

FY2022 Budget Slides

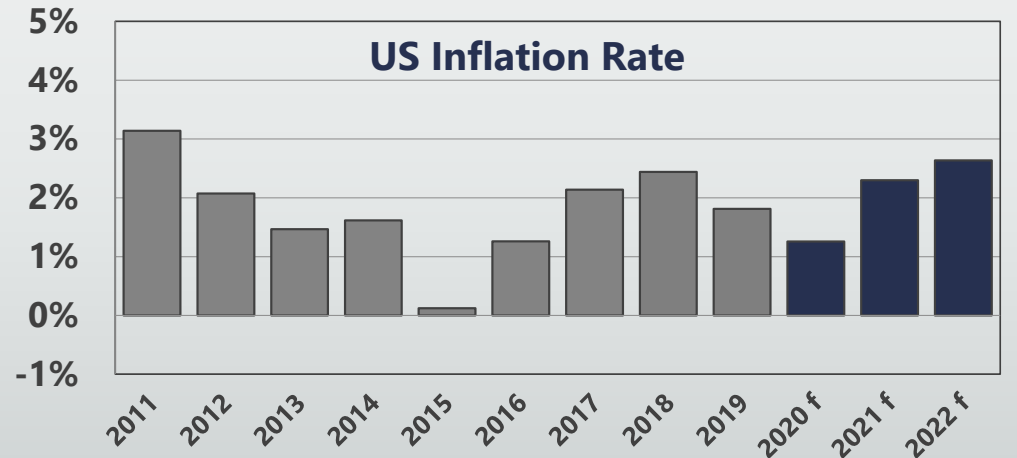
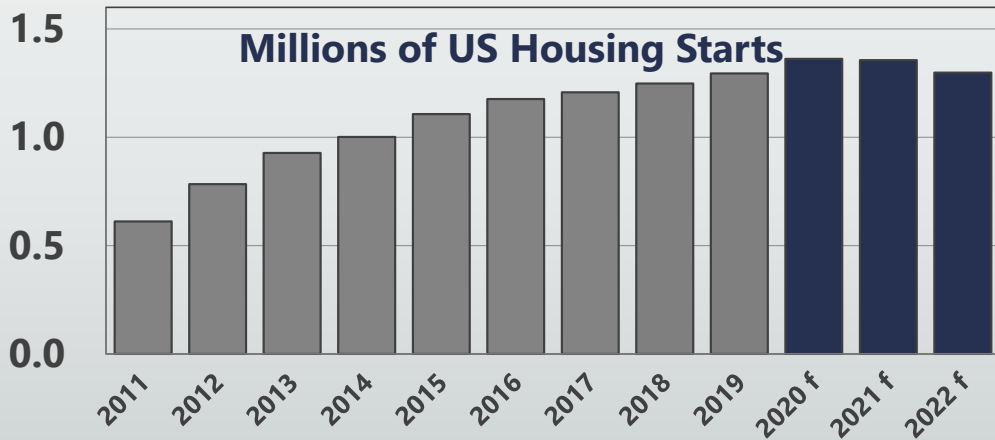
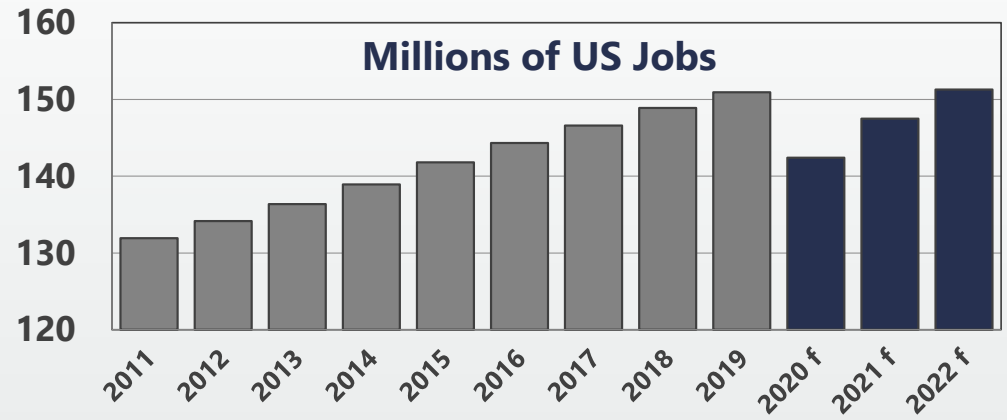
