

TABLE OF CONTENTS

SUMMARY OVERVIEW

U.S. AND SOUTH DAKOTA ECONOMIC FORECAST	1
U.S. ECONOMY.....	1
SOUTH DAKOTA ECONOMY.....	5
REVENUE ESTIMATES.....	9
BUDGET RESERVE	12
COMPARISON BETWEEN LEGISLATIVE AND REVISED ESTIMATE FOR FY2008	13
COMPARISON BETWEEN FY2007 AND FY2008 REVENUE COLLECTIONS	14
COMPARISON BETWEEN FY2008 AND FY2009 REVENUE COLLECTIONS	15
GENERAL FUND RECEIPTS.....	16
RECOMMENDED EXPENDITURES	17
SUMMARY OF RECOMMENDED BUDGET ADJUSTMENTS AND REORGANIZATIONS.....	19
SPECIAL APPROPRIATION RECOMMENDATIONS	38
GOVERNOR'S RECOMMENDATION FOR STATE EMPLOYEE COMPENSATION	41
GOVERNOR'S FY2009 GENERAL FUND RECOMMENDATIONS	42
GENERAL FUND CONDITION STATEMENT	43
TOTAL STATE GOVERNMENT BUDGET (EXCLUDING INFORMATION BUDGETS)	44
INFORMATION BUDGETS CONTAINED IN THE GENERAL APPROPRIATIONS BILL	45
TOTAL STATE GOVERNMENT BUDGET (INCLUDING INFORMATION BUDGETS)	46

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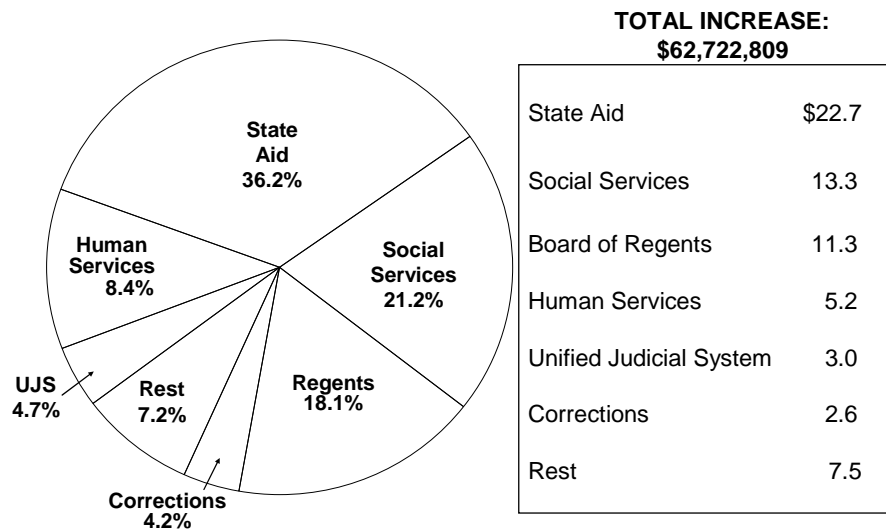
SUMMARY OVERVIEW

Governor Rounds is recommending a budget (including special appropriations) for FY2009 totaling \$3,549,772,569, and 14,366.1 FTE. This represents an overall increase of \$85,960,352 in total funds and an increase of 139.2 FTE over FY2008. For FY2009, the Governor is proposing a general fund budget of \$1,207,664,193, which is an increase of \$24.2 million over the FY2008 budget. The proposed FY2009 general fund budget (excluding Sale/Leaseback and CRP Programs) is distributed as follows:

- \$404.1 million, or 33.8% for Aid to Schools;
- \$396.9 million, or 33.1% for Health, Human, and Social Services;
- \$185.8 million, or 15.5% for Higher Education;
- \$ 83.4 million, or 7.0% for Corrections;
- \$ 59.0 million, or 4.9% for the Legislature, Unified Judicial System, Public Utilities Commission, and Elected Officials;
- \$ 18.9 million, or 1.5% for Agriculture; Environment and Natural Resources; and Game, Fish, and Parks; and,
- \$ 47.7 million, or 4.2% for the Remainder of State Government.

The graph below depicts the FY2009 recommended general fund increases, excluding special appropriations and including salary policy.

FY2009 General Fund Increases Excluding Special Appropriations and Including Salary Policy



U.S. AND SOUTH DAKOTA ECONOMIC FORECASTS

U.S. ECONOMY

RECENT ECONOMIC ACTIVITY

The following section briefly summarizes recent economic activity in the United States based on publications by Global Insight. Global Insight is one of the most respected economic forecasting firms in the world.

The U.S. economy thus far has weathered the storm from the housing and credit crunch experienced over the past several months. The Federal Reserve has been proactive by cutting the federal funds target rate by a total of 75 basis points since September. The rate is now at 4.50%. It is expected that the Federal Reserve will cut the rate by an additional 25 basis points in early 2008 due to an overall weakening in the economy.

Recent evidence may suggest the economy is doing well as real GDP growth for the third quarter was above most expectations at 3.9%. However, growth in the fourth quarter is expected to slow sharply. The biggest shock has been the continued recession in the housing market and credit crunch from the financial markets in the past few months. In addition, recent record high oil prices continue to be a threat. To add to the national recession in housing, credit standards have been tightened for residential real estate, commercial real estate and consumer loans. Mortgage delinquencies and foreclosures are expected to remain high through 2008 and into 2009 due to sub prime adjustable-rate loans that are scheduled to reset. There is still much uncertainty about the extent of the sub prime problem and it could get worse.

After slowing to 0.6% in the first quarter of 2007, GDP responded with solid growth of 3.8% and 3.9% in the second quarter and third quarter, respectively. The growth experienced during the past two quarters has been driven by stronger exports due to a lower value of the dollar, continued strong nonresidential construction and continued consumer spending. Growth as measured by GDP is expected to slow to an average of 1.2% over the next three quarters as the decline in residential construction accelerates and consumer spending growth slows. Housing continues to be the biggest hindrance to growth.

The economy is now facing a potential "double shock" with the housing recession and credit crunch being the initial shock and record high oil prices being the second. Oil prices have topped \$95/barrel in recent weeks. According the Global Insight's Energy Group, market fundamentals support a price

of \$75 to \$80 per barrel. However, low inventories and continued worldwide demand have kept market conditions tight. Any geopolitical or weather related events have been magnified in the markets. Due to these events that may cause a slowdown in consumer spending, the overall economic outlook has weakened over the last month and Global Insight now assigns a 35% probability of recession over the next 3-15 months.

The following are recent key national economic statistics:

- The unemployment rate was stable at 4.7% for both September and October. The October rate was 0.3% higher than the unemployment rate recorded in October 2006.
- The Institute of Supply Management's (ISM) purchasing managers' index for manufacturing was 50.9 in October down from 52.0 in September. This was the 9th consecutive month the index has been above 50, but it has decreased since June. A reading below 50 usually indicates the manufacturing sector is contracting, and a reading above 50 usually indicates it is expanding.
- The ISM nonmanufacturing business activity index rose from 54.8 in September to 55.8 in October. This is the 55th consecutive month that the index has been above 50. The increase in the index was attributed to new orders and new export orders.
- Nonfarm productivity grew 2.6% in the second quarter and slowed to 1.6% growth in the third quarter. Unit labor costs rose 2.5% which led to slower growth in the third quarter.
- In the first three quarters of 2007, personal income increased at an annual rate of 10.0%, 5.3%, and 5.8%. Personal income grew 6.2% in 2004, 5.9% in 2005, and 6.6% in 2006.
- Real Personal Consumption increased 0.1% in September. The personal savings rate (percentage of disposable income) improved from the August level of 0.8% to 0.9% in September indicating consumers are saving more. This compares to the savings rate from September of 2006 of 0.4%.

- Total construction spending was up 0.3% in September over August. Private construction fell 0.2%, while public construction grew 1.9%.
- Housing starts were 1.950 million units in 2004, 2.073 million units in 2005, and 1.812 million units in 2006. At an annual rate, in the first three quarters of 2007, housing starts were 1.460 million units, 1.464 million units, and 1.296 million units.

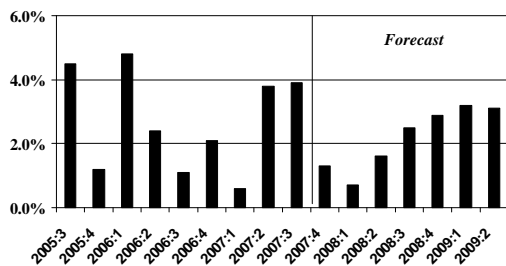
NATIONAL FORECAST HIGHLIGHTS

This section summarizes Global Insight's forecast as of November 2007 for various categories of the U.S. economy.

GDP: The US economy has weathered the storm thus far from the housing recession and the credit crunch. With the housing and credit situations, along with recent oil prices nearing \$100/barrel, the economy now faces a potential double shock. Housing is still in free fall and the Federal Reserve's latest bank survey indicates credit tightening in commercial real estate and consumer loans. The periods of greatest risk are the fourth quarter of 2007 and the first quarter of 2008. Global Insight's view is that the housing downturn will continue and a slowdown in consumer spending is under way. Over the next three quarters, GDP growth is expected to increase on average by just 1.2%.

In the first three quarters of this year, GDP grew 0.6%, 3.8%, and 3.9%, respectively. In the fourth quarter, GDP growth is forecast to slow to 1.3%. In the four quarters in 2008, Global Insight is projecting GDP growth of 0.7%, 1.6%, 2.5%, and 2.9%. In 2009, GDP is forecast to increase 3.2% in the first quarter and 3.1% in the second quarter.

Global Insight's Baseline Forecast of GDP



On an annual basis, GDP grew 1.6% in 2002, 2.5% in 2003, 3.6% in 2004, 3.1% in 2005, and 2.9% in 2006. Global Insight's latest forecast shows GDP increasing 2.1% in 2007, 1.9% in 2008, and 2.9% in 2009.

CONSUMERS: Consumers continue to play a key role in supporting economic growth. Real consumer spending rose 2.7% in 2002, 2.8% in 2003, 3.6% in 2004, 3.2% in 2005 and 3.1% in 2006. In 2007, real consumption has increased 3.7%, 1.4%, and 3.0% in each of the three quarters. Growth in real consumer spending is anticipated to slow to 1.9% in the fourth quarter in response to the continued housing fallout and high oil prices. Consumer confidence slipped in October and early November as rising energy prices depleted purchasing power. The Reuters/University of Michigan index of Consumer Sentiment has fallen from a recent high of 90.4 in July to 75.0 in early November. The caution revealed in surveys has been evident in retail sales, which increased only 0.2% in October. As home prices erode net worth, households are expected to increase their savings and cut back on discretionary purchases. However, modest gains in employment and real wages should sustain the 16-year expansion in consumer markets, with spending on electronics, healthcare, and recreation. A higher saving rate and a slowdown in debt accumulation will gradually ease financial burdens over the next two years. On an annual basis, real consumption is projected at 2.9% this year and then slows to 2.0% in 2008. Once housing markets begin to recover, consumer spending growth will pick up to 2.7% in 2009 and 2.9% in 2010.

The savings rate (% of disposable income) was 0.9% in the third quarter of 2007 and has increased since the third quarter rate of 2006 of 0.0%. The savings rate is expected to continue to increase due to a cautious consumer market. The savings rate is projected to be 0.8% in 2007 and increase to 1.7% in 2008 and to 2.4% in 2009. In 2004, 2005 and 2006, the savings rate has been 2.1%, 0.5%, and 0.4%, respectively.

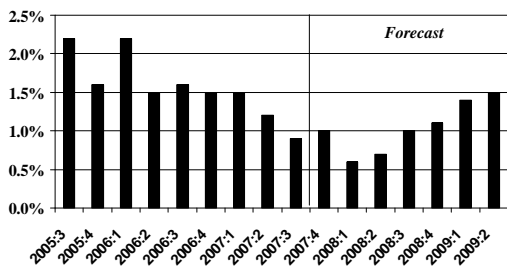
EMPLOYMENT: The latest employment report shows that 166,000 jobs were added to the U.S. economy in October, although this strong increase is expected to be temporary. The industry pattern follows the trend of recent months with declines in manufacturing and construction, and increases in healthcare, leisure and hospitality, government, and business and professional services. Due to the slowing economy, it is expected that job creation will be sluggish over the next three quarters before job growth revives in the second half of 2008. Based on current data, employment growth in 2007 is estimated at 1.82 million jobs and is expected to slow to a growth of 1.17 million in 2008. The forecast projects that in 2009 and 2010 job gains will rebound above 1.7 million per year. The weakness projected in 2008 is due mainly to categories that show job losses or weaker-than-normal performances including construction and manufacturing.

Nonfarm Productivity (output per hour) has grown over the past three quarters. In the first three quarters of 2007, productivity grew at an annual rate of 0.7%, 2.6%, and 4.2% which reflects the strength that has been seen in GDP over the past two quarters. As discussed previously, GDP is expected to slow over the next three quarters and will reflect slower productivity growth as well. For 2007, productivity is expected to increase 1.4%. In 2008 and 2009, productivity is projected to grow 1.6% and 2.0% due to the recovery in the overall economy in the second half of 2008 and into 2009. In 2004, 2005 and 2006, productivity increased 2.7%, 1.9% and 1.0%, respectively.

The unemployment rate in October was 4.7%, which is 0.3% higher than the unemployment rate reported last year at this time and the same as September. The unemployment rate is expected to rise approximately 0.1% per quarter for the next three quarters reflecting slower job creation. On an annual basis, the unemployment rate was 5.5% in 2004, 5.1% in 2005 and 4.6% in 2006. In 2007 and 2008, the unemployment rate is projected to be 4.6% and 5.0%, respectively. In 2009, the unemployment rate is projected to remain at 5.0%.

After growing 1.5%, 1.2%, and 0.9% in the first three quarters of 2007, payroll employment is projected to grow 1.0% in the fourth quarter and 0.6%, 0.7%, 1.0%, and 1.1% in the four quarters of 2008. In the first two quarters of 2009, payroll employment is projected to grow 1.4% and 1.5%.

Global Insight's Baseline Forecast of Payroll Employment



On an annual basis, payroll employment in the U.S. was 0.0% in 2001, decreased 1.1% in 2002 and 0.3% in 2003, and increased 1.1% in 2004, 1.7% in 2005 and 1.9% in 2006. Payroll employment is forecasted to grow 1.3% in 2007, 0.8% in 2008, and 1.2% in 2009.

HOUSING: The recession in housing has not showed signs of recovery. Existing home sales plunged 8.0% in September, after dropping 4.7% in August. Sales reached the lowest level in the series' history, dating back to January 1999. Housing starts fell 10.2% in September to their lowest level since

March 1993. In addition, the inventory problem grew in September. The months' supply of existing single-family homes rose from 9.3 to 10.2 months, the highest reading since February 1988. The Census homeowner vacancy rate, which measures the percentage of single-family homes that are empty and for sale, rose to 2.7% in the third quarter, just a notch below the record of 2.8% set in the first quarter of 2007. With inventories high, the downward trend in prices continued. The median price of an existing single-family home was down 4.9% in September compared to September 2006, while the average price was down 3.8%. It is Global Insight's view that prices will drop sufficiently for housing activity to bottom in 2008. However, the forecast points to housing starts dropping nearly 20% from current levels and home sales nearly 10% before housing begins to recover.

The housing forecast indicates housing starts decreasing 25.7% in 2007 and 24.2% in 2008 with most of this drop attributed to single-unit housing. Housing starts are expected to hit bottom in the second quarter of 2008 and begin to gradually rise again. Global Insight is expecting prices of existing homes to decline 2.2% in 2007 and another 8.8% in 2008. The lower prices will stimulate new and existing home sales which are expected to recover in the second half of 2008. Due to the sharp drop in housing starts, Global Insight expects spending on residential investment to tumble about 30% in the fourth quarter of this year and the first quarter of next year, taking 1.5 to 1.6 percentage points off GDP growth in both quarters. Total housing starts are projected to be 1.346 million units in 2007, dropping to 1.02 million units in 2008, then recovering to 1.30 million units in 2009. In 2004, 2005, and 2006, total housing starts were 1.950, 2.073, and 1.81 million units, respectively.

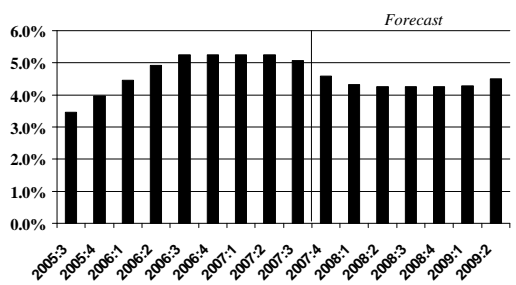
INFLATION: Inflation pressures remained moderate in September as the consumer price index rose 0.3% due to a turnaround in energy prices and continued strength in food prices. The core CPI (excludes food and energy) rose 0.2% in September. The trend in core inflation is encouraging as the three month annualized change in the core CPI dropped to 2.1% in October from 2.5% in the three preceding months. The Federal Reserve's preferred inflation gauge, the core personal consumption expenditures (PCE) deflator, accelerated to 0.2% in September, up from 0.1% in August. The year-on-year rate remained at 1.8%, within the Federal Reserve's presumed 1% to 2% target range for this measure. Labor markets are not showing signs of further tightening, so accelerating labor costs are not a big near-term concern since unit labor costs are a fundamental inflation driver. However, oil prices are a concern as higher production costs may affect core consumer prices. The Federal Reserve is expected

to continue to monitor inflation pressures in order to keep core inflation near 2.0% in the long term.

The CPI increased 2.7% in 2004, 3.4% in 2005, and 3.2% in 2006. The CPI is forecasted to increase 2.9% in 2007, and then slow to 2.0% in 2008 and 1.6% in 2009. The core CPI increased 1.8% in 2004, 2.2% in 2005 and 2.5% in 2006. It is projected to increase 2.3% in 2007, 2.0% in 2008, and 1.8% in 2009. The producer price index for finished goods rose 3.6%, 4.9% and 2.9% in 2004, 2005 and 2006, respectively. It is expected to grow 3.9% in 2007, and then soften to 2.4% and 2.1% in 2008 and 2009, respectively.

MONETARY AND FISCAL POLICY: Monetary policy was very aggressive during the economic downturn of 2001 as the Federal Reserve cut the federal funds target rate down to 1.00%. In June of 2004, the Federal Reserve shifted gears and raised the rate to 5.25%. Since September the rate has been cut by a total of 0.75% to the current rate of 4.50%. Global Insight's view is that the Federal Reserve will cut the target rate by 25 basis points one more time in early 2008 since the short-term outlook for GDP growth and the housing market have continued to show weakness.

Global Insight's Baseline Forecast of the Federal Funds Rate



The federal deficit for fiscal year 2007 was \$163 billion which was an improvement from \$248 billion in the previous fiscal year. Global Insight's forecast for the federal deficit is to increase to \$266 billion in fiscal year 2008 as revenue growth decelerates and expenditure growth increases due to short-term upward pressures on defense spending. After growing 6.8% in 2003, 4.2% in 2004, 1.5% in 2005, and 2.2% in 2006, real federal government purchases are expected to increase 1.9% in 2007, 2.9% in 2008 and 0.1% in 2009. The majority of the increases projected in 2007 and 2008 are the result of defense spending.

INTERNATIONAL: The U.S. trade deficit has improved over the past four months, including a slight improvement in September to \$56.5 billion from the August deficit of \$56.8 billion. The source of trade improvement continues to be strong export

gains and restrained imports as the value of the dollar continues to decline which is fueling demand for U.S. capital goods. September's inflation-adjusted goods exports were 9.8% above the previous year, while imports rose only 1.1%. The improvement in the international trade deficit is estimated to have added 1.4 percentage points to the GDP growth rate in the second quarter. Slower growth in imports and higher growth in exports is expected to narrow the deficit further in the short term mainly due to the decline in the value of the dollar. Global Insight is forecasting the real deficit will narrow to \$563.1 billion in 2007 and \$474.8 billion in 2008. Trade is expected to be positive for GDP growth from 2007 through 2009.

The dollar has continued on a downward trend, especially since the sub prime crisis hit in early August. With U.S. interest rates expected to fall further, the pressure on the dollar remains strong. Global Insight expects the continued downward pressure on the dollar to boost exports over the course of 2008. The forecast assumes that the dollar will drop about 7.6% against major currencies in 2008 due to the large trade gap and interest rate differentials.

The U.S. credit market crisis is a potential problem for the world economy. The depth and intensity of the spillover to the world economy are still uncertain. The forecast for Global growth is expected to slow, especially in countries where housing markets have suffered, including Ireland, the United Kingdom, and Spain. China's economy is overheating because the fast-paced growth cannot be sustained due to weakness in key export markets. Robust growth in emerging markets has pushed oil and other commodity prices to new highs. The anticipated easing in global growth should help contain inflationary pressures. The world economy forecast is for slowing growth over the next few years with the United States leading a shift from above average trend from 2004 to 2007 to an average trend projected in 2008 to 2012. After growing 3.9% in 2006, world GDP is projected to increase 3.7% in 2007 and 3.3% in 2008.

RISKS TO THE FORECAST

Global Insight's baseline forecast assumes that the U.S. economy is headed for a period of below trend growth for the next three quarters with GDP averaging just 1.2% and then returning to average growth towards the second half of 2008. There is a 10% probability that only a brief slowdown will occur and productivity growth will recover and stay strong for many years. In Global Insight's optimistic scenario, GDP is projected to grow 2.1% in 2007, 2.8% in 2008, and 3.7% in 2009. A few key differences exist between the optimistic scenario and the baseline scenario. First, total factor productivity

is stronger, as the optimistic forecast assumes economic growth is enhanced by a reinvigorated information technology sector, similar to the late 1990's. The second key assumption in the optimistic scenario is that the contraction in residential investment is much less severe and housing starts will begin to recover in early 2008 due to stronger job growth, lower interest rates, higher consumer confidence and lower long-term mortgage rates. Third, the optimistic scenario assumes more robust business fixed investment than in the baseline scenario. Other key assumptions in the optimistic scenario are stronger foreign economic growth, a stronger dollar, and lower energy prices. These different assumptions would all boost economic growth in the U.S. and provide for a scenario that resembles the growth in the late 1990's.

Global Insight's pessimistic scenario has a 35% probability of recession occurring, and projects that the fatal combination of the housing recession and high energy prices will push the U.S. economy into a recession, with the periods of greatest risk being the fourth quarter of 2007 and the first half of 2008. This is based on the assumptions of further deterioration of the housing market, further slowing of consumer spending, weaker capital spending, persistently high energy prices, and higher interest rates than what is projected in the baseline forecast. In the pessimistic scenario, the economy sinks into a recession with employment dropping for two quarters and real GDP dropping for three straight quarters. The pessimistic scenario resembles the economic times of the late 1970's. In the pessimistic scenario, GDP is forecasted to grow 2.0% in 2007, 0.4% in 2008, and 1.8% in 2009.

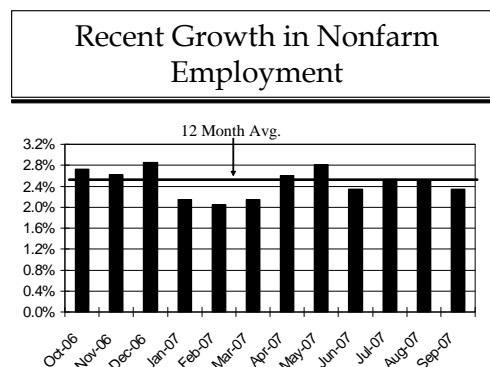
SOUTH DAKOTA ECONOMY

RECENT ECONOMIC ACTIVITY

This section briefly summarizes recent economic activity in South Dakota. A prime indicator of a state's economic health is the growth rate of nonfarm employment, as it is considered by most economists as the most timely and comprehensive measure of the performance of a state's economy.

The South Dakota economy was affected by the national recession that occurred from March 2001 to November 2001. However, in terms of growth in nonfarm employment, the South Dakota economy performed better compared to the national economy since the recession. Nonfarm employment growth in South Dakota grew at an average rate of 1.4% from 2002 through 2006, approximately 0.3% higher than the U.S. nonfarm employment growth rate of 1.1% over the same time period.

After adding 6,400 jobs in 2005 and 9,000 jobs in 2006, jobs continue to be added in South Dakota in 2007. In September 2007, nonfarm employment was up 2.35% over September 2006. The current forecast indicates that 8,900 jobs will be added in South Dakota in 2007.



The following are some recent key South Dakota economic statistics:

- In the last twelve months (October 2006 through September 2007), nonfarm employment in South Dakota grew 2.47% over the same period a year ago. Sectors that experienced strong growth in the last twelve months were financial activities (5.30%); manufacturing (3.67%); construction (2.71%); and education and health services (2.39%).
- In the last twelve months, the average weekly earnings of manufacturing production workers grew 2.24% over the same period the year before. Average hourly earnings were up 2.51% over the last twelve months, while average weekly hours were down 0.22% over the same time period.
- The unemployment rate in South Dakota was tied for the seventh lowest in the U.S. in September at 3.1%. This was 1.6% below the national rate and 0.2% below the unemployment rate at this time last year.
- During the latest twelve-month period (October 2006 through September 2007), the number of titles issued for new noncommercial vehicles was 35,248, which was a decrease of 319 vehicles titled over the prior twelve-month period.
- The total number of residential building permits issued during the past twelve months was 4,903, which was down 1,355 from the prior twelve-month period. The value of building permits issued was \$662.9 million for the past twelve months. This was a decrease of \$112.9 million from the prior twelve-month period.

COUNCIL OF ECONOMIC ADVISORS

The Council of Economic Advisors, which has been in existence since 1991, consists of economics professors and business people from 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: Visitor spending in the state totaled \$864.9 million in 2006. This was \$55.5 million more than visitor spending in 2005, and the highest level of spending ever achieved in South Dakota. The Black Hills, Badlands and Lakes Region experienced the largest increase in visitor spending in 2006 over 2005 at 7.9%. Spending in the Southeast Region, Glacial Lakes and Prairies Region, and Great Lakes Region increased 7.8%, 6.0%, and 1.0%, respectively. Visitation at Mount Rushmore National Memorial was down 6.9% year-to-date in September 2007 compared to 2006 and visitation at the Badlands National Park was up 10.3% year-to-date in September 2007 compared to 2006.

Tourism in the state has remained strong so far this year even with high gas prices. Recent data has shown that consumers traveled shorter distances but increased spending during 2007. One of the most notable changes in tourism is that many more visitors from Canada were reported at many locations in 2007 traffic counts compared to 2006. Due to the strengthening of the Canadian dollar relative to the U.S. dollar, this trend is expected to continue. In addition, tourism is expected to remain strong in the near future based on goals in the Governor's 2010 Initiative to grow the South Dakota visitor industry.

AGRICULTURE: In 2006, the agricultural economy in South Dakota produced cash receipts of \$4.72 billion, which was a decrease of \$0.1 billion from 2005 (excluding government payments). Crops generated \$2.06 billion and livestock generated \$2.65 billion in 2006.

Last year was below average overall for crop production due to drought conditions that impacted a large portion of South Dakota. In 2006, corn for grain production totaled 312 million bushels with an average yield of 97 bushels, which was down 22 bushels from the 2005 yield. Soybean production was 130.9 million bushels, 3.0% below the prior year. Winter wheat and spring wheat yields were down 8 bushels and 10 bushels, respectively. Livestock production in 2006 fared better than crop production as the 2006 calf crop totaled 1.72 million head, unchanged from the prior year. The pig crop last year was 2.91 million head, which was up 4% from 2005.

Production levels look to be strong for South Dakota producers in 2007 as most areas received timely moisture to help increase crop yields over 2006 levels. According to the National Agricultural Statistics Service, corn production is projected to be 556.3 million bushels, which is up 78% from last year's production and is a potential record high production for South Dakota. Corn yield is forecasted at 125 bushels per acre, which is up 28 bushels from last year's production. Soybean production is expected to be down 4.0% from last year, at 126.0 million bushels due to fewer acres for harvest. Soybean yields are projected to be strong at 40 bushels per acre, which is a potential record high yield for South Dakota. On the livestock side, September commercial red meat production in South Dakota was up 11% from last year, at 86.0 million pounds. As of November 1st, South Dakota's 1,000+ capacity feedlots reported 205,000 cattle on feed for the slaughter market which is up 15,000 from a year earlier and up 25,000 from the prior month.

The Council's outlook for the agricultural economy is optimistic. Recovering from the drought conditions in 2006, producers have had strong production levels along with high prices in 2007. Continued demand for alternative fuels as well as strong worldwide demand has driven crop and livestock prices higher leading to projected higher incomes in 2007. Although high input costs and higher land values will continue to put pressure on the agriculture economy, the agriculture sector is expected to be a strong cornerstone for South Dakota's overall economy in the future.

WAGE RATES: The unemployment rate in South Dakota in September was 3.1%. This was 1.6% below the U.S. unemployment rate, and tied for the seventh lowest rate in the nation. A low unemployment rate is a sign of a tight labor market, which puts pressure on businesses to increase wage rates to keep and gain employees. In addition, productivity is expected to remain strong in the state. This should translate into wage gains for workers as they get compensated for their increased productivity. Continued job growth in the state should also put pressure on wage rates to rise. Therefore, the Council is anticipating wages to continue to increase in South Dakota contributing to healthy economic growth in the state.

CONSTRUCTION: Construction activity was relatively strong in South Dakota in 2006. Much of the strength in the construction sector was attributable to the housing market. The total number of housing units authorized in South Dakota was 5,304 in 2006, which was down slightly from the total number of housing units authorized in 2005. The value of permits issued for housing units was slightly less, down \$33.9 million in 2006 compared to 2005.

Construction activity has remained relatively strong, with growth in nonresidential construction offsetting weakness in residential construction. Tighter credit standards and slower appreciation rates have helped cause supply and demand to come out of balance in the housing sector. From January to September of 2007, the total number of building permits issued for family buildings in South Dakota was 4,037, which was 905 fewer than the total number of permits issued during the same time period in 2006. The value of permits issued for family buildings during the first nine months of 2007 compared to 2006 was down \$83.0 million.

Although there has been some softness in the housing market, South Dakota has not been directly impacted by the sub prime housing crisis. South Dakota continues to have one of the lowest foreclosure rates in the nation. Due to South Dakota's steadily growing economy and relatively low interest rates, the Council's view is that the housing market will stabilize in 2008 and grow in 2009.

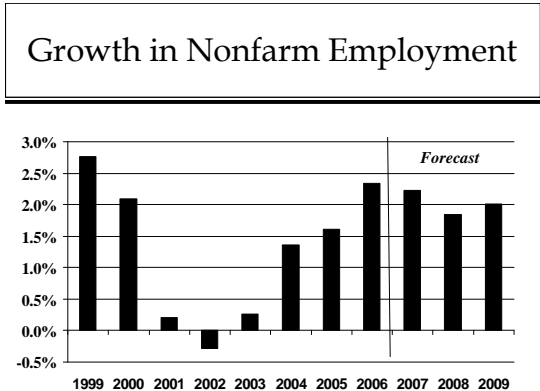
SOUTH DAKOTA FORECAST HIGHLIGHTS

Global Insight's forecast of the national 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.

EMPLOYMENT: South Dakota has several advantages over other states that account for its ability to post strong gains in employment. Some of these advantages include a pro-business environment, a central geographic location, an advanced technology base, a low cost of doing business, and a high quality of life.

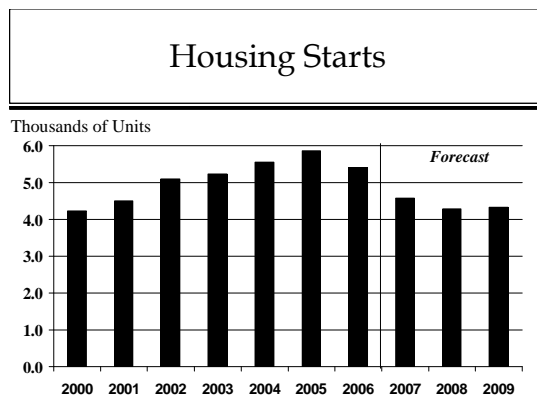
Between 1990 and 1995, nonfarm employment in South Dakota grew at an average annual rate of 3.4%, which was significantly higher than the national average annual growth rate of 1.4% during this time period. The majority of additional jobs in South Dakota during this period occurred in the manufacturing, construction, and service sectors. In 1996 and 1997, growth in nonfarm employment slowed to 1.5% and 1.7%, respectively. In 1998, nonfarm employment growth rebounded back to 2.0%, and in 1999 nonfarm employment rose 2.8%. The construction and service sectors experienced strong gains during these years. In 2000, growth slowed again to 2.1%, and then slowed further in 2001 to 0.2% due to the recession. Nonfarm employment fell 0.3% in 2002 and rose 0.3% in 2003, 1.4% in 2004, 1.6% in 2005, and 2.3% in 2006. For 2007, 2008, and 2009, nonfarm employment is projected to continue to be strong, growing 2.2%, 1.8%, and 2.0%, respectively.

Sectors in service-providing industries, particularly health services, financial services, leisure and hospitality, retail trade, and manufacturing are expected to see strong job gains in the future.



HOUSING: Favorable interest rates and changing demographics in the state contributed to a strong housing sector from 1998 through 2005 as the number of housing starts in South Dakota had increased each year. Housing starts softened in 2006 and have weakened further in 2007 as evidence from residential housing permits.

The housing market is expected to stabilize in 2008 and recover into 2009 as demand becomes more balanced with supply. Mortgage rates are expected to remain attractive and the economy will continue to grow, stabilizing the housing sector. Housing starts were 5,304 in 2006 and are projected to be 4,580 in 2007, 4,280 in 2008, and 4,330 in 2009.

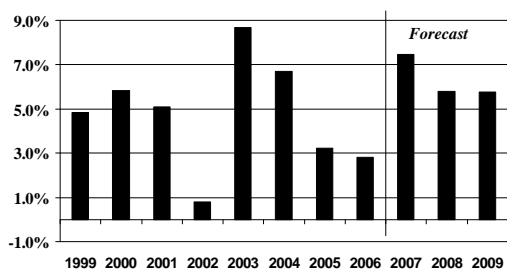


INCOME: Between 1990 and 2000, the average annual growth rate in total personal income in South Dakota was the same as the U.S. average during the same time period (5.6%). However, due to the recession and decline in nonfarm employment, income growth slowed both in South Dakota and in the U.S. Total personal income in South Dakota grew 5.1% in 2001 and 0.8% in 2002. The 0.8% growth in personal income in 2002 was not only due to the fall in nonfarm employment, but also from the negative impact the drought had on farm income. In

2003, total personal income rebounded significantly, growing 8.7% due to rising nonfarm employment, disaster payments to farmers, and higher crop and livestock prices. Total personal income grew 6.7% in 2004 and 3.2% in 2005. In 2006, personal income grew only 2.8%, mainly due to a decrease in farm income from the 2006 drought. Personal income growth is forecasted to be robust at 7.4% in 2007 and strong in 2008 and 2009 at 5.8% and 5.7% growth, respectively. The gains in income are expected due to rising employment, a tight labor market, a strong agriculture economy and continued wage growth.

negative impact on income growth, consumer confidence, and consumer spending in the economy.

Growth in Total Personal Income



Nonfarm personal income growth averaged 5.6% from 1997 through 2006. Growth rates for 2007, 2008, and 2009 are projected to be 5.9%, 5.6%, and 5.9%, respectively.

RISKS TO THE FORECAST

The current forecast assumes that the South Dakota economy will continue to grow although at a slightly slower pace in 2008. The Council of Economic Advisors sees some key risks to this forecast. First, growth in the South Dakota economy will likely be deterred if the national economy is pushed into a recession. As South Dakota's economy becomes more diversified, the national economy will have a larger impact on the state's economy than it has in the past. Another key risk the Council sees to our state's economy is construction and the housing market. If the construction activity were to weaken further than expected, it would dampen economic growth in the state. In addition, like the national economy, a key driver of the South Dakota economy has been the consumer. If consumers were to cut back on spending due to persistently high gas prices and an overall weakening of the national economy, it would have a negative impact on the performance of the South Dakota economy.

If any of the above perceived risks were to occur, they would likely soften expected nonfarm employment growth. And, if nonfarm employment were to rise less than projected, it would likely have a

REVENUE ESTIMATES

SUMMARY

Total general fund receipts for FY2008 are forecasted at \$1,183.7 million. Ongoing revenues comprise \$1,148.8 million of the total, and one-time revenues compose \$34.9 million of the total. The ongoing estimate for FY2008 is an increase of \$69.0 million from actual FY2007 ongoing receipts. The majority of the forecasted increase is from the sales and use tax (+\$42.8M). Other projected significant sources of growth between FY2007 and FY2008 are the net transfers in category (+\$11.9M), the contractor's excise tax (+\$8.2M), the Property Tax Reduction Fund (+\$6.0M), and the insurance company tax (+\$2.9M). The revenue source that is expected to see the most significant decrease in collections between FY2007 and FY2008 is bank franchise tax (-\$5.5M).

The revised ongoing estimate for FY2008 is \$0.2 million less than the estimate adopted during the 2007 legislative session. Major revisions upward for the revised estimate are from the sales tax (+\$4.2M) and the bank franchise tax (+\$4.0M). The most significant downward revisions are from the property tax reduction fund (-\$7.8M), charges for goods and services (-\$1.8M) and the contractor's excise tax (-\$1.4M).

Total general fund receipts for FY2009 are projected to be \$1,207.6 million. Ongoing revenues are forecasted to be \$1,192.8 million, and one-time receipts are expected to be \$14.8 million. The forecast for ongoing receipts in FY2009 is an increase of \$44.0 million from the revised FY2008 projection of ongoing receipts. The most significant source of growth between the revised FY2008 estimate and the FY2009 forecast is expected to be from the sales and use tax (+\$31.8M). Other projected significant sources of ongoing revenue growth are from the contractor's excise tax (+\$6.5M); license, permits and fees (+\$2.5M); and the insurance company tax (+\$2.4M). The source that is expected to see the most significant decrease in collections between FY2008 and FY2009 is the bank franchise tax (-\$0.9M).

CURRENT REVENUE FORECAST (Dollars in Millions)

	<u>FY2008</u>	<u>FY2009</u>
Sales and Use Tax	646.0	677.8
Contractor's Excise Tax	86.9	93.5
Bank Franchise Tax	44.9	44.0
Insurance Company Tax	60.2	62.6
Property Tax Reduction Fund	126.3	126.3
Other Ongoing Revenues	184.4	188.6
One-Time Receipts	6.6	10.2
Property Tax Reserves	28.2	4.6
Obligated Cash Carried Forward	<u>0.2</u>	<u>0.0</u>
Total Revenue	<u>1,183.7</u>	<u>1,207.6</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 56.5% of ongoing general fund revenues. Between FY1980 and FY2007, the sales and use tax grew from \$140.6 million to \$603.2 million, which was an average annual increase of 5.5%. In FY2002 and FY2003, the growth of sales and use tax collections was soft (1.2% and 3.9%, respectively) due to the slow recovery of nonfarm employment from the recession. From FY2004 through FY2006, growth in the sales and use tax was strong (6.8%, 5.1%, and 8.0%) due to the strengthening economy. Last year, growth in the sales and use tax was below average (4.6%) due to drought conditions in the farm economy and slower consumer spending growth.

Collections from the sales and use tax in FY2007 were \$603.2 million, which was an increase of \$26.3 million, or 4.6%, over FY2006. Through the first four months of FY2008, sales and use tax collections were \$228.3 million, which is an increase of 8.7% from the first four months of FY2007. For the revised FY2008 estimate, the sales and use tax is forecasted at \$646.0 million, which is an increase of \$42.8 million, or 7.1%, over FY2007. For FY2009, the sales and use tax is forecasted at \$677.8 million, which is an increase of \$31.8 million, or 4.9%, over the revised FY2008 estimate.

CONTRACTOR'S EXCISE TAX

Collections from the contractor's excise tax account for approximately 7.7% of ongoing general fund revenues. Healthy growth in construction activity has had a direct impact on the growth in contractor's excise tax collections. Between CY1988 and CY2006, the number of housing units authorized in South Dakota increased from 1,922 units to 5,304 units. This expansion in activity contributed to the increase in contractor's excise tax collections from \$16.2 million in FY1988 to \$78.8 million in FY2007.

Last year, collections from the contractor's excise tax grew \$3.7 million, or 4.9%, from FY2006. Through the first four months of FY2008, contractor's excise tax collections were \$35.7 million, which was an increase of 10.4% from the first four months of FY2007. Contractor's excise tax collections for FY2008 are forecasted at \$86.9 million, which is an increase of \$8.2 million, or 10.3%, over FY2007 collections. FY2009 collections are forecasted at \$93.5 million, which is an increase of \$6.5 million, or 7.5%, over the revised FY2008 estimate.

BANK FRANCHISE TAX

Collections from the bank franchise tax account for approximately 3.8% of ongoing general fund revenues. The bank franchise tax is one of the few general fund revenue sources that is impacted more by the national economy than by the South Dakota economy. This is due to the fact that approximately 90% of the bank franchise tax collections deposited in the general fund are generated by bank card institutions. During the late 1980's, collections grew as the national economy experienced strong growth and the usage of credit cards increased. As the national economy slowed in the early 1990's, bank franchise tax collections decreased. In the mid 1990's, as the economy gained momentum and credit card usage and consumer debt increased, bank franchise tax collections increased. Collections decreased in the early part of this decade due to the national recession, but have increased the last four fiscal years because of the strengthening economy.

Collections from the bank franchise tax were \$50.5 million in FY2007, which was an increase of \$10.0 million, or 24.8%, from FY2006. The strong collections in FY2007 were partially due to a large one-time audit finding from the IRS. Through the first four months of FY2008, collections were \$19.8 million, which was an increase of 1.0% over the same period last year. FY2008 collections are projected to be \$44.9 million, which is a decrease of \$5.5 million, or -11.0%, over FY2007 collections. Collections are expected to be \$44.0 million in FY2009, which is \$0.9 million, or -2.1%, less than the revised FY2008 estimate.

INSURANCE COMPANY TAX

Collections from the insurance company tax account for approximately 5.2% of ongoing general fund revenues. Between FY1985 and FY2007, insurance company tax collections grew from \$17.2 million to \$57.3 million, which was an average annual increase of 5.6%.

In FY2007, insurance company tax collections were \$57.3 million, which was an increase of \$1.6 million, or 2.9%, over FY2006 collections. During the first four months of FY2008, insurance company tax collections were \$24.2 million, which is a decrease of 0.6% over the same period in FY2007. For FY2008, insurance company tax collections are forecasted at \$60.2 million, which is an increase of \$2.9 million, or 5.1%, over FY2007 collections. For FY2009, insurance company tax collections are forecasted to grow \$2.4 million, or 4.1%, over the revised FY2008 estimate to \$62.7 million.

PROPERTY TAX REDUCTION FUND

The Property Tax Reduction Fund (PTRF) has traditionally been the source from which the state has funded property tax relief. Transfers to the general fund from the PTRF account for approximately 10.8% of ongoing general fund revenues. In 1996, the legislature directed that receipts from video lottery be transferred into the PTRF and checks were written from the fund to the counties to fund the first Property Tax Credit Program. When the new state aid formula went into effect in January 1997, property tax relief was then paid out of the general fund through state aid to education. The legislature then directed that dollars in the PTRF be transferred to the state general fund for property tax relief. A bill was also passed that any general fund surplus at the end of a fiscal year be transferred back to the PTRF, after the transfer to the Budget Reserve Fund had been made. HB 1104, passed by the 2003 legislature, imposed a tax of 4% on the gross receipts of telecommunication services. Sixty percent of the revenue collected from this tax is deposited in the PTRF. In 2006, the voters of South Dakota adopted Initiated Measure 2, which will increase the tax on a 20 pack of cigarettes by \$1.00 per pack and the tax on a 25 pack of cigarettes by \$1.25 per pack. Initiated Measure 2 also increases the wholesale tax on other tobacco products from 10% to 35% beginning January 1, 2007. The Property Tax Reduction Fund receives a 33% share of the revenues in excess of \$35 million each fiscal year from this revenue source. This revenue is annually transferred to the general fund as an ongoing revenue source.

Transfers from the PTRF to the general fund from ongoing revenue sources were \$120.3 million in FY2007. In FY2008 and FY2009, it is estimated that there will be \$126.3 million and \$126.3 million, respectively, in ongoing receipts from the PTRF transferred to the general fund. Included in the FY2008 and FY2009 PTRF estimates are \$6.3 million and \$6.6 million from the telecommunications

tax as well as \$9.5 million and \$9.2 million from the 33% share of the excess tobacco tax. Video lottery receipts to the PTRF in FY2008 and FY2009 are projected to be \$110.4 million and \$110.4 million, respectively.

OTHER ONGOING REVENUES

Collections from other ongoing revenues account for approximately 15.9% of total ongoing general fund revenues. Receipts included in this category come from the alcohol beverage tax; the alcohol beverage 2% wholesale tax; the cigarette tax; the inheritance and estate tax; licenses, permits, and fees; investment income and interest; charges for goods and services; net transfers in (includes the health care tobacco tax fund transfer); transfers from the Dakota Cement, Education Enhancement, and Health Care Trust Funds; severance taxes; lottery; the sale-leaseback; and, the Conservation Reserve Program. For FY2008, collections from other ongoing revenues are projected to be \$184.4 million. For FY2009, collections are forecasted to increase to \$188.6 million.

ONE-TIME RECEIPTS

In FY2008, collections from one-time receipts are projected to be \$6.6 million. Included in this estimate is \$4.0 million transferred from the Budgetary Accounting Fund, \$1.0 million transferred from the Telecommunications Relay Service Fund, \$1.0 million from the Petroleum Release Fund, and \$0.5 million from the Video Lottery Fund. In FY2009, collections from one-time receipts are projected to be \$10.2 million. Included in this is a \$6.2 million transfer from the Custer State Park Improvement Fund, a \$1.5 million transfer from the Private Activity Bond Fee Fund, a \$1.0 million transfer from the Pheasantland Industries Fund, a \$1.0 million transfer from the Telecommunications Relay Service Fund and a \$0.5 million receipt from refinancing gains.

PROPERTY TAX RESERVES

SB 225, passed during the 1996 legislative session, gave the Commissioner of the Bureau of Finance and Management the authority to transfer monies available from the Property Tax Reduction Fund to the general fund to provide property tax relief through state aid to education. For FY2008, it is anticipated that \$28.2 million will need to be transferred from Property Tax Reserves to balance the budget. In FY2009, it is projected that \$4.6 million will need to be transferred from the Property

Tax Reserves to the general fund to balance the budget.

OBLIGATED CASH CARRIED FORWARD

This is the amount of prior year cash carried forward to meet obligations that existed at the end of the previous year. Included in the FY2008 estimate is \$0.2 million that was carried forward from FY2007 and transferred to the Budget Reserve Fund.

BUDGET RESERVE

House Bill 1287, passed by the 1991 South Dakota Legislature, created the Budget Reserve Fund. The purpose of its creation was to place resources into a reserve that would only be used to address emergency situations without having to raise taxes or cut spending. In FY1992, \$20.0 million was transferred from the general fund to the Budget Reserve Fund. For each year thereafter, the maximum level of funds in the reserve was set at 5% of the general funds appropriated the prior year in the General Appropriations Act, with the funding coming from any unobligated cash remaining in the general fund at the end of a fiscal year. House Bill

1195, passed by the 2002 South Dakota Legislature, changed the maximum level of funds in the reserve to 10% of the general fund appropriations from the General Appropriations Act for the prior fiscal year. The use of funds within the reserve requires an act passed by the South Dakota Legislature. The ending cash balance for FY2009 does not assume that surplus funds will be available. If there is a surplus in FY2008, the ending balance in the Budget Reserve Fund will be adjusted accordingly.

BUDGET RESERVE FUND CONDITION STATEMENT

	ACTUAL FY2006	ACTUAL FY2007	ESTIMATED FY2008	ESTIMATED FY2009
Beginning Balance	\$ 41,862,883	\$ 42,682,740	\$ 43,000,275	\$ 43,247,488
Calculations for Maximum Balance in the Fund:				
General Bill Appropriation for Prior Year	\$ 971,660,743	\$ 1,009,980,027	\$ 1,059,223,960	\$ 1,142,229,733
Budget Reserve Fund Percentage	10%	10%	10%	10%
Maximum Amount in the Fund	<u>\$ 97,166,074</u>	<u>\$ 100,998,003</u>	<u>\$ 105,922,396</u>	<u>\$ 114,222,973</u>
Maximum Transferable Amount	<u>\$ 55,303,191</u>	<u>\$ 58,315,263</u>	<u>\$ 62,922,121</u>	<u>\$ 70,975,485</u>
Amount of General Funds Available				
End of Prior Year	\$ 819,857	\$ 317,535	\$ 247,214	\$ 0
Transferred in from General Fund	<u>\$ 819,857</u>	<u>\$ 317,535</u>	<u>\$ 247,214</u>	<u>\$ 0</u>
Ending Balance	<u>\$ 42,682,740</u>	<u>\$ 43,000,275</u>	<u>\$ 43,247,488</u>	<u>\$ 43,247,488</u>

NOTE: The totals may not add due to rounding.

**COMPARISON BETWEEN LEGISLATIVE AND
REVISED ESTIMATE FOR FY2008**

	LEGISLATIVE ADOPTED FY2008	REVISED FY2008	DOLLAR CHANGE	PERCENT CHANGE
CONTINUING RECEIPTS				
Sales and Use Tax	\$ 641,824,055	\$ 645,992,263	\$ 4,168,208	0.65
Contractor's Excise Tax	88,346,887	86,943,321	(1,403,566)	(1.59)
Alcohol Beverage Tax	8,905,049	9,324,220	419,171	4.71
Alcohol Beverage 2% Wholesale Tax	1,111,213	1,213,458	102,245	9.20
Cigarette Tax	30,000,000	30,000,000	0	0.00
Bank Franchise Tax	40,950,042	44,929,496	3,979,454	9.72
Insurance Company Tax	60,786,100	60,221,920	(564,180)	(0.93)
Inheritance and Estate Tax	328,770	10,625	(318,145)	(96.77)
Licenses, Permits, and Fees	38,530,429	39,515,002	984,573	2.56
Investment Income and Interest	13,732,613	14,354,439	621,826	4.53
Charges for Goods and Services	18,264,786	16,425,328	(1,839,458)	(10.07)
Net Transfers In	21,993,374	21,144,311	(849,063)	(3.86)
Trust Funds	30,994,482	31,607,344	612,862	1.98
Severance Taxes	3,415,631	4,039,875	624,244	18.28
Unexpended Carryovers	0	0	0	0.00
Lottery	5,086,071	5,864,950	778,879	15.31
Property Tax Reduction Fund	134,034,340	126,244,151	(7,790,189)	(5.81)
Sale-Leaseback	9,827,175	9,827,175	0	0.00
CRP Program	842,240	1,108,425	266,185	31.60
SUBTOTAL (CONTINUING RECEIPTS)	\$ 1,148,973,257	\$ 1,148,766,303	\$ (206,954)	(0.02)
ONE-TIME RECEIPTS				
Transfer from Telecommunications Relay Service	\$ 1,000,000	\$ 1,000,000	\$ 0	0.00
Transfer from Budgetary Accounting Fund	4,008,132	4,008,132	0	0.00
Transfer from Petroleum Release Fund	1,000,000	1,000,000	0	0.00
Transfer from Video Lottery Fund	500,000	500,000	0	0.00
Transfer from Property Tax Reserves	0	28,195,002	28,195,002	100.00
Obligated Cash Carried Forward	0	247,214	247,214	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 6,508,132	\$ 34,950,348	\$ 28,442,216	437.03
GRAND TOTAL	\$ 1,155,481,389	\$ 1,183,716,651	\$ 28,235,262	2.44

NOTE: The totals may not add due to rounding.

**COMPARISON BETWEEN FY2007 AND FY2008
REVENUE COLLECTIONS**

	ACTUAL FY2007	REVISