounded significantly in 2020 through 2022 on the strength of low mortgage rates and high demand.

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 5,520 in 2024 and are projected to be 5,570 in 2025, 5,220 in 2026, and 4,880 in 2027.



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 10.2%, 13.8%, 5.4%, and 7.3%, respectively. In 2024, personal income growth was 2.8%. Personal income is forecast to grow 5.8% in 2025, 4.7% in 2026, and 5.0% in 2027.

From 2011 to 2019, nonfarm personal income also averaged approximately 4% per year. Nonfarm income grew 7.6% in 2020, 13.0% in 2021, 3.7% in 2022, 7.9% in 2023, and 5.8% in 2024. Nonfarm income in South Dakota is forecast to grow 5.1% in 2025, 5.1% in 2026, and 5.3% in 2027.



South Dakota’s per capita personal income for the second quarter of 2025 is at an annual rate of \$79,558, which is 4.3% greater than the United States average of \$76,251.

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 higher input prices. In addition, the workforce shortage limits potential business expansion.

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

REVENUE ESTIMATE SUMMARY

General fund receipts for FY2026 are forecast at \$2,730.1 million. Ongoing receipts comprise \$2,462.8 million of the total. One-time revenues comprise \$267.3 million of the total, which includes \$26 thousand in bank franchise tax prior year revenue, \$98.0 million due to a transfer from budget reserves, and \$169.2 million of obligated cash carried forward from FY2025. The ongoing estimate for FY2026 is an increase of \$82.2 million from actual FY2025 ongoing receipts. Categories forecasted to show major increases in FY2026 over FY2025 actuals include sales and use tax (+\$63.5M) and insurance company tax (+\$11.5M). The only category forecast for a decrease from FY2025 actual receipts is investment income and interest (-\$24.1M).

The revised ongoing estimate for FY2026 is \$7.0 million lower than the ongoing estimate adopted during the 2025 legislative session. Major positive adjustments for the revised FY2026 estimate compared to the adopted FY2026 estimate are for severance taxes (+\$7.0M) and insurance company tax (+\$5.2M). The most significant negative revisions compared to the adopted FY2026 estimate are for investment income and interest (-\$9.5M) and sales and use tax (-\$8.6M).

General fund receipts for FY2027 are projected to be \$2,521.4 million, of which all receipts are considered ongoing. The forecast for ongoing receipts in FY2027 is an increase of \$58.7 million from the revised FY2026 projection. The most significant sources of growth are from sales and use tax (+\$60.3M), insurance company tax (+\$6.8M), and contractor's excise tax (+\$6.6M). The category with the most significant projected decrease in FY2027 is investment income and interest (-\$14.0M).

CURRENT REVENUE FORECAST (Dollars in Millions)

	<u>FY2026</u>	<u>FY2027</u>
Sales and Use Tax	1,496.1	1,556.4
Lottery	183.6	184.6
Contractor's Excise Tax	219.1	225.8
Insurance Company Tax	152.5	159.3
Unclaimed Property	61.4	58.0
Tobacco Taxes	40.8	38.9
Other Ongoing Revenues	309.2	298.5
One-Time Receipts	0.0	0.0
Transfer from Budget Reserves	98.0	0.0
Obligated Cash Carried Forward	<u>169.2</u>	<u>0.0</u>
Total Revenue	<u>2,730.1</u>	<u>2,521.4</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 60.8% of ongoing general fund revenue. Between FY2000 and FY2025, the sales and use tax grew from \$432.1 million to \$1,432.6 million, which was an average annual increase of 5.0%. Since FY2015, growth rates of the sales tax have varied from year to year. In FY2015 and FY2016, 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. Growth continued in FY2023 with ongoing sales and use tax growing by 9.1% and total sales and use tax collections growing by 6.9%. In FY2024, the state sales tax rate was reduced from 4.5% to 4.2%, which resulted in a decline in ongoing sales and use tax collections of 2.6%.

Net collections from the sales and use tax in FY2025 were \$1,432.6 million, which was a decrease of \$9.0 million, or 0.6%, compared to FY2024. Through the first four months of FY2026, sales and use tax collections to the general fund were \$537.8 million, which is an increase of 4.7% from the first four months of collections for FY2025. For the revised FY2026 estimate, the sales and use tax is forecast at \$1,496.1 million, which is an increase of \$63.5 million, or 4.4%. For FY2027, the sales and use tax is forecast at \$1,556.4 million, which is an increase of \$60.3 million, or 4.0%, over the revised FY2026 estimate.

LOTTERY

Collections from lottery activities account for approximately 7.5% of ongoing general fund revenues. In FY2026, lottery collections are anticipated at \$183.6 million, which includes the general fund's share of instant lottery ticket sales of \$5.9 million, 70% or \$9.0 million from the online lottery net income, and \$168.7 million in video lottery receipts. In FY2027, lottery receipts are projected at \$184.6 million, which includes \$6.2 million from instant lottery income, 70% or \$6.7 million from online lottery net income, and \$171.6 million from the state's share of video lottery receipts. In FY2024 and FY2025, video lottery receipts were \$164.0 million and \$164.9 million, respectively. So far in FY2026, video lottery receipts are up 2.3% through the first four months compared to the prior year.

CONTRACTOR'S EXCISE TAX

The collection of contractor's excise tax accounts for approximately 8.9% 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 \$212.0 million in FY2025, representing an average annual increase of 6.5%. In FY2025, net collections to the general fund from the contractor's excise tax declined \$4.7 million, or 2.2%, from FY2024. Through the first four months of FY2026, net contractor's excise tax collections were \$85.2 million, an increase of 4.9% compared to the first four months of FY2025. Contractor's excise tax collections for FY2026 are forecast to be \$219.1 million, an increase of \$7.1 million, or 3.4%, compared to FY2025 collections. FY2027 collections are forecast at \$225.8 million, an increase of \$6.6 million, or 3.0%, compared to the revised FY2026 estimate.

INSURANCE COMPANY TAX

Collections from the insurance company tax account for approximately 6.2% of ongoing general fund revenues. From FY2000 to FY2025, insurance company tax collections grew from \$39.5 million to \$140.9 million, which was an average annual increase of 5.3%. In FY2025, insurance company tax collections increased by \$12.8 million, or 9.9%, compared to FY2024. For FY2026, insurance company tax collections are forecast at \$152.5 million, which is an increase of \$11.5 million, or 8.2%, over FY2025 collections. For FY2027, insurance company tax collections are forecast to be \$159.3 million, which is an increase of \$6.8 million, or 4.5%, over the revised FY2026 estimate.

UNCLAIMED PROPERTY

Historically, collections from unclaimed property have been relatively small but have grown substantially in more 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 FY2014, collections increased due to mergers within the banking industry and the migration of home office locations to South Dakota. From FY2015 to FY2020, collections fell from \$59.2 million to \$47.3 million, net of property claims. In FY2021, FY2022, FY2023, FY2024, and FY2025, unclaimed property collections increased to \$62.8 million, \$65.1 million, \$85.5 million, \$133.6 million, and \$284.0 million, respectively, due to increased remittances. Legislation passed during the 2025 legislative session caps the amount of unclaimed property receipts to the general fund for FY2026 and future years. Net unclaimed property above the amount remitted to the general fund will go to the trust fund for unclaimed property. For FY2026,

unclaimed property revenue to the general fund is capped at \$61.4 million. For FY2027, unclaimed property revenue to the general fund is capped at \$58.0 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 FY2025, cigarette taxes totaled \$33.1 million, while the other tobacco products tax totaled \$12.2 million. The first \$30.0 million collected in tobacco taxes was allocated to the general fund, and the next \$5.0 million was allocated to the tobacco prevention and reduction trust fund. Any collections in excess of \$35.0 million were deposited directly into the general fund in the tobacco tax category. The general fund's portion totaled \$40.3 million in FY2025. General fund receipts from tobacco taxes are projected at \$40.8 million in FY2026, as the allocation to the tobacco prevention and reduction trust fund was reduced from \$5.0 million to \$2.0 million beginning in FY2026. For FY2027, general fund receipts from tobacco taxes are forecast to be \$38.9 million, which is a decrease of \$1.9 million, or 4.7%, from the revised FY2026 estimate.

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 FY2026, collections from other ongoing revenues are projected to be \$309.2 million, approximately 12.6% of total ongoing general fund revenues. In FY2027, collections from other ongoing revenues are projected at \$298.5 million.

ONE-TIME RECEIPTS

In FY2026, collections from one-time receipts are projected to be \$26 thousand. These one-time receipts are from bank franchise tax prior year revenue. In FY2027, there are no one-time receipts projected at this time.

TRANSFER FROM THE BUDGET RESERVES

In FY2026, the Governor is recommending \$98.0 million be transferred from budget reserves to the general fund. This keeps the balance of budget reserves at 12.5% of proposed FY2027 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 FY2026, the total amount of obligated cash carried forward was \$169.2 million. This was obligated to the Budget Reserve Fund and the General Revenue Replacement Fund from the budget surplus at the end of FY2025.

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 FY2023, FY2024, and FY2025, unobligated general fund cash in the amounts of \$25.2 million, \$80.7 million, and \$47.7 million, respectively, was obligated to the Budget Reserve Fund. These funds were transferred from the general fund into the reserve in FY2024, FY2025, and FY2026, respectively. In FY2024, \$93.6 million was transferred from the Budget Reserve Fund to the Incarceration Construction Fund. In FY2026, the Governor is recommending a transfer of \$56.2 million from the Budget Reserve Fund to the general fund to be used for one-time spending priorities. This will leave a projected ending balance in FY2026 of \$180.5 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 FY2023 and FY2025, unobligated general fund cash in the amounts of \$71.6 million and \$121.6 million, respectively, was obligated to the General Revenue Replacement Fund. These funds were transferred from the general fund into the reserve in FY2024 and FY2026, respectively. In FY2026, \$78.8 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 Governor is recommending a transfer of \$41.9 million from the General Revenue Replacement Fund to the general fund in FY2026 to be used for one-time spending priorities. The projected ending balance for FY2026 is \$134.6 million.

For many years, South Dakota has maintained a reserve balance of 10% of the proposed appropriations. The Governor is recommending \$315.2 million, or 12.5% of proposed FY2027 appropriations, be kept in the reserves.

BUDGET RESERVE FUND & GENERAL REVENUE REPLACEMENT FUND CONDITION STATEMENT

	ACTUAL FY2024	ACTUAL FY2025	ESTIMATED FY2026	ESTIMATED FY2027
Budget Reserve Fund Beginning Balance	\$ 176,760,690	\$ 108,298,384	\$ 189,033,475	\$ 180,544,751
Calculations for Maximum Balance in the Fund:				
General Bill Appropriation for Prior Year	\$ 2,019,276,457	\$ 2,192,202,455	\$ 2,366,985,197	\$ 2,515,912,884
Budget Reserve Fund Percentage	10%	10%	10%	10%
Maximum Amount in the Fund	\$ 201,927,646	\$ 219,220,246	\$ 236,698,520	\$ 251,591,288
Maximum Transferable Amount	\$ 25,166,956	\$ 110,921,862	\$ 47,665,044	\$ 71,046,537
Amount of General Funds Available				
End of Prior Year	\$ 96,775,123	\$ 80,735,092	\$ 169,229,772	\$ 0
Transferred in from General Fund	\$ 25,166,956	\$ 80,735,092	\$ 47,665,044	\$ 0
Transferred out to General Fund	\$ 0	\$ 0	\$ (56,153,769)	\$ 0
Transferred out to Incarceration Construction Fund	\$ (93,629,262)	\$ 0	\$ 0	\$ 0
Ending Budget Reserve Fund Balance	\$ 108,298,384	\$ 189,033,475	\$ 180,544,751	\$ 180,544,751
General Revenue Replacement Fund Balance	\$ 62,115,881.77	\$ 133,724,049	\$ 133,724,049	\$ 134,635,088
Transferred in from General Fund	\$ 71,608,167	\$ 0	\$ 121,564,728	\$ 0
Transferred out to General Fund	\$ 0	\$ 0	\$ (41,874,757)	\$ 0
Transferred out to Incarceration Construction Fund	\$ 0	\$ 0	\$ (78,778,932)	\$ 0
Ending General Revenue Replacement Fund Balance	\$ 133,724,049	\$ 133,724,049	\$ 134,635,088	\$ 134,635,088
General Funds Obligated to Reserves	\$ 80,735,091.61	\$ 169,229,772	\$ 0	\$ 0
ENDING TOTAL RESERVES BALANCE	\$ 322,757,524	\$ 491,987,296	\$ 315,179,838	\$ 315,179,838

NOTE: The totals may not add due to rounding.

COMPARISON BETWEEN LEGISLATIVE ADOPTED AND REVISED ESTIMATE FOR FY2026

	LEG ADOPTED FY2026	REVISED FY2026	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,504,777,927	\$ 1,496,145,618	\$ (8,632,309)	(0.57)
Lottery	184,511,493	183,613,471	(898,022)	(0.49)
Contractor's Excise Tax	219,181,622	219,143,706	(37,916)	(0.02)
Insurance Company Tax	147,217,040	152,464,577	5,247,537	3.56
Unclaimed Property Receipts	61,384,827	61,384,827	0	0.00
Licenses, Permits, and Fees	76,470,370	76,780,344	309,974	0.41
Tobacco Taxes	42,658,578	40,817,920	(1,840,658)	(4.31)
Trust Funds	53,182,944	52,372,402	(810,542)	(1.52)
Net Transfers In	27,664,450	27,950,173	285,723	1.03
Alcohol Beverage Tax	9,003,133	8,846,928	(156,205)	(1.74)
Bank Franchise Tax	28,041,899	29,543,802	1,501,903	5.36
Charges for Goods and Services	13,320,300	13,071,892	(248,408)	(1.86)
Telecommunications Tax	2,109,482	2,956,043	846,561	40.13
Severance Taxes	15,423,232	22,442,424	7,019,192	45.51
Investment Income and Interest	81,666,730	72,118,268	(9,548,462)	(11.69)
Alcohol Bev 2% Wholesale Tax	3,209,446	3,124,245	(85,201)	(2.65)
TOTAL (ONGOING RECEIPTS)	\$ 2,469,823,473	\$ 2,462,776,640	\$ (7,046,833)	(0.29)
ONE-TIME RECEIPTS				
Bank Franchise Tax Prior Year Revenue	\$ 0	\$ 25,923	\$ 25,923	N/A
Transfer from Budget Reserves	0	98,028,526	98,028,526	N/A
Obligated Cash Carried Forward	0	169,229,772	169,229,772	N/A
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 0	\$ 267,284,221	\$ 267,284,221	N/A
GRAND TOTAL	\$ 2,469,823,473	\$ 2,730,060,861	\$ 260,237,388	10.54

NOTE: The totals may not add due to rounding.

COMPARISON BETWEEN ACTUAL FY2025 AND REVISED FY2026 REVENUE COLLECTIONS

	ACTUAL FY2025	REVISED FY2026	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,432,631,137	\$ 1,496,145,618	\$ 63,514,481	4.43
Lottery	176,650,200	183,613,471	6,963,271	3.94
Contractor's Excise Tax	212,000,571	219,143,706	7,143,135	3.37
Insurance Company Tax	140,941,713	152,464,577	11,522,864	8.18
Unclaimed Property Receipts	60,253,389	61,384,827	1,131,438	1.88
Licenses, Permits, and Fees	76,648,880	76,780,344	131,464	0.17
Tobacco Taxes	40,280,193	40,817,920	537,727	1.33
Trust Funds	50,366,006	52,372,402	2,006,396	3.98
Net Transfers In	26,865,300	27,950,173	1,084,873	4.04
Alcohol Beverage Tax	8,730,061	8,846,928	116,867	1.34
Bank Franchise Tax	26,180,028	29,543,802	3,363,774	12.85
Charges for Goods and Services	12,795,328	13,071,892	276,564	2.16
Telecommunications Tax	2,237,317	2,956,043	718,726	32.12
Severance Taxes	14,719,152	22,442,424	7,723,272	52.47
Investment Income and Interest	96,234,677	72,118,268	(24,116,409)	(25.06)
Alcohol Bev 2% Wholesale Tax	3,015,131	3,124,245	109,114	3.62
TOTAL (ONGOING RECEIPTS)	\$ 2,380,549,081	\$ 2,462,776,640	\$ 82,227,559	3.45
ONE-TIME RECEIPTS				
One-Time Unclaimed Property Receipts	\$ 223,720,257	\$ 0	\$ (223,720,257)	(100.00)
Bank Franchise Tax Prior Year Revenue	1,414,044	25,923	(1,388,122)	(98.17)
Unexpended Carryovers and Specials	4,935,450	0	(4,935,450)	(100.00)
Transfer from Budget Reserves	0	98,028,526	98,028,526	N/A
Obligated Cash Carried Forward	80,735,092	169,229,772	88,494,681	109.61
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 310,804,842	\$ 267,284,221	\$ (43,520,622)	(14.00)
GRAND TOTAL	\$ 2,691,353,924	\$ 2,730,060,861	\$ 38,706,937	1.44

NOTE: The totals may not add due to rounding.

COMPARISON BETWEEN REVISED FY2026 AND PROJECTED FY2027 REVENUE COLLECTIONS

	REVISED FY2026	PROJECTED FY2027	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,496,145,618	\$1,556,436,867	\$ 60,291,249	4.03
Lottery	183,613,471	184,559,546	946,075	0.52
Contractor's Excise Tax	219,143,706	225,774,152	6,630,446	3.03
Insurance Company Tax	152,464,577	159,264,260	6,799,683	4.46
Unclaimed Property Receipts	61,384,827	58,000,000	(3,384,827)	(5.51)
Licenses, Permits, and Fees	76,780,344	77,734,099	953,755	1.24
Tobacco Taxes	40,817,920	38,879,541	(1,938,379)	(4.75)
Trust Funds	52,372,402	53,486,495	1,114,093	2.13
Net Transfers In	27,950,173	28,137,120	186,947	0.67
Alcohol Beverage Tax	8,846,928	8,993,709	146,781	1.66
Bank Franchise Tax	29,543,802	30,044,678	500,876	1.70
Charges for Goods and Services	13,071,892	13,100,538	28,646	0.22
Telecommunications Tax	2,956,043	2,966,682	10,639	0.36
Severance Taxes	22,442,424	22,740,291	297,867	1.33
Investment Income and Interest	72,118,268	58,117,800	(14,000,468)	(19.41)
Alcohol Bev 2% Wholesale Tax	3,124,245	3,202,925	78,680	2.52
TOTAL (ONGOING RECEIPTS)	\$ 2,462,776,640	\$2,521,438,703	\$ 58,662,063	2.38
ONE-TIME RECEIPTS				
Bank Franchise Tax Prior Year Revenue	\$ 25,923	\$ 0	\$ (25,923)	(100.00)
Transfer from Budget Reserves	98,028,526	0	(98,028,526)	(100.00)
Obligated Cash Carried Forward	169,229,772	0	(169,229,772)	(100.00)
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 267,284,221	\$ 0	\$ (267,284,221)	(100.00)
GRAND TOTAL	\$ 2,730,060,861	\$2,521,438,703	(208,622,158)	(7.64)

NOTE: The totals may not add due to rounding.

GENERAL FUND RECEIPTS

	ACTUAL FY2024	ACTUAL FY2025	REVISED FY2026	PROJECTED FY2027
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,441,678,770	\$ 1,432,631,137	\$ 1,496,145,618	\$ 1,556,436,867
Lottery	179,328,773	176,650,200	183,613,471	184,559,546
Contractor's Excise Tax	216,712,589	212,000,571	219,143,706	225,774,152
Insurance Company Tax	128,189,481	140,941,713	152,464,577	159,264,260
Unclaimed Property Receipts	133,617,777	60,253,389	61,384,827	58,000,000
Licenses, Permits, and Fees	75,761,844	76,648,880	76,780,344	77,734,099
Tobacco Taxes	43,462,155	40,280,193	40,817,920	38,879,541
Trust Funds	48,334,193	50,366,006	52,372,402	53,486,495
Net Transfers In	28,901,042	26,865,300	27,950,173	28,137,120
Alcohol Beverage Tax	8,969,518	8,730,061	8,846,928	8,993,709
Bank Franchise Tax	28,659,255	26,180,028	29,543,802	30,044,678
Charges for Goods and Services	14,262,896	12,795,328	13,071,892	13,100,538
Telecommunications Tax	2,116,069	2,237,317	2,956,043	2,966,682
Severance Taxes	10,932,699	14,719,152	22,442,424	22,740,291
Investment Income and Interest	49,318,506	96,234,677	72,118,268	58,117,800
Alcohol Beverage 2% Wholesale Tax	3,063,771	3,015,131	3,124,245	3,202,925
SUBTOTAL (ONGOING RECEIPTS)	\$ 2,413,309,338	\$ 2,380,549,081	\$ 2,462,776,640	\$ 2,521,438,703
ONE-TIME RECEIPTS				
One-Time Unclaimed Property Receipts	\$ 0	\$ 223,720,257	\$ 0	\$ 0
Bank Franchise Tax Prior Year Revenue	1,443,391	1,414,044	25,923	0
One-Time Sales and Use Tax	12,319,527	0	0	0
Unexpended Carryovers and Specials	14,910,359	4,935,450	0	0
Transfer from Budget Reserves	0	0	98,028,526	0
Obligated Cash Carried Forward	96,775,123	80,735,092	169,229,772	0
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 125,448,400	\$ 310,804,842	\$ 267,284,221	\$ 0
GRAND TOTAL	\$ 2,538,757,738	\$ 2,691,353,924	\$ 2,730,060,861	\$ 2,521,438,703

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.	\$185,678,036
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.	\$68,194,618
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.	\$50,889,712
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.	\$40,337,808
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.	\$30,775,743
10-45-16.1, 10-46-17.5: Pesticides (including insecticides, herbicides, pesticides, rodenticides, and fumigants) and products or substances used in conjunction with application of the pesticides used exclusively for agricultural purposes. (Sales tax applies to endoparasitides and ectoparasitides)	\$31,658,704
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.	\$22,257,877
10-45-12.1: Farm Product Warehousing & Storage	\$279,301
10-45-12.1: Agricultural Services, except: Veterinary Services and Animal Specialty Services.	\$9,921,638
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)	\$422,554
10-45-12.1: Forestry Services	\$185,508
10-45-18.6, 10-46-16.6: The sale of swine or cattle semen used for agricultural purposes.	\$253,533
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.	\$33,804
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.	\$355,682
10-45-18.5, 10-46-16.5: Feed for nondomestic animals exempted in 10-45-18.4	\$6,501

TAX EXPENDITURES

Sales and Use Tax Exemptions

**Annual Est. General
Fund Revenue Loss**

Healthcare Group

10-45-12.1: Health Services; 10-45-14, 10-45-15: Purchases by nonprofit hospitals; 10-45-14.10: Drugs to the extent used by humans that are prescribed, dispensed, or administered by a physician, chiropractor, optometrist, dentist, podiatrist, or audiologist; 10-45-14.9: Insulin that is not sold by prescription; 10-45-14.11: Durable medical equipment, mobility enhancing equipment, and prosthetic devices used by humans when prescribed by prescription, dispensed, or administered for a specific patient by a physician, chiropractor, optometrist, dentist or podiatrist; 10-45-14.12: Medical devices used by humans when prescribed by prescription, dispensed, or administered for a specific patient by a physician, chiropractor, optometrist, dentist or podiatrist; 10-45-14.6: Hospital meals paid for by a public entity.	\$552,358,800
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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.	\$50,207,421
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.	\$42,582,172
10-45-68, 10-46-56: Sale of credit card processing services to retailers.	\$19,800,298
10-45-12.1: Water Supply	\$7,906,200
10-45-13.1: Membership fees to membership organizations and services provided by membership organizations.	\$9,572,544
10-45-5.2: Sanitary services except for the collection and disposal of solid waste which is specifically listed as subject to sales tax.	\$1,153,598
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.	\$583,930
10-45-5.2: Research, development, and testing services (SIC 8733)	\$1,465,032

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.	\$880,799
10-45-5.2: Radio & Television Broadcasting	\$3,405,222
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.	\$79,461
10-45-90, 10-46-63: Services performed for rodeos by promoters, stock contractors, stock handlers, announcers, judges, and clowns.	\$1,511,723
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.	\$551,662
10-45-12.1: Consumer Credit Reporting Agencies and Mercantile Reporting Agencies.	\$66,677
10-45-1.20: Guaranteed payments for business services.	**

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).	\$3,465,980
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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.	\$20,877,572
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.	\$139,602,398
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.	\$14,314,179
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.	\$92,314,601
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.	\$10,737,202
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.	\$109,907,338

Social Services

10-45.12.1: Social services and credit counseling services provided by individual and family social services.	\$23,178,352
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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.	\$7,611,484
10-45-5.1, 10-45-5.6: Coin operated washers and dryers annual license fee is in lieu of sales tax on receipts.	\$231,983
10-45-13.3: Sale of lottery tickets.	\$3,640,557
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.	\$2,788,903

Other Miscellaneous Sales Tax Exemptions

Mini-storage receipts are not specifically subject to tax and therefore are exempt.	\$932,994
10-45-13.4: Library copying charges.	**

Total Sales and Use Tax Exemptions	\$1,562,980,101
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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.	\$360,935
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	\$21,086,839
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Grand Total Tax Expenditures	\$1,584,066,940
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** Unable to generate estimate.

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

RECOMMENDED EXPENDITURES

Governor Rhoden's FY2027 ongoing budget recommendation maintains a structurally balanced budget while making investments in the core priorities of government to ensure South Dakota is strong, safe, and free.

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 a decrease of \$9.9 million of the \$50.7 million in ongoing increases in the FY2027 budget. In terms of ongoing funding, this category represents 43.9% of the general fund budget. Total ongoing funds dedicated to this category represent 27.6% of the total fund budget, or \$2.1 billion, which 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 recommends a net decrease of \$12.9 million in general funds for State Aid to Education. Included in this reduction is an increase of \$2.9 million for State Aid to Special Education to rebase the six disability categories and decrease of \$15.8 million for State Aid to General Education due to declining student enrollments. The Governor also recommends an increase of \$0.3 million in general funds to support anticipated utilization of the Dual Credit program and a reduction of \$0.5M in general funds to stop requiring the National Career Readiness Certificate as a school assessment metric.

Governor Rhoden recommends an ongoing increase of \$3.0 million in general funds to support higher education in South Dakota. This includes increases of \$1.9 million within the Technical Colleges and \$1.1 million within the Board of Regents. At the Technical Colleges, the Governor recommends an increase of \$1.7 million to support student enrollment growth. At the Board of Regents, the Governor recommends an increase of \$1.0 million for projected utility expenses. The Governor also recommends \$0.4 million in general funds to fund maintenance and repair at 1.25% of the replacement value of academic buildings within the Technical Colleges and Board of Regents.

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 \$45.2 million of the \$50.7 million in ongoing increases in the FY2027 budget. In terms of ongoing funding, the category represents 41.3% of the general fund budget. Total ongoing funds dedicated to this category represent 37.4% of the total fund budget, or \$2.8 billion, which is dedicated to assisting those in need.

Governor Rhoden recommends an ongoing increase of \$23.8 million in general funds for the Department of Social Services. The Governor's recommendation contains increases of \$14.1 million for mandatory inflationary increases within the Medicaid program and \$6.5 million for annual adjustments to the Federal Medical Assistance Percentage (FMAP) rate. The recommendation also includes adjustments to the funding structure for various federally supported programs within the Department of Social Services. The budget recommendation includes an increase of \$5.5 million in

general funds with a corresponding decrease in federal fund expenditure authority due to a change in how the Supplemental Nutrition Assistance Program (SNAP) administration is funded. There is also a decrease of \$2.5 million in general funds with a corresponding increase in federal fund expenditure authority due to a shift in how Medicaid eligibility staff are funded.

The budget recommendation for the Department of Human Services includes an increase of \$21.3 million in general funds. The Governor's recommendation includes \$16.4 million to align budget with anticipated utilization of services, which includes \$15.9 million for the Developmental Disabilities, In-Home Services, and Assisted Living programs and \$0.5 million for the Title III Meals program. The recommendation also includes \$5.2 million in general funds for annual adjustments to the FMAP rate, as well as a decrease of \$0.3 million in general funds with a corresponding increase in other fund expenditure authority due to a shift in how the Homemaker Services program is funded.

The Governor recommends an increase of \$0.1 million in general funds for the Department of Health. This recommendation includes general funds for health protection inspections as well as funding for the annual adjustments to the FMAP rate.

To ensure the safety of our citizens, South Dakota has a progressive criminal justice system in place. Governor Rhoden recommends an ongoing general fund increase of \$13.3 million for the Department of Corrections. The Governor recommends \$13.2 million in general funds for staff and operational costs of the new Rapid City Correctional Facility. Additionally, the recommendation includes general fund increases of \$1.8 million for offender healthcare costs, food services, and costs to house parolees at county jails. The recommendation also includes general fund decreases of \$1.7 million for changes in projected utility expenses and community corrections placements.

Governor Rhoden recommends targeted funding adjustments across the rest of state government to ensure South Dakota remains strong, safe, and free. The Governor's recommendation includes \$0.4 million in general funds to fund maintenance and repair at 1.25% of replacement value for state-owned buildings. The recommendation also includes adjustments to the funding structure of several federally supported programs. The budget recommendation includes an increase of \$0.4 million in general funds with a decrease of \$0.6 million in federal fund expenditure authority due to a change in funding available to support Wildland Fire within the Department of Public Safety. There is also an increase of \$0.3 million in general funds with a corresponding decrease in other fund expenditure authority due to a change in funding available to support open government and legislative coverage provided by South Dakota Public Broadcasting. Additionally, the Governor recommends an increase of \$0.3 million in general funds for a cloud-based backup for the State Radio system to ensure continuity of public safety communications in the event of an outage.

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.
- \$9.9M decrease out of \$50.7M total ongoing general fund increase.
- \$1.1B out of \$2.5B, or 43.9%, of total ongoing general funds.
- \$2.1B out of \$7.4B, or 27.6%, of total ongoing funds.

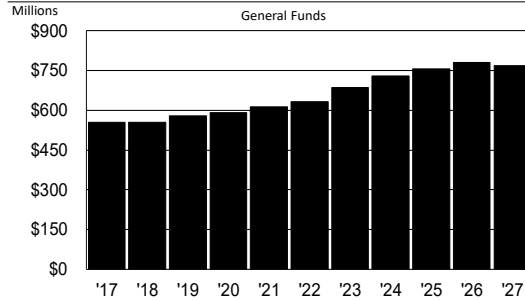
State Aid to K-12 Education	FTE	General	Federal	Other
State Aid to Special Education		\$2,860,236		
Sparsity		\$14,944		
State Aid to General Education		(\$15,756,746)		
Total	0.0	(\$12,881,566)	\$0	\$0

- Increase of \$2,860,236 in general funds due to the rebase of reimbursement rates for the six special education disability categories.
- Increase of \$14,944 in general funds for sparsity payments due to an adjustment in enrollments in sparse districts.
- Decrease of \$15,756,746 in general funds for State Aid to General Education due to a decrease in enrollments.

State Aid to Technical Colleges	FTE	General	Federal	Other
Technical Colleges Formula		\$1,688,519		
Maintenance and Repair		\$211,258		
Bond Payments		(\$2,098)		
Total	0.0	\$1,897,679	\$0	\$0

- Increase of \$1,688,519 in general funds for the Technical Colleges formula due to an increase in full-time equivalent student enrollments.
- Increase of \$211,258 in general funds to fund the state's share of maintenance and repair at 1.25% of replacement value.
- Decrease of \$2,098 in general funds to align funding with bond payment schedules.

State Aid to Schools

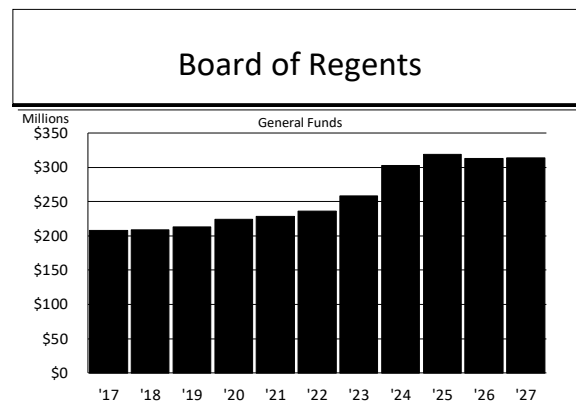


Education	FTE	General	Federal	Other
Dual Credit		\$270,688		
Certification System FTE	1.0	\$100,000		
Internal Controls Officer		\$51,058	\$9,531	
Federal Medical Assistance Percentage (FMAP)		\$4,834	(\$4,834)	
National Career and Readiness Certificate		(\$450,000)		
State Personnel Development Grant			\$589,352	
Federal Fund Expenditure Authority			(\$2,607,000)	
Canvas Professional Learning Platform				\$212,030
Total	1.0	(\$23,420)	(\$2,012,951)	\$212,030

- Increase of \$270,688 in general funds for the Dual Credit program due to an increase in the number of credits taken and an increase in the cost per credit hour.
- Increases of 1.0 FTE and \$100,000 in general funds to support the Teacher Certification System.
- Increases of \$51,058 in general funds and \$9,531 in federal fund expenditure authority for an Internal Controls Officer.
- Increase of \$4,834 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 \$450,000 in general funds to stop requiring the National Career and Readiness Certificate as a school assessment metric.
- Increase of \$589,352 in federal fund expenditure authority to support the implementation of new math standards and professional development for teachers.
- Decrease of \$2,607,000 in federal fund expenditure authority related to COVID-19 grants.
- Increase of \$212,030 in other fund expenditure authority for ongoing maintenance costs of the Canvas Professional Learning Platform.

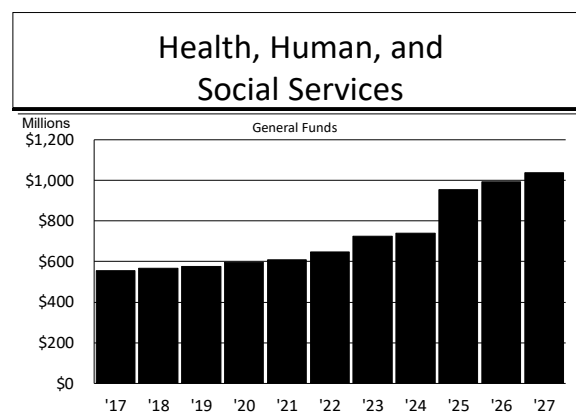
Board of Regents	FTE	General	Federal	Other
Utilities		\$1,004,636		
Maintenance and Repair		\$147,833		
Realignment		-		
Bond Payments		(\$5,279)		
Other Fund Expenditure Authority	19.0			\$13,002,000
Total	19.0	\$1,147,190	\$0	\$13,002,000

- Increase of \$1,004,636 in general funds for changes in utilities based on EnergyCap projections.
- Increase of \$147,833 in general funds to fund maintenance and repair at 1.25% of replacement value.
- Recommend transfer of general funds to align budget with anticipated expenses at the University of South Dakota School of Medicine.
- Decrease of \$5,279 in general funds to align funding with bond payment schedules.
- Increases of 19.0 FTE and \$13,002,000 in other fund expenditure authority to align budget with anticipated expenses.



Health, Human, and Social Services

- Includes the Departments of Health, Human Services, and Social Services.
- \$45.2M increase out of \$50.7M total ongoing general fund increase.
- \$1.0B out of \$2.5B, or 41.3%, of total ongoing general funds.
- \$2.8B out of \$7.4B, or 37.4%, of total ongoing funds.



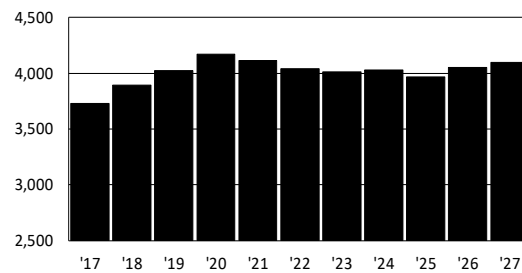
Health	FTE	General	Federal	Other
Health Protection Inspections		\$78,606		
Federal Medical Assistance Percentage (FMAP)		\$7,895	(\$7,895)	
Federal Fund Expenditure Authority			(\$10,000,000)	
Total	0.0	\$86,501	(\$10,007,895)	\$0

- Increase of \$78,606 in general funds to cover costs associated health protection inspections.
- Increase of \$7,895 in general funds with a corresponding decrease in federal fund expenditure authority in the Rural Residency program due to the change in FMAP.
- Decrease of \$10,000,000 in federal fund expenditure authority related to COVID-19 grants.

Human Services	FTE	General	Federal	Other
Utilization Adjustment		\$15,887,147	\$17,670,501	\$1,755,588
Federal Medical Assistance Percentage (FMAP)		\$5,205,293	(\$5,383,386)	\$178,093
Title III Meals		\$476,186	\$935,937	
Utilities		\$8,184	\$8,408	
Realignment	-	-	-	
Homemaker Services Funding Adjustment		(\$284,467)		\$284,467
Medical Consultant			\$480,000	
Total	0.0	\$21,292,343	\$13,711,460	\$2,218,148

- Increases of \$15,887,147 in general funds, \$17,670,501 in federal fund expenditure authority, and \$1,755,588 in other fund expenditure authority to align budgets of Developmental Disabilities, In-Home Services, and Assisted Living with anticipated expenses.
- Increases of \$5,205,293 in general funds and \$178,093 in other fund expenditure authority with a corresponding decrease in federal fund expenditure authority due to the change in FMAP.
- Increases of \$476,186 in general funds and \$935,937 in federal fund expenditure authority to align budget with anticipated expenses in the Title III Meals program.
- Increases of \$8,184 in general funds and \$8,408 in federal fund expenditure authority for changes in utilities based on EnergyCap projections at the South Dakota Developmental Center.
- Recommend transfer of FTE, general funds, and federal fund expenditure authority for an Internal Controls Officer.
- Decrease of \$284,467 in general funds with a corresponding increase in other fund expenditure authority for a funding adjustment in the Homemaker Services program.
- Increase of \$480,000 in federal fund expenditure authority for medical consultants to support Disability Determination Services.

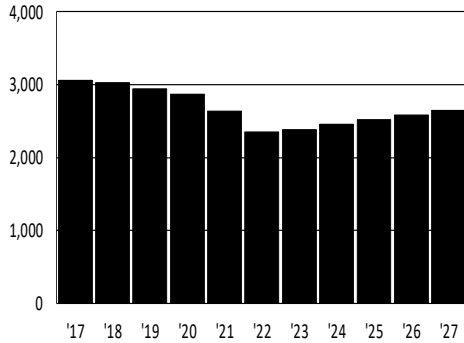
Developmental Disabilities Clients



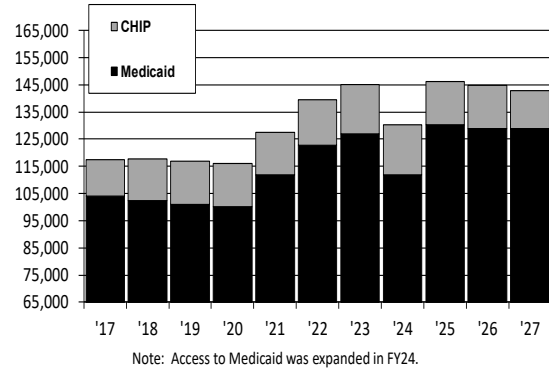
Social Services	FTE	General	Federal	Other
Mandatory Inflation		\$14,072,438	\$17,118,717	
Federal Medical Assistance Percentage (FMAP)		\$6,522,690	(\$6,522,690)	
SNAP Administration Funding Adjustment		\$5,500,000	(\$5,500,000)	
Food Services		\$220,645		
Utilities		\$28,958		
Realignment	-	-	-	
Medicaid Eligibility Staff Funding Adjustment		(\$2,500,000)	\$2,500,000	
SNAP Nutrition Education			(\$711,043)	
Boards				\$89,987
Total	0.0	\$23,844,731	\$6,884,984	\$89,987

- Increases of \$14,072,438 in general funds and \$17,118,717 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.
- Increase of \$6,522,690 in general funds with a corresponding decrease in federal fund expenditure authority due to the change in FMAP.
- Increase of \$5,500,000 in general funds with a corresponding decrease in federal fund expenditure authority for a funding adjustment of SNAP administration costs as required by the federal government.
- Increase of \$220,645 in general funds for increased food costs at the Human Services Center.
- Increase of \$28,958 in general funds for changes in utilities based on EnergyCap projections.
- Recommend transfer of FTE, general funds, and federal fund expenditure authority to align budget with expenses for kinship licensure, Sioux Falls One-Stop rent, and technology product owners.
- Decrease of \$2,500,000 in general funds with a corresponding increase in federal fund expenditure authority for a funding adjustment for Medicaid eligibility staff.
- Decrease of \$711,043 in federal fund expenditure authority to align budget with anticipated federal award in the SNAP Nutrition Education program.
- Increase of \$89,987 in other fund expenditure authority for various changes within the Boards of Counselor Examiners, Social Work Examiners, and Addiction and Prevention Professionals.

TANF Case Load in South Dakota



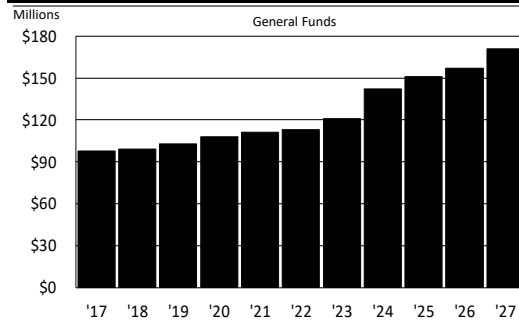
Medical Assistance Case Loads in South Dakota



Corrections

- Includes the Department of Corrections.
- \$13.3M increase out of \$50.7M total ongoing general fund increase.
- \$170.9M out of \$2.5B, or 6.8%, of total ongoing general funds.
- \$179.2M out of \$7.4B, or 2.4%, of total ongoing funds.

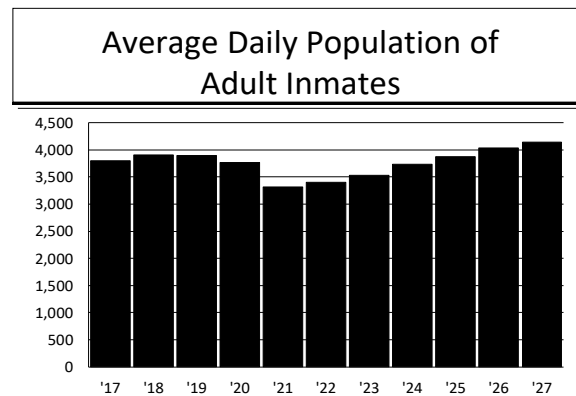
Corrections



Corrections	FTE	General	Federal	Other
Rapid City Correctional Facility	133.0	\$13,201,573		
Offender Healthcare		\$1,138,840		
Food Services		\$381,760		
County Jail Costs		\$275,000		
Realignment	(20.0)	-		
Utilities		(\$367,329)		
Community Corrections Placements		(\$1,329,787)	(\$351,726)	
Total	113.0	\$13,300,057	(\$351,726)	\$0

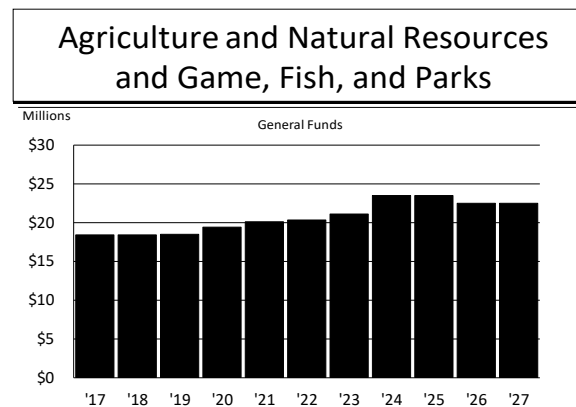
- Increases of 133.0 FTE and \$13,201,573 in general funds for staffing and operations of the Rapid City Correctional Facility.

- Increase of \$1,138,840 in general funds due to increased inmate medical expenses at the state's correctional facilities.
- Increase of \$381,760 in general funds for food services due to increased offender populations at the state's correctional facilities.
- Increase of \$275,000 in general funds to cover housing costs of parolees at county jails.
- Decrease of 20.0 FTE and transfer of FTE and general funds to align security staff and to cover the cost of contract nursing staff at the correctional facilities.
- Decrease of \$367,329 in general funds for changes in utilities based on EnergyCap projections.
- Decreases of \$1,329,787 in general funds and \$351,726 in federal fund expenditure authority for projected changes in community corrections placements.



Agriculture and Natural Resources and Game, Fish, and Parks

- Includes the Departments of Agriculture and Natural Resources and Game, Fish, and Parks.
- \$0.3M decrease out of \$50.7M total ongoing general fund increase.
- \$22.5M out of \$2.5B, or 0.9%, of total ongoing general funds.
- \$231.5M out of \$7.3B, or 3.1%, of total ongoing funds.



Agriculture and Natural Resources	FTE	General	Federal	Other
Realignment		-		-
Concentrated Animal Feed Operation (CAFO) Fee Increase		(\$71,000)		\$171,000
Hemp Program	(3.0)	(\$200,000)		(\$38,000)
Boards and Commissions				\$386,404
Animal Industry Board Authority Adjustment				\$57,735
Total	(3.0)	(\$271,000)	\$0	\$577,139

- Recommend transfer of general funds and other fund expenditure authority within State Fair, Agriculture and Environmental Services, Resource Conservation and Forestry, and Office of Water to align budget with anticipated expenses.
- Decrease of \$71,000 in general funds and increase of \$171,000 in other fund expenditure authority to reflect funding adjustments due to CAFO fee increase.
- Decreases of 3.0 FTE, \$200,000 in general funds, and \$38,000 in other fund expenditure authority to transfer the state-regulated hemp program to the federal government.
- Increase of \$386,404 in other fund expenditure authority for various changes throughout the department's boards and commissions.
- Increase of \$57,735 in other fund expenditure authority for the annual insurance premiums for the Animal Disease Research and Diagnostic Lab.

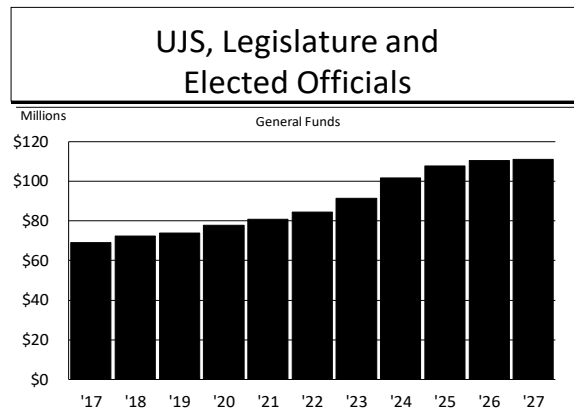
Game, Fish, and Parks	FTE	General	Federal	Other
Bond Payments		(\$4,179)		
Parks and Recreation Operating Expenses			(\$153,200)	\$3,234,800
Wildlife Operating Expenses			(\$3,323,201)	\$2,825,267
Total	0.0	(\$4,179)	(\$3,476,401)	\$6,060,067

- Decrease of \$4,179 in general funds to align funding with bond payment schedules.
- Decrease of \$153,200 in federal fund expenditure authority and increase of \$3,234,800 in other fund expenditure authority to align budget with anticipated operational costs and capital development projects in the Division of Parks and Recreation.
- Decrease of \$3,323,201 in federal fund expenditure authority and increase of \$2,825,267 in other fund expenditure authority to align budget with anticipated operational costs and capital development projects in the Division of Wildlife.

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.
- \$0.5M increase out of \$50.7M total ongoing general fund increase.
- \$111.0M out of \$2.5B, or 4.4%, of total ongoing general funds.

- \$244.5M out of \$7.4B, or 3.3%, of total ongoing funds.



Legislature	FTE	General	Federal	Other
No Changes				
Total	0.0	\$0	\$0	\$0

- No changes recommended to the FY2027 budget.

Unified Judicial System	FTE	General	Federal	Other
Court Services Secretary	1.0	\$59,658		
Treatment Courts		(\$159,396)		
Total	1.0	(\$99,738)	\$0	\$0

- Increases of 1.0 FTE and \$59,658 in general funds for a Court Services Secretary in the Second Circuit.
- Decrease of \$159,396 in general funds to align budget with anticipated expenses in treatment courts.

Public Utilities Commission	FTE	General	Federal	Other
Administration Funding Adjustment		\$424,035		(\$424,035)
Total	0.0	\$424,035	\$0	(\$424,035)

- Increase of \$424,035 in general funds with a corresponding decrease in other fund expenditure authority to cover the costs of Consumer Affairs staff and commissioners' expenses.

Attorney General	FTE	General	Federal	Other
Realignment			\$754,514	(\$754,514)
Consumer Protection Coordinator	1.0			\$91,009
Total	1.0	\$0	\$754,514	(\$663,505)

- Increase of \$754,514 in federal fund expenditure authority with a corresponding decrease in other fund expenditure authority to align budget with anticipated expenses for Medicaid fraud and cooperative disability investigations.

- Increases of 1.0 FTE and \$91,009 in other fund expenditure authority for a Consumer Protection Coordinator to increase consumer awareness and education due to an increasing number of scams and fraudulent activities.

Secretary of State	FTE	General	Federal	Other
Federal Fund Expenditure Authority			\$262,169	
Total	0.0	\$0	\$262,169	\$0

- Increase of \$262,169 in federal fund expenditure authority to disperse available Help America Vote Act (HAVA) funds to counties.

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

- No changes recommended to the FY2027 budget.

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

- No changes recommended to the FY2027 budget.

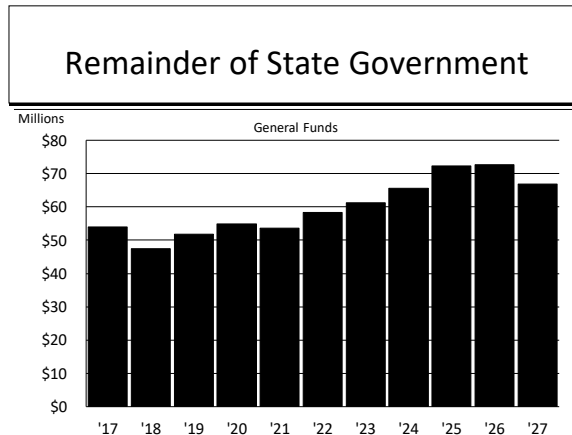
State Treasurer	FTE	General	Federal	Other
Unclaimed Property Operating Costs		\$88,765		\$75,000
Unclaimed Property Processor	1.0	\$80,638		
Disbursements from Unclaimed Property				\$20,000,000
Operating Expenses				\$99,043
Incentive Funding				(\$109,238)
Personal Services				(\$184,292)
Total	1.0	\$169,403	\$0	\$19,880,513

- Increases of \$88,765 in general funds and \$75,000 in other fund expenditure authority for costs associated with operating the Unclaimed Property program.
- Increases of 1.0 FTE and \$80,638 in general funds for an Unclaimed Property Processor to assist with processing additional Unclaimed Property remittances.
- Increase of \$20,000,000 in other fund expenditure authority due to increases in Unclaimed Property disbursements.
- Increase of \$99,043 in other fund expenditure authority for the South Dakota Investment Council's operating expenses.
- Decrease of \$109,238 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.

- Decrease of \$184,292 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, Tribal Relations, Transportation, Labor and Regulation, Retirement, and Public Safety.
- \$1.8M increase out of \$50.7M total ongoing general fund increase.
- \$66.8M out of \$2.5B, or 2.7%, of total ongoing general funds.
- \$2.0B out of \$7.3B, or 26.2%, of total ongoing funds.



Executive Management	FTE	General	Federal	Other
Bureau Billings Pool		\$332,195	\$262,415	\$709,194
Maintenance and Repair		\$316,722		
South Dakota Public Broadcasting		\$296,053		(\$296,053)
Infrastructure Enhancements		\$260,000		\$1,215,505
Legal Services Billings		\$23,654		\$955,409
Contract Increases			\$23,000	\$1,289,936
Broadband			(\$20,000,000)	
Utilities				\$154,545
Accountant	1.0			\$118,284
Realignment	-			-
Physical Security	(2.0)			(\$224,311)
Total	(1.0)	\$1,228,624	(\$19,714,585)	\$3,922,509

- Increases of \$332,195 in general funds, \$262,415 in federal fund expenditure authority, and \$709,194 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 Technology billing rates.
- Increase of \$316,722 in general funds within the Bureau of Human Resources and Administration to fund statewide maintenance and repair at 1.25% of replacement value.

- Increase of \$296,053 in general funds with a corresponding decrease in other fund expenditure authority within the Bureau of Information and Technology for open government and legislative coverage provided by South Dakota Public Broadcasting.
- Increases of \$260,000 in general funds and \$1,215,505 in other fund expenditure authority for infrastructure enhancements to State Radio, video management software, and cybersecurity defenses within the Bureau of Information and Technology.
- Increases of \$23,654 in general funds and \$955,409 in other fund expenditure authority to align legal services budgets within the Bureaus of Human Resources and Administration and Information and Technology.
- Increases of \$23,000 in federal fund expenditure authority and \$1,289,936 in other fund expenditure authority within the Bureau of Information and Technology and the Governor's Office of Economic Development for software, consulting, and audit contracts.
- Decrease of \$20,000,000 in federal fund expenditure authority within the Governor's Office of Economic Development for broadband expansion.
- Increase of \$154,545 in other fund expenditure authority within the Bureau of Human Resources and Administration for changes in utilities based on EnergyCap projections.
- Increases of 1.0 FTE and \$118,284 in other fund expenditure authority within the Bureau of Finance and Management for an accountant to assist with increased workload and succession planning.
- Recommend transfer of FTE and other fund expenditure authority within the Bureau of Information and Technology for a Cloud Security Engineer.
- Decreases of 2.0 FTE and \$224,311 in other fund expenditure authority within the Bureau of Information and Technology to transfer physical security staff and duties to the Bureau of Human Resources and Administration. Recommend transfer of other fund expenditure authority within the Bureau of Human Resources and Administration to provide physical security staff and duties within existing budget.

Military	FTE	General	Federal	Other
Maintenance and Repair		\$65,418	\$74,379	
Assistant Adjutant General		\$48,750		
Utilities		\$44,673	\$142,909	
National Guard Tuition Assistance		(\$250,000)		
National Guard Museum				\$20,000
Total	0.0	(\$91,159)	\$217,288	\$20,000

- Increases of \$65,418 in general funds and \$74,379 in federal fund expenditure authority to fund maintenance and repair at 1.25% of replacement value.
- Increase of \$48,750 in general funds for a full-time Assistant Adjutant General to assist the Army Guard.
- Increases of \$44,673 in general funds and \$142,909 in federal fund expenditure authority for changes in utilities based on EnergyCap projections.

- Decrease of \$250,000 in general funds to align budget of the National Guard Tuition Assistance program with anticipated utilization.
- Increase of \$20,000 in other fund expenditure authority for operational costs of the National Guard Museum.

Veterans' Affairs	FTE	General	Federal	Other
Federal Medical Assistance Percentage (FMAP)		\$51,681	(\$51,681)	
Utilities				\$31,189
Veterans' Cemetery Operating Expenses				\$29,295
Total	0.0	\$51,681	(\$51,681)	\$60,484

- Increase of \$51,681 in general funds with a corresponding decrease in federal fund expenditure authority due to the change in FMAP.
- Increase of \$31,189 in other fund expenditure authority for changes in utilities based on EnergyCap projections at the Veterans' Home.
- Increase of \$29,295 in other fund expenditure authority for utilities and equipment replacement at the Veterans' Cemetery.

Revenue	FTE	General	Federal	Other
Property Tax Software		\$66,500		\$17,500
Sales and Use Tax Auditor	1.0			\$85,050
Motor Vehicle Registration Kiosks				\$36,000
Total	1.0	\$66,500	\$0	\$138,550

- Increases of \$66,500 in general funds and \$17,500 in other fund expenditure authority for ongoing subscription costs of the property tax transparency software.
- Increases of 1.0 FTE and \$85,050 in other fund expenditure authority for a sales and use tax auditor to help with increased audit volume.
- Increase of \$36,000 in other fund expenditure authority for ongoing maintenance costs of two motor vehicle registration kiosks.

Tourism	FTE	General	Federal	Other
Federal Fund Expenditure Authority			(\$8,750,000)	
Gaming and Tourism Promotion Tax				\$575,513
Realignment				-
Total	0.0	\$0	(\$8,750,000)	\$575,513

- Decrease of \$8,750,000 in federal fund expenditure authority related to COVID-19 grants.
- Increase of \$575,513 in other fund expenditure authority to align budget with projected increase in gaming and tourism promotion tax revenues.
- Recommend transfer of other fund expenditure authority to align budget with anticipated personal services expenses.

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

- No changes recommended to the FY2027 budget.

Transportation	FTE	General	Federal	Other
Railroad Construction Contracts			\$40,587,309	\$3,431,271
Grants to Non-Profits			\$754,506	\$26,656
Total	0.0	\$0	\$41,341,815	\$3,457,927

- Increases of \$40,587,309 in federal fund expenditure authority and \$3,431,271 in other fund expenditure authority to align budget with planned railroad construction projects.
- Increases of \$754,506 in federal fund expenditure authority and \$26,656 in other fund expenditure authority for grants to transit providers.

Labor and Regulation	FTE	General	Federal	Other
Realignment			-	
State Digital Opportunity Capacity Grant			(\$867,000)	
Banking License Examiner	1.0			\$120,662
Trust Captive Reinsurance Premiums				(\$220,000)
Total	1.0	\$0	(\$867,000)	(\$99,338)

- Recommend transfer of federal fund authority within Reemployment Assistance to align budget with anticipated expenses.
- Decrease of \$867,000 in federal fund expenditure authority to align budget with federal award in the State Digital Opportunity Capacity Grant program.
- Increases of 1.0 FTE and \$120,662 in other fund expenditure authority for a Banking License Examiner to assist with increased workload.
- Decrease of \$220,000 in other fund expenditure authority to align budget with change in how Trust Captive insurance policy is billed.

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

- No changes recommended to the FY2027 budget.

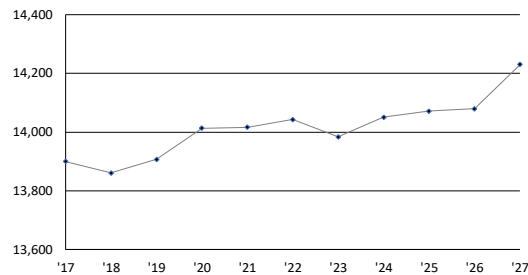
Public Safety	FTE	General	Federal	Other
Wildland Fire		\$435,041	(\$647,171)	
Internal Controls Officer	1.0	\$90,603		
State Radio Contract		\$37,255		
Weights and Measures		\$29,529		
Realignment	-		-	-
Crash Assistance Program			\$132,000	
Volunteer Fire Assistance			(\$426,587)	
911 Coordination Board				\$1,654,236
Total	1.0	\$592,428	(\$941,758)	\$1,654,236

- Increase of \$435,041 in general funds and decrease of \$647,171 in federal fund expenditure authority to provide fire fighting support in the Black Hills and align budget with anticipated federal award for the State Fire Assistance program.
- Increases of 1.0 FTE and \$90,603 in general funds for an Internal Controls Officer.
- Increase of \$37,255 in general funds for inflationary increases in state radio contracts.
- Increase of \$29,529 in general funds for inspection rates paid by the Weights and Measures program.
- Recommend transfer of FTE, federal fund expenditure authority, and other fund expenditure authority to align budget with anticipated expenses within Highway Patrol, Homeland Security, and the 911 Coordination Board.
- Increase of \$132,000 in federal fund expenditure authority to align budget with anticipated federal awards for the Crash Assistance Program.
- Decrease of \$426,587 in federal fund expenditure authority to align budget with anticipated federal awards for the Volunteer Fire Assistance program.
- Increase of \$1,654,236 in other fund expenditure authority to align budget with anticipated expenses of the 911 Coordination Board.

Full-Time Equivalent Employee Change

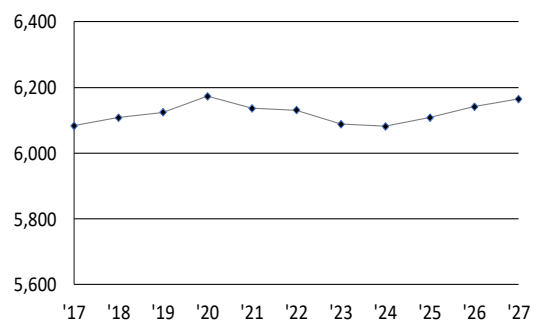
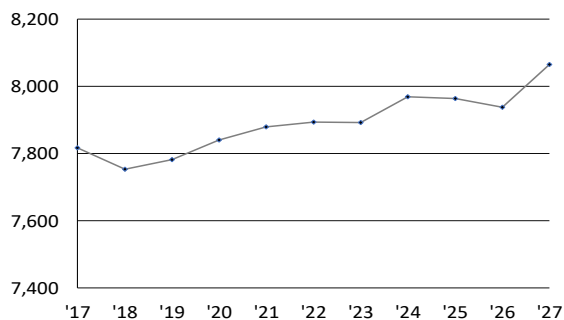
- The total appropriated FTE across all of state government rose from 13,900.4 in FY2017 to a recommended level of 14,230.3 in FY2027.
- This is an increase of 329.9 FTE, or 2.4%, over the decade. The recommended change in FTE for FY2027 is an increase of 135.0 across state government.

FTE History All of State Government



- For offices outside the control of the Governor, total appropriated FTE changed from 6,083.5 in FY2017 to a recommended level of 6,164.6 in FY2027. This is a net increase of 81.1 FTE, or 1.3%, over the decade.
- The recommended change for offices outside the control of the Governor in the FY2027 budget is an increase of 22.0 FTE.
- For agencies under direct control of the Governor, total appropriated FTE changed from 7,816.9 in FY2017 to a recommended level of 8,065.7 in FY2027. This is a net increase of 248.8 FTE, or 3.2%, over the decade.
- The recommended change for agencies under direct control of the Governor in the FY2027 budget is an increase of 113.0 FTE.

<h4>FTE History for Offices Under Control of Governor</h4>	<h4>FTE History for Offices Outside Control of Governor</h4>
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SPECIAL APPROPRIATION RECOMMENDATIONS

FY2026 EMERGENCY SPECIAL APPROPRIATIONS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL FUNDS
Southeast Technical College Center for Advanced Manufacturing		\$ 6,000,000			\$ 6,000,000
Highway Patrol Airplane		\$ 5,000,000			\$ 5,000,000
Emergency and Disaster Fund		\$ 4,205,497			\$ 4,205,497
Fire Suppression Fund		\$ 2,652,561			\$ 2,652,561
Sturgis Readiness Center		\$ 2,350,000	\$ 8,000,000		\$ 10,350,000
Rural Recruitment Assistance Programs		\$ 1,348,294			\$ 1,348,294
Pierre Minimum Center Demolition		\$ 682,825			\$ 682,825
Extraordinary Litigation Fund		\$ 650,000			\$ 650,000
Tax Refunds for the Elderly and Disabled		\$ 425,000			\$ 425,000
Rural Health Transformation			\$ 500,000,000		\$ 500,000,000
Broadband			\$ 87,000,000		\$ 87,000,000
Sturgis Vehicle Maintenance Shop			\$ 30,000,000		\$ 30,000,000
Blue Dog Fish Hatchery			\$ 3,500,000	\$ 4,500,000	\$ 8,000,000
Governor's Omnibus Water Funding Bill			\$ 300,000	\$ 19,225,000	\$ 19,525,000
State Fair Building Demolition				\$ 337,000	\$ 337,000
TOTAL FY2026 EMERGENCY SPECIAL APPROPRIATIONS	0.0	\$ 23,314,177	\$ 628,800,000	\$ 24,062,000	\$ 676,176,177

NOTE: FY2026 emergency special appropriations become available for expenditure upon passage of the bill and are included in the FY2026 column of the General Fund Condition Statement.

- **Southeast Technical College Center for Advanced Manufacturing:** The Governor is recommending an increase of \$6,000,000 in general funds to match private funds to build the James Abnor Center for Advanced Manufacturing.
- **Highway Patrol Airplane:** The Governor is recommending an increase of \$5,000,000 in general funds to replace the South Dakota Highway Patrol's current aircraft.
- **Emergency and Disaster Fund:** The Governor is recommending an increase of \$4,205,497 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 \$2,652,561 in general funds to be deposited into the Fire Suppression Fund for costs related to the suppression of wildfires in South Dakota.
- **Sturgis Readiness Center:** The Governor is recommending increases of \$2,350,000 in general funds and \$8,000,000 in federal fund expenditure authority for the renovation and expansion of the National Guard Readiness Center in Sturgis.
- **Rural Recruitment Assistance Programs:** The Governor is recommending an increase of \$1,348,294 in general funds to recruit medical professionals to rural communities.
- **Pierre Minimum Center Demolition:** The Governor is recommending an increase of \$682,825 in general funds to demolish the Pierre Minimum Center.
- **Extraordinary Litigation Fund:** The Governor is recommending an increase of \$650,000 in general funds to be deposited into the Extraordinary Litigation Fund for litigation expenses which are not eligible to be paid under SDCL 3-22-1.
- **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.
- **Rural Health Transformation:** The Governor is recommending an increase of \$500,000,000 in federal fund expenditure authority to strengthen rural healthcare delivery by improving access, quality, and outcomes.
- **Broadband:** The Governor is recommending an increase of \$87,000,000 in federal fund expenditure authority to expand access to high speed, reliable internet throughout the state.
- **Sturgis Vehicle Maintenance Shop:** The Governor is recommending an increase of \$30,000,000 in federal fund expenditure authority for the construction of a vehicle maintenance shop for the National Guard in Sturgis.
- **Blue Dog Fish Hatchery:** The Governor is recommending increases of \$3,500,000 in federal fund expenditure authority and \$4,500,000 in other fund expenditure authority for the renovation of the Blue Dog Fish Hatchery near Aberdeen.
- **Governor's Omnibus Water Funding Bill:** The Governor is recommending increases of \$300,000 in federal fund expenditure authority and \$19,225,000 in other fund expenditure authority for water development, solid waste, and water quality improvement projects throughout the state.
- **State Fair Building Demolition:** The Governor is recommending an increase of \$337,000 in other fund expenditure authority to demolish barns and quonsets on the State Fair grounds.

FY2026 GENERAL BILL AMENDMENTS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL FUNDS
Maintenance and Repair		\$ 30,633,952	\$ 3,690,279		\$ 34,324,231
Department of Human Services Utilization Adjustment		\$ 10,850,992	\$ 12,411,532	\$ 1,714,954	\$ 24,977,478
Technical Colleges Equipment		\$ 4,317,384			\$ 4,317,384
Rapid City Correctional Facility	26.4	\$ 2,384,715			\$ 2,384,715
Technical Colleges Formula		\$ 1,461,043			\$ 1,461,043
Department of Health Administrative Costs		\$ 960,329			\$ 960,329
Veterans' Home Operating Expenses		\$ 936,814		\$ 175,000	\$ 1,111,814
Bureau Billings		\$ 741,895	\$ 701,626	\$ 1,446,680	\$ 2,890,201
Hughes County Jail Contract		\$ 672,269			\$ 672,269
Department of Corrections Security Equipment		\$ 555,148			\$ 555,148
Community Engagement Work Requirement Implementation		\$ 450,000	\$ 4,050,000		\$ 4,500,000
Offender Healthcare		\$ 344,446			\$ 344,446
Food Services		\$ 321,959			\$ 321,959
Nuclear Energy Study		\$ 300,000			\$ 300,000
South Dakota Public Broadcasting		\$ 296,053		\$ (296,053)	\$ -
Utilities		\$ 289,707	\$ 75,079	\$ 131,263	\$ 496,049
Property Tax Software		\$ 148,320			\$ 148,320
Unclaimed Property Management Costs		\$ 112,500			\$ 112,500
Legislative Video Streaming		\$ 35,021			\$ 35,021
Legal Services		\$ 23,040		\$ 930,581	\$ 953,621
Realignment	(20.0)	\$ -	\$ 754,514	\$ (754,514)	\$ -
Treatment Courts		\$ (257,852)			\$ (257,852)
Homemaker Services Funding Adjustment		\$ (284,467)		\$ 284,467	\$ -
Community Corrections Placements		\$ (1,417,608)	\$ (327,882)		\$ (1,745,490)
State Aid to General Education Revision		\$ (15,547,891)			\$ (15,547,891)
Community Development Disaster Recovery			\$ 15,375,000		\$ 15,375,000
State Radio Tower Equipment			\$ 3,369,449		\$ 3,369,449
Federal Fund Expenditure Authority			\$ 2,358,336		\$ 2,358,336
Board of Regents Other Fund Expenditure Authority	19.0			\$ 15,494,545	\$ 15,494,545
Opioid Prevention Grants				\$ 9,000,000	\$ 9,000,000
Other Fund Expenditure Authority				\$ 3,389,352	\$ 3,389,352
Parks and Recreation Capital Development				\$ 2,500,000	\$ 2,500,000
Bureau of Information and Technology Contractual Increases				\$ 1,675,343	\$ 1,675,343
Mainframe Study				\$ 350,000	\$ 350,000
South Dakota Developmental Center Security Camera Upgrade				\$ 260,264	\$ 260,264
Motor Vehicle Registration Kiosks				\$ 180,000	\$ 180,000
Veterans' Cemetery Equipment				\$ 90,475	\$ 90,475
TOTAL FY2026 GENERAL BILL AMENDMENTS	25.4	\$ 38,327,769	\$ 42,457,933	\$ 36,572,357	\$ 117,358,059

NOTE: FY2026 general bill amendments are changes made to the FY2026 General Appropriations Act and are included in the FY2026 column of the General Fund Condition Statement.

- **Maintenance and Repair:** The Governor is recommending increases of \$30,633,952 in general funds and \$3,690,279 in federal fund expenditure authority for maintenance and repair projects of state owned buildings at 2.0% of replacement value.
- **Department of Human Services Utilization Adjustment:** The Governor is recommending increases of \$10,850,992 in general funds, \$12,411,532 in federal fund expenditure authority, and \$1,714,954 in other fund expenditure authority to align budget with anticipated eligibles and utilization.
- **Technical Colleges Equipment:** The Governor is recommending an increase of \$4,317,384 in general funds for equipment at the technical colleges.
- **Rapid City Correctional Facility:** The Governor is recommending increases of 26.4 FTE and \$2,384,715 in general funds to hire and train new staff at the Rapid City Correctional Facility.
- **Technical Colleges Formula:** The Governor is recommending an increase of \$1,461,043 in general funds for an increase in full-time equivalent student enrollments.
- **Department of Health Administrative Costs:** The Governor is recommending an increase of \$960,329 in general funds to cover a shortfall in administrative costs.
- **Veterans' Home Operating Expenses:** The Governor is recommending increases of \$936,814 in general funds and \$175,000 in other fund expenditure authority for resident medical expenses, contract nursing staff, and equipment replacement at the Veterans' Home.
- **Bureau Billings:** The Governor is recommending increases of \$741,895 in general funds, \$701,626 in federal fund expenditure authority, and \$1,446,680 in other fund expenditure authority to be distributed to state agencies for increases in Bureau of Information and Technology billing rates.
- **Hughes County Jail Contract:** The Governor is recommending an increase of \$672,269 in general funds to house 72 female offenders at the Hughes County Jail to address overcrowding at the Women's Prison in Pierre until the new facility is opened in Rapid City.
- **Department of Corrections Security Equipment:** The Governor is recommending an increase of \$555,148 in general funds to purchase security equipment used at the correctional facilities.

- **Community Engagement Work Requirement Implementation:** The Governor is recommending increases of \$450,000 in general funds and \$4,050,000 in federal fund expenditure authority to complete development work needed to implement Medicaid community engagement work requirements.
- **Offender Healthcare:** The Governor is recommending an increase of \$344,446 in general funds for increased inmate medical costs at the state's correctional facilities.
- **Food Services:** The Governor is recommending an increase of \$321,959 in general funds due to meal rate and population changes within the Department of Corrections.
- **Nuclear Energy Study:** The Governor is recommending an increase of \$300,000 in general funds to commission a study on nuclear energy in the state.
- **South Dakota Public Broadcasting:** The Governor is recommending an increase of \$296,053 in general funds and decrease of \$296,053 in other fund expenditure authority for open government and legislative coverage provided by South Dakota Public Broadcasting.
- **Utilities:** The Governor is recommending increases of \$289,707 in general funds, \$75,079 in federal fund expenditure authority, and \$131,263 in other fund expenditure authority for adjustments in utilities based on projected usage and utility costs.
- **Property Tax Software:** The Governor is recommending an increase of \$148,320 in general funds for the property tax transparency portal.
- **Unclaimed Property Management Costs:** The Governor is recommending an increase of \$112,500 in general funds for a change in how remitted unclaimed property is liquidated.
- **Legislative Video Streaming:** The Governor is recommending an increase of \$35,021 in general funds to increase video streaming of legislative committees.
- **Legal Services:** The Governor is recommending increases of \$23,040 in general funds and \$930,581 in other fund expenditure authority to align legal services budgets within the Bureaus of Human Resources and Administration and Information and Technology.
- **Realignment:** The Governor is recommending a decrease of 20.0 FTE, transfer of general funds, increase of \$754,514 in federal fund expenditure authority, and decrease of \$754,514 in other fund expenditure authority to align budgets with anticipated expenses in the Departments of Agriculture and Natural Resources, Tourism, Social Services, Public Safety, Corrections, Human Services, the Board of Regents, and the Office of the Attorney General.
- **Treatment Courts:** The Governor is recommending a decrease of \$257,852 in general funds to align budget with anticipated expenses in treatment courts.
- **Homemaker Services Funding Adjustment:** The Governor is recommending a decrease of \$284,467 in general funds and increase of \$284,467 in other fund expenditure authority for a funding adjustment in the Homemaker Services program.
- **Community Corrections Placements:** The Governor is recommending decreases of \$1,417,608 in general funds and \$327,882 in federal fund expenditure authority for projected changes in community corrections placements.
- **State Aid to General Education Revision:** The Governor is recommending a decrease of \$15,547,891 in general funds due to lower than projected enrollments.
- **Community Development Disaster Recovery:** The Governor is recommending an increase of \$15,375,000 in federal fund expenditure authority to assist with long-term recovery efforts from 2024 flooding.
- **State Radio Tower Equipment:** The Governor is recommending an increase of \$3,369,449 in federal fund expenditure authority to improve emergency broadcasting infrastructure on state radio towers.
- **Federal Fund Expenditure Authority:** The Governor is recommending an increase of \$2,358,336 in federal fund expenditure authority to align budget with anticipated federal awards within the Departments of Agriculture and Natural Resources, Labor and Regulation, Education, Public Safety, and the Office of the Attorney General.
- **Board of Regents Other Fund Expenditure Authority:** The Governor is recommending increases of 19.0 FTE and \$15,494,545 in other fund expenditure authority to align budget with anticipated expenses.
- **Opioid Prevention Grants:** The Governor is recommending an increase of \$9,000,000 in other fund expenditure authority to provide grants to local organizations to prevent, treat, and reduce the impact of opioid use in the state.
- **Other Fund Expenditure Authority:** The Governor is recommending an increase of \$3,389,352 in other fund expenditure authority to align budget with anticipated expenses within the Bureau of Information and Technology, Department of Public Safety, and the Unified Judicial System.
- **Parks and Recreation Capital Development:** The Governor is recommending an increase of \$2,500,000 in other fund expenditure authority to align the Parks and Recreation capital development budget with planned projects.
- **Bureau of Information and Technology Contractual Increases:** The Governor is recommending an increase of \$1,675,343 in other fund expenditure authority to align budget with anticipated contractual cost increases.
- **Mainframe Study:** The Governor is recommending an increase of \$350,000 in other fund expenditure authority to conduct a study on mainframe hardware.
- **South Dakota Developmental Center Security Camera Upgrade:** The Governor is recommending an increase of \$260,264 in other fund expenditure authority to upgrade security cameras at the South Dakota Developmental Center.
- **Motor Vehicle Registration Kiosks:** The Governor is recommending an increase of \$180,000 in other fund expenditure authority to purchase two additional motor vehicle registration kiosks.
- **Veterans' Cemetery Equipment:** The Governor is recommending an increase of \$90,475 in other fund expenditure authority to purchase equipment used to maintain the Veterans' Cemetery.

FY2026 EXPENDITURE TRANSFERS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL FUNDS
IT Modernization Fund		\$ 10,000,000			\$ 10,000,000
Reemployment Assistance Modernization Fund		\$ 3,100,000			\$ 3,100,000
Court Security Fund		\$ 1,500,000			\$ 1,500,000
TOTAL FY2026 EXPENDITURE TRANSFERS	0.0	\$ 14,600,000	\$ -	\$ -	\$ 14,600,000

NOTE: FY2026 expenditure transfers are included in the FY2026 column of the General Fund Condition Statement.

- **IT Modernization Fund:** The Governor is recommending a transfer of \$10,000,000 in general funds to the IT Modernization Fund to improve state IT infrastructure.
- **Reemployment Assistance Modernization Fund:** The Governor is recommending a transfer of \$3,100,000 in general funds to the Reemployment Assistance Modernization Fund to continue updating the reemployment assistance system.
- **Court Security Fund:** The Governor is recommending a transfer of \$1,500,000 in general funds to the Court Security Fund for grants to counties to make updates to courthouse security.

**GOVERNOR RECOMMENDED FY2027
GENERAL FUND BASE BUDGET**

GENERAL BILL	FTE EXPANSION/ (REDUCTION)	GENERAL FUND EXPANSION/ (REDUCTION)	TOTAL GENERAL FUND RECOMMENDED
Agriculture and Natural Resources	(3.0)	(271,000)	16,228,500
Attorney General	1.0	0	20,424,012
Corrections	113.0	13,300,057	170,930,677
Education (Excluding State Aid and Technical Colleges)	1.0	(23,420)	20,338,674
State Aid to Education	0.0	(12,881,566)	724,694,703
Technical Colleges	0.0	1,897,679	44,177,799
Finance and Management	1.0	332,195	1,705,284
Game, Fish, and Parks	0.0	(4,179)	6,241,574
Office of the Governor (Excluding GOED)	0.0	0	3,148,360
Governor's Office of Economic Development	0.0	0	7,523,560
Health	0.0	86,501	14,583,802
Human Resources and Administration	0.0	323,269	15,194,657
Human Services	0.0	21,292,343	344,043,159
Information and Telecommunications	(2.0)	573,160	11,124,221
Labor and Regulation	1.0	0	3,767,603
Legislature	0.0	0	15,509,407
Military	0.0	(91,159)	7,172,173
Public Safety	1.0	592,428	8,576,172
Public Utilities Commission	0.0	424,035	1,187,429
Regents	19.0	1,147,190	314,360,062
Retirement	0.0	0	0
Revenue	1.0	66,500	1,220,880
School and Public Lands	0.0	0	903,717
Secretary of State	0.0	0	1,596,365
Social Services	0.0	23,844,731	680,335,256
State Auditor	0.0	0	1,937,695
State Treasurer (Including Investment Council)	1.0	169,403	2,331,785
Tourism	0.0	0	0
Transportation	0.0	0	729,132
Tribal Relations	0.0	0	896,969
Unified Judicial System	1.0	(99,738)	67,102,077
Veterans' Affairs	0.0	51,681	5,729,521
TOTAL FY2027 GENERAL BILL RECOMMENDED	135.0	50,730,110	2,513,715,225
BREAKDOWN			
Executive Branch	113.0	60,073,107	1,316,341,814
Unified Judicial System and Other Elected Officials	3.0	493,700	114,140,847
State Aid	0.0	(12,881,566)	724,694,703
Technical Colleges	0.0	1,897,679	44,177,799
Board of Regents	19.0	1,147,190	314,360,062
TOTAL FY2027 GENERAL BILL RECOMMENDED	135.0	50,730,110	2,513,715,225

GENERAL FUND CONDITION STATEMENT

	ACTUAL FY2024	ACTUAL FY2025	REVISED FY2026	PROJECTED FY2027
RECEIPTS				
Sales and Use Tax	\$ 1,441,678,770	\$ 1,432,631,137	\$ 1,496,145,618	\$ 1,556,436,867
Lottery	179,328,773	176,650,200	183,613,471	184,559,546
Contractor's Excise Tax	216,712,589	212,000,571	219,143,706	225,774,152
Insurance Company Tax	128,189,481	140,941,713	152,464,577	159,264,260
Unclaimed Property Receipts	133,617,777	60,253,389	61,384,827	58,000,000
Tobacco Taxes	43,462,155	40,280,193	40,817,920	38,879,541
Bank Franchise Tax	28,659,255	26,180,028	29,543,802	30,044,678
Other	241,660,538	291,611,851	279,662,719	268,479,659
One-Time Receipts	28,673,277	230,069,751	25,923	0
Transfer from Budget Reserves	0	0	98,028,526	0
Obligated Cash Carried Forward	96,775,123	80,735,092	169,229,772	0
TOTAL RECEIPTS	\$ 2,538,757,738	\$ 2,691,353,924	\$ 2,730,060,861	\$ 2,521,438,703
EXPENDITURES				
General Bill Excl. State Aid to Education	\$ 1,452,408,125	\$ 1,607,611,804	\$ 1,779,284,506	\$ 1,789,020,522
State Aid to Education	672,120,554	705,781,436	722,028,378	724,694,703
Emergency Special Appropriations	66,783,383	89,523,895	23,314,177	0
Cont. Appropriations/Transfers	169,935,462	38,471,925	21,818,204	7,723,478
TOTAL EXPENDITURES	\$ 2,361,247,524	\$ 2,441,389,060	\$ 2,546,445,265	\$ 2,521,438,703
TRANSFERS				
Budget Reserve Fund	\$ 25,166,956	\$ 80,735,092	\$ 47,665,044	\$ 0
General Revenue Replacement Fund	71,608,167	0	121,564,728	0
TOTAL TRANSFERS	\$ 96,775,123	\$ 80,735,092	\$ 169,229,772	\$ 0
Beginning Unobligated Cash Balance	\$ 0	\$ 0	\$ 0	\$ 0
Net (Receipts less Expend./Transfers)	\$ 80,735,092	\$ 169,229,772	\$ 14,385,824	\$ 0
OBLIGATIONS AGAINST CASH				
Budget Reserve Fund	\$ (80,735,092)	\$ (47,665,044)	\$ 0	\$ 0
General Revenue Replacement Fund	0	(121,564,728)	0	0
Total Obligations Against Cash	\$ (80,735,092)	\$ (169,229,772)	\$ 0	\$ 0
Net Adjustments for Accruals				
Ending Unobligated Cash Balance	\$ 0	\$ 0	\$ 14,385,824	\$ 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 2024	ACTUAL FY 2025	BUDGETED FY 2026	REQUESTED FY 2027	GOVERNOR'S RECOMMENDED FY 2027	RECOMMENDED INC/(DEC) FY 2027
FUNDING SOURCE:						
General Funds	\$ 2,124,528,678	\$ 2,313,393,241	\$ 2,462,985,115	\$ 2,689,771,522	\$ 2,513,715,225	\$ 50,730,110
Federal Funds	2,024,850,985	2,036,666,047	2,146,286,855	2,453,932,150	2,166,391,001	20,104,146
Other Funds	853,279,150	886,153,894	1,019,250,871	1,066,670,597	1,045,520,651	26,269,780
Total	\$ 5,002,658,813	\$ 5,236,213,181	\$ 5,628,522,841	\$ 6,210,374,269	\$ 5,725,626,877	\$ 97,104,036
EXPENDITURE DETAIL:						
Personal Services	\$ 1,045,950,416	\$ 1,105,471,829	\$ 1,197,360,715	\$ 1,215,350,671	\$ 1,211,399,791	\$ 14,039,076
Operating Expenses	3,956,708,396	4,130,741,352	4,431,162,126	4,995,023,598	4,514,227,086	83,064,960
Total	\$ 5,002,658,813	\$ 5,236,213,181	\$ 5,628,522,841	\$ 6,210,374,269	\$ 5,725,626,877	\$ 97,104,036
Staffing Level FTE:	10,669.7	10,856.4	12,075.3	12,240.8	12,211.3	136.0

SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2026	GOVERNOR'S RECOMMENDED FY 2027	RECOMMENDED INC/(DEC) FY 2027
General Funds	\$ 83,460,150	\$ 7,723,478	(\$ 75,736,672)
Federal Funds	673,757,933	6,000,000	(667,757,933)
Other Funds	55,672,632	1,283,270	(54,389,362)
Total	\$ 812,890,715	\$ 15,006,748	(\$ 797,883,967)
Staffing Level FTE:	25.4	0.0	(25.4)

TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2026	GOVERNOR'S RECOMMENDED FY 2027	RECOMMENDED INC/(DEC) FY 2027
General Funds	\$ 2,546,445,265	\$ 2,521,438,703	(\$ 25,006,562)
Federal Funds	2,820,044,788	2,172,391,001	(647,653,787)
Other Funds	1,074,923,503	1,046,803,921	(28,119,582)
Total	\$ 6,441,413,556	\$ 5,740,633,625	(\$ 700,779,931)
Staffing Level FTE:	12,100.7	12,211.3	110.6

INFORMATIONAL BUDGETS CONTAINED IN THE GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2024	ACTUAL FY 2025	BUDGETED FY 2026	REQUESTED FY 2027	GOVERNOR'S RECOMMENDED FY 2027	RECOMMENDED INC/(DEC) FY 2027
FUNDING SOURCE:						
General Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal Funds	739,842,094	856,272,036	978,547,140	979,152,596	975,441,227 (3,105,913)
Other Funds	675,795,125	695,159,684	716,572,987	740,749,321	740,985,432	24,412,445
Total	\$ 1,415,637,220	\$ 1,551,431,720	\$ 1,695,120,127	\$ 1,719,901,917	\$ 1,716,426,659	\$ 21,306,532
EXPENDITURE DETAIL:						
Personal Services	\$ 242,255,317	\$ 251,015,066	\$ 296,548,333	\$ 295,923,995	\$ 296,144,827 (\$ 403,506)
Operating Expenses	1,173,381,902	1,300,416,655	1,398,571,794	1,423,977,922	1,420,281,832	21,710,038
Total	\$ 1,415,637,220	\$ 1,551,431,720	\$ 1,695,120,127	\$ 1,719,901,917	\$ 1,716,426,659	\$ 21,306,532
Staffing Level FTE:	2,319.8	2,283.1	2,020.0	2,019.0	2,019.0 (1.0)

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 Language and Speech Pathology
 Board of Certified Professional Midwives
 Board of Physical Therapy
 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
 One-Call Notification 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
 State Bar Association
 Insurance Fraud Unit
 Unclaimed Property Fund

TOTAL STATE GOVERNMENT BUDGET

(Including Informational Budgets)

GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2024	ACTUAL FY 2025	BUDGETED FY 2026	REQUESTED FY 2027	GOVERNOR'S RECOMMENDED FY 2027	RECOMMENDED INC/(DEC) FY 2027
FUNDING SOURCE:						
General Funds	\$ 2,124,528,678	\$ 2,313,393,241	\$ 2,462,985,115	\$ 2,689,771,522	\$ 2,513,715,225	\$ 50,730,110
Federal Funds	2,764,693,079	2,892,938,083	3,124,833,995	3,433,084,746	3,141,832,228	16,998,233
Other Funds	1,529,074,275	1,581,313,578	1,735,823,858	1,807,419,918	1,786,506,083	50,682,225
Total	\$ 6,418,296,032	\$ 6,787,644,901	\$ 7,323,642,968	\$ 7,930,276,186	\$ 7,442,053,536	\$ 118,410,568
EXPENDITURE DETAIL:						
Personal Services	\$ 1,288,205,734	\$ 1,356,486,894	\$ 1,493,909,048	\$ 1,511,274,666	\$ 1,507,544,618	\$ 13,635,570
Operating Expenses	5,130,090,299	5,431,158,007	5,829,733,920	6,419,001,520	5,934,508,918	104,774,998
Total	\$ 6,418,296,032	\$ 6,787,644,901	\$ 7,323,642,968	\$ 7,930,276,186	\$ 7,442,053,536	\$ 118,410,568
Staffing Level FTE:	12,989.5	13,139.6	14,095.3	14,259.8	14,230.3	135.0

SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2026	GOVERNOR'S RECOMMENDED FY 2027	RECOMMENDED INC/(DEC) FY 2027
General Funds	\$ 83,460,150	\$ 7,723,478	(\$ 75,736,672)
Federal Funds	677,257,933	6,000,000	(671,257,933)
Other Funds	61,917,627	1,283,270	(60,634,357)
Total	\$ 822,635,710	\$ 15,006,748	(\$ 807,628,962)
Staffing Level FTE:	25.4	0.0	(25.4)

TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2026	GOVERNOR'S RECOMMENDED FY 2027	RECOMMENDED INC/(DEC) FY 2027
General Funds	\$ 2,546,445,265	\$ 2,521,438,703	(\$ 25,006,562)
Federal Funds	3,802,091,928	3,147,832,228	(654,259,700)
Other Funds	1,797,741,485	1,787,789,353	(9,952,132)
Total	\$ 8,146,278,678	\$ 7,457,060,284	(\$ 689,218,394)
Staffing Level FTE:	14,120.7	14,230.3	109.6