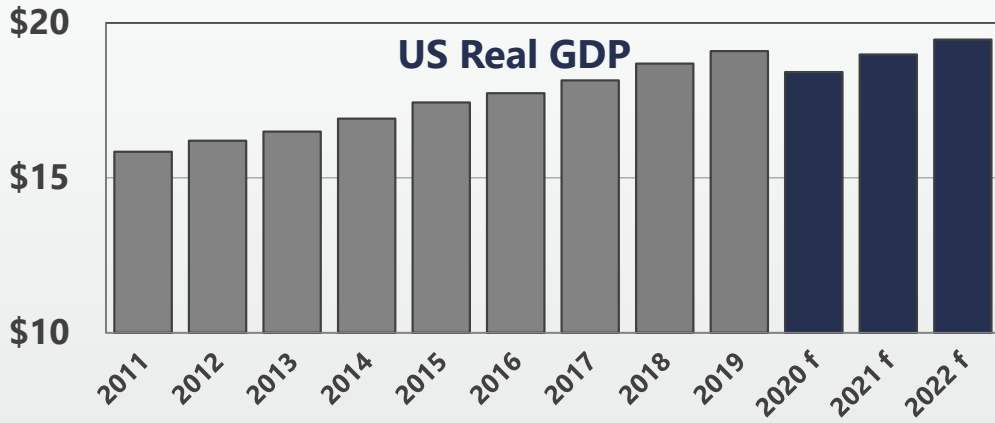
These slides are provided as a supplement to the slides included in the Governor's presentation that was delivered on December 8, 2020.

ECONOMIC OUTLOOK

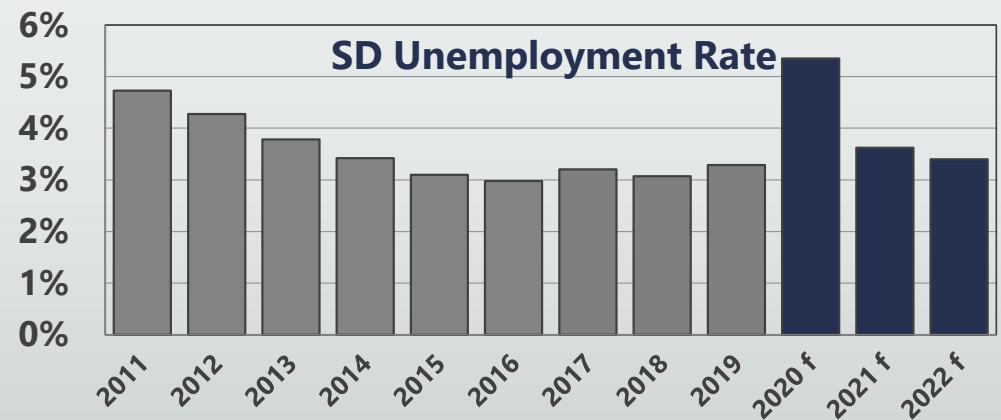
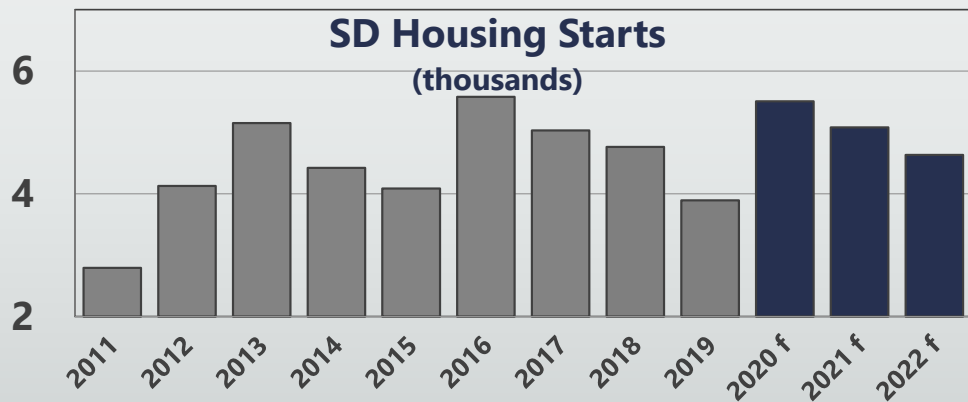
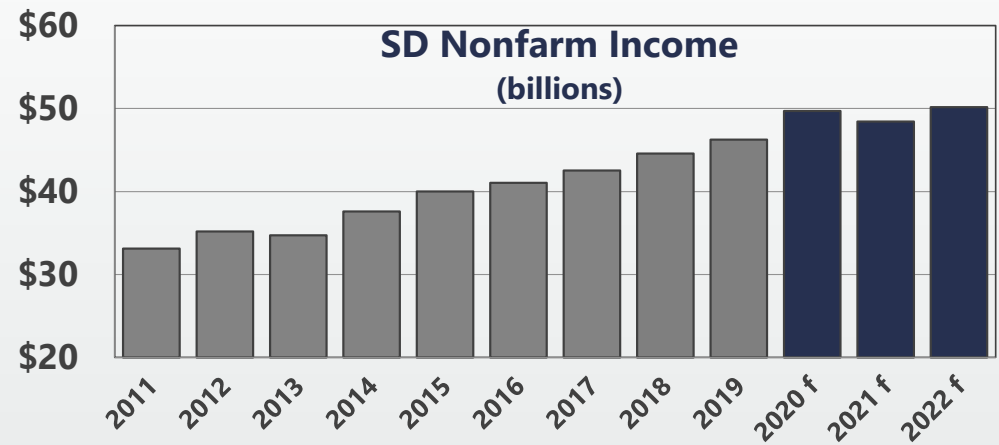
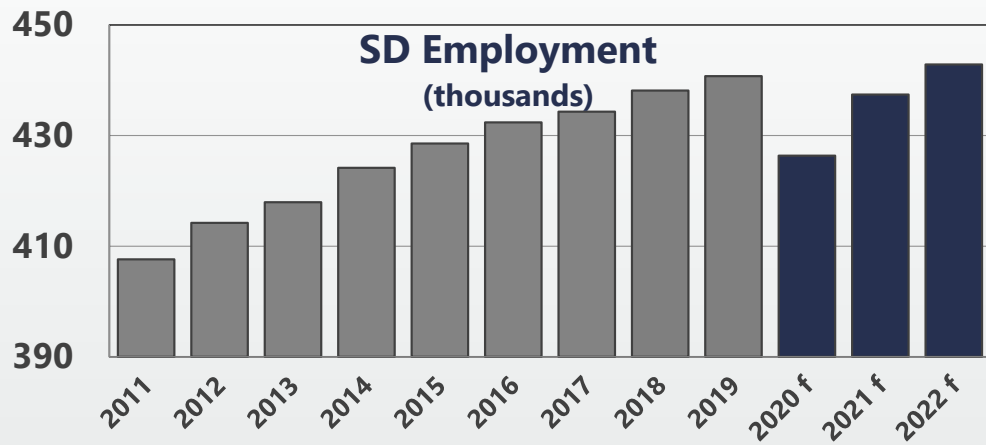
Economic Assumptions

- **US real GDP growth forecast: -3.6% in 2020 and 3.1% in 2021**
- **SD forecast is less impacted in 2020 but slower growth in 2021 than the national forecast, which aligns with the Council of Economic Advisors**
- **No additional federal stimulus included**
- **Widespread COVID-19 vaccination utilization by mid-2021**

IHS Markit US Economy Forecast

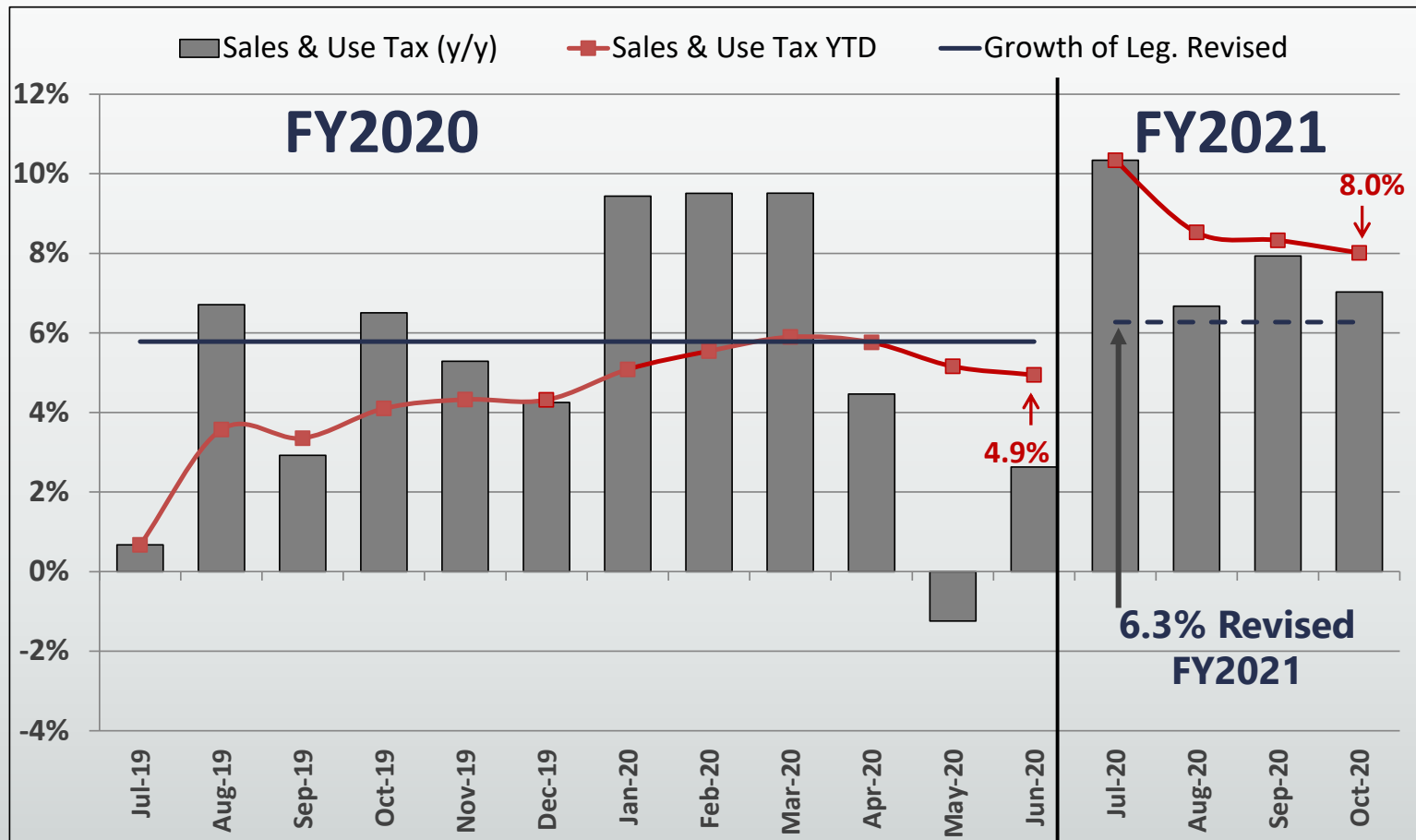


SD Economy Forecast



REVENUES

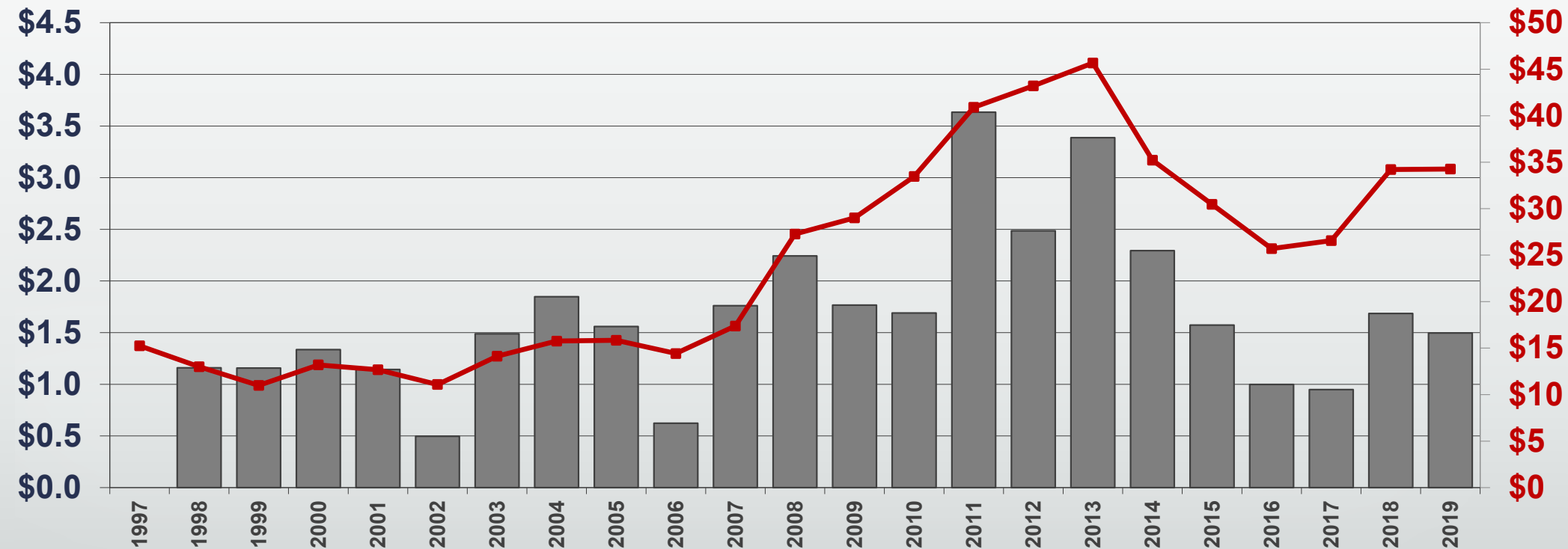
Recent Growth in Sales and Use Tax



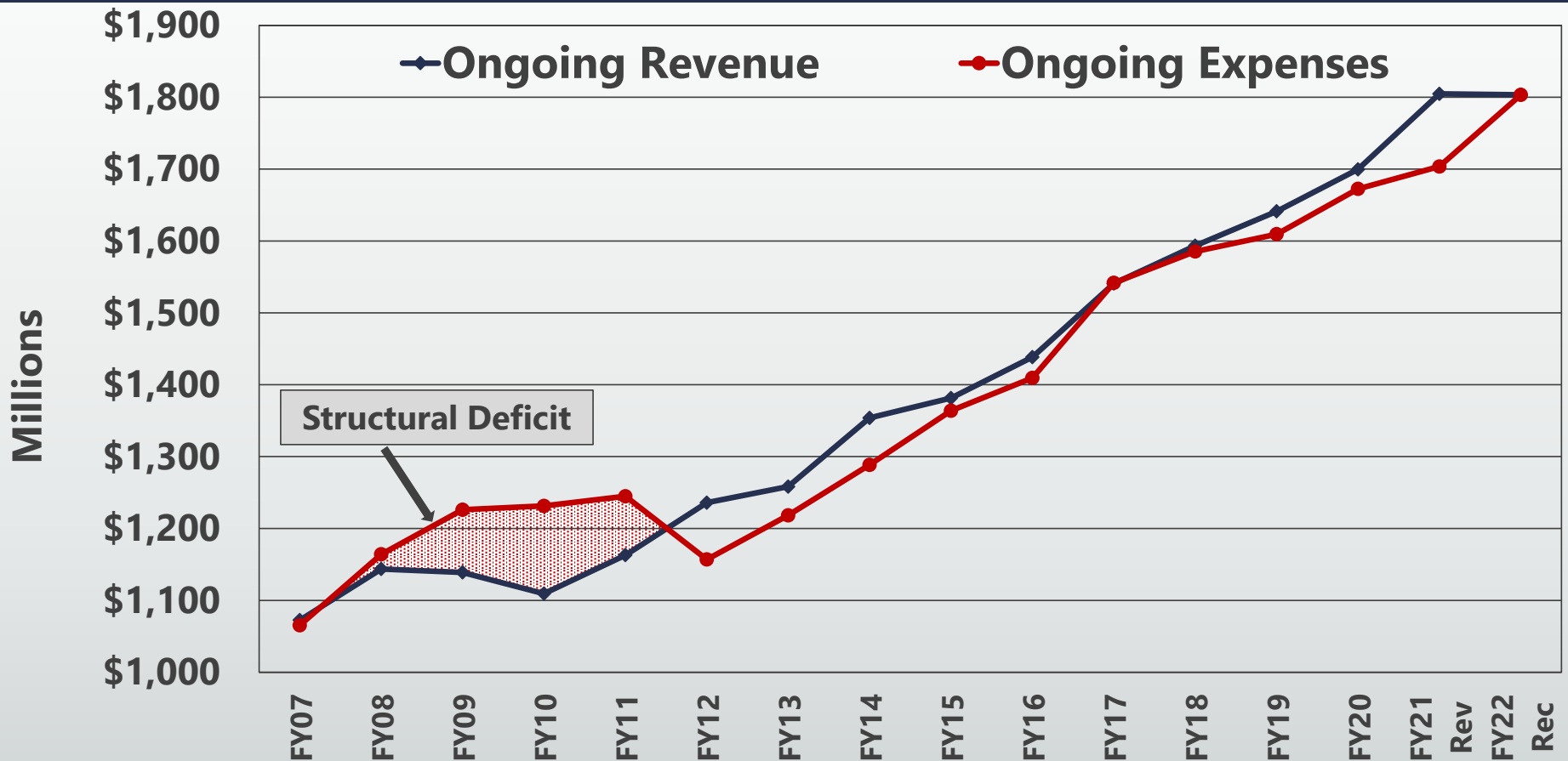
SD Net Farm Income vs. Sales Tax on Farm Machinery

Farm Income -
Billions

Est. Tax on Farm
Equipment - Millions



History of Ongoing Revenues and Expenses



History of Additional Ongoing Revenues

	Adopted Growth
FY 2016	+ 41.3M
FY 2017*	+ 165.0M
FY 2018	(8.0M)
FY 2019	+ 51.5M
FY 2020	+ 59.7M
FY 2021 Adopted Estimate	+ 41.3M

*Includes the 0.5% increase to Sales and Use Tax Rate

FY2021 Adopted vs. Revised Ongoing Receipts (millions)

Source	Adopted FY2021	Revised FY2021	Change
Sales and Use Tax	\$1,102.0	\$1,140.1	+38.1
Lottery	132.2	134.8	+2.6
Contractor's Excise Tax	130.3	136.9	+6.6
Insurance Company Tax	94.0	96.0	+2.0
Unclaimed Property	41.5	40.0	(1.5)
Licenses, Permits, and Fees	70.0	68.7	(1.3)
Tobacco Taxes	45.8	50.9	+5.1
Other Ongoing Receipts	<u>126.8</u>	<u>137.2</u>	+10.4
Total Ongoing Receipts	\$1,742.6	\$1,804.7	+62.1

*Totals may not sum due to rounding

FY2021 & FY2022 Revenue Forecast

(millions)

Source	Adopted FY2021	Revised FY2021	Recommended FY2022	Revised FY2021 vs. FY2022
Sales and Use Tax	\$1,102.0	\$1,140.1	\$1,145.3	+5.3
Lottery	132.2	134.8	135.8	+1.0
Contractor's Excise Tax	130.3	136.9	137.1	+0.2
Insurance Company Tax	94.0	96.0	97.9	+1.9
Unclaimed Property	41.5	40.0	40.0	0.0
Licenses, Permits, and Fees	70.0	68.7	68.9	+0.1
Tobacco Taxes	45.8	50.9	50.4	(0.6)
Other Ongoing Receipts	<u>126.8</u>	<u>137.2</u>	<u>128.0</u>	<u>(9.3)</u>
Total Ongoing Receipts	\$1,742.6	\$1,804.7	\$1,803.3	(1.4)

*Totals may not sum due to rounding

Ongoing Revenue Available

	FY2022
Current Year Revised Ongoing Revenue Growth	\$62.1M
Projected Ongoing Revenue Growth	<u>(\$1.4M)</u>
Total Additional Ongoing Revenue	\$60.7M

History of Additional Ongoing Revenues

	Adopted Growth
FY 2016	+ 41.3M
FY 2017*	+ 165.0M
FY 2018	(8.0M)
FY 2019	+ 51.5M
FY 2020	+ 59.7M
FY 2021 Adopted Estimate	+ 41.3M
FY 2022 Recommended	+ 60.7M

*Includes the 0.5% increase to Sales and Use Tax Rate

One-Time Revenue in FY2021

	General Funds
FY2021 Revised Ongoing Revenue	\$62,086,848
FY2021 One-time Revenue	<u>\$57,466,993</u>
Total FY2021 Revenue Available	\$119,553,841

**FY2021
MID-YEAR
ADJUSTMENTS**

FY2021 Recommendation Detail

	General Funds
FY2021 Revenue Available	\$119,553,841
FY2021 General Bill Reductions	\$134,189,765
FY2021 General Bill Increases	(\$30,201,398)
FY2021 Expenditure Transfers	(\$64,721,582)
FY2021 Emergency Special Appropriations	(\$158,611,534)
FY2021 Continuous Appropriation Adjustment	<u>(\$165,478)</u>
Bottom Line	\$43,614

FY2021 General Bill Amendments

Reductions	General Funds
Public Health and Public Safety Employee Savings (CRF)	\$44,337,735
FY2021 Enhanced FMAP	\$41,820,047
FY2020 Enhanced FMAP and Claims Carryover	\$39,152,704
Medicare Part D Clawback Savings	\$4,400,000
Correctional Healthcare Adjustment	\$2,087,067
Statewide Food Services Adjustments	\$661,972
SDDC Personal Services Reduction	\$534,425
Dual Credit	\$525,485
Statewide Utilities Adjustments	\$396,059
Drug/DUI Court Treatment	\$120,419
Technical Colleges Formula	\$106,287
Legislative Per Diem	\$47,565
Total FY2021 General Bill Amendment Reductions	\$134,189,765

FY2021 General Bill Amendments

Increases	General Funds
Regional Crisis Diversion Centers	\$8,364,225
State Airplane Purchase	\$5,000,000
Technical Colleges Equipment	\$3,366,196
State Radio Coverage	\$3,200,000
Emergency Vehicle Operations Course	\$2,434,501
Educator Certification Website, Database, and Application System	\$1,531,755
Reemployment Assistance Indirect Costs Related to COVID-19	\$999,294
K-12 Civics/History Curriculum	\$900,000
Bureau Billings	\$873,856
Community Transition Program	\$455,885
SDSU Ag Experiment Station - Precision Ranching	\$453,200
Virtual Crisis Care Grant Extension and Expansion	\$360,000
USD Animal Resource Center Equipment	\$355,000
Miscellaneous Increases	\$1,907,486
Total General Bill Amendment Increases	\$30,201,398

FY2021 General Bill Amendments

Expenditure Transfers	General Funds
Trust Fund	\$50,000,000
State IT Application Brittle Fund	\$10,000,000
Aeronautics Fund	\$4,000,000
State Fair Cash Shortfall	<u>\$721,582</u>
Total	\$64,721,582

FY2021 Emergency Special Appropriations

Emergency Specials	General Funds
Broadband Expansion	\$100,000,000
Technical Colleges Bond Payoff	\$21,669,906
Livestock Complex	\$12,000,000
Meat Processing Grants	\$5,000,000
Dam Maintenance	\$5,000,000
Marijuana Implementation	\$4,161,502
Ellsworth Airforce Base Recreational Center	\$3,200,000
STAR Academy	\$1,740,000
Fire Suppression Fund	\$973,514

*List continued on next slide

FY2021 Emergency Special Appropriations

Emergency Specials Continued	General Funds
South Dakota Women's Prison Adjacent Property	\$910,000
Rural Recruitment Assistance Programs	\$811,967
SDDC Vacant Building Demolition	\$794,645
Sioux Falls Readiness Center	\$500,000
Custer State Park - Bison Visitor Center	\$500,000
Tax Refunds for the Elderly and Disabled	\$450,000
Extraordinary Litigation Fund	\$400,000
Veterans' Bonus Program	\$400,000
USS Pierre	\$100,000
Total Emergency Special Appropriations	\$158,611,534

FY2021 Recommendation Detail

	General Funds
FY2021 Revenue Available	\$119,553,841
FY2021 General Bill Reductions	\$134,189,765
FY2021 General Bill Increases	(\$30,201,398)
FY2021 Expenditure Transfers	(\$64,721,582)
FY2021 Emergency Special Appropriations	(\$158,611,534)
FY2021 Continuous Appropriation Adjustment	<u>(\$165,478)</u>
Bottom Line	\$43,614

FY2022 EXPENSES

Ongoing Revenue Available

	FY2022
Current Year Revised Ongoing Revenue Growth	\$62.1M
Projected Ongoing Revenue Growth	<u>(\$1.4M)</u>
Total Additional Ongoing Revenue	\$60.7M

Ongoing Expense Overview

- **2.4% increase for medical provider reimbursement rates, plus targeted rate increases**
- **2.4% increase to target teacher salaries and special education disability rates**
- **2.4% increase for technical colleges per student allocation**
- **2.4% increase in salaries for state employees, plus new benefit plan options**
- **Funding for maintenance and repair of state-owned buildings at 1.75% of replacement value**

FY2022 Recommended Expense Summary

Major Increases/Decreases	General Funds
Medical Provider Inflation (2.4% + Targeted + Mandatory)	\$20,645,472
State Aid to K-12 Education (2.4%)	\$19,341,746
State Employee Salary Policy (2.4%)	\$9,572,887
Technical Colleges Formula (2.4%)	\$375,930
Maintenance & Repair (1.75% of Replacement Value)	\$6,302,784
Consumer Expansion	\$3,245,198
Bureau Billings and Captive Insurance	\$1,018,965
GOED Marketing	\$1,000,000
Department of Health FTE	\$525,654
Utilities and Food Service	(\$403,455)
Bond Payments	(\$460,284)
Federal Medical Assistance Percentage	(\$3,372,630)
Various Increases/Decreases	\$2,481,767
Fire Premium Refund Continuous Appropriation	\$403,273
Total FY2022 General Fund Increases	\$60,677,307

Bottom Line

	FY2021	FY2022
Increased Ongoing Revenues vs. Adopted	\$62,086,848	\$60,677,307
Other One-Time Revenue	\$57,466,993	\$0
Mid-Year Expense Adjustments and Transfers	\$39,266,785	\$0
Emergency Special Appropriations	(\$158,611,534)	\$0
Ongoing Expense Adjustments	\$0	(\$60,274,034)
Continuous Appropriation Adjustments	<u>(\$165,478)</u>	<u>(\$403,273)</u>
Bottom Line	\$43,614	\$0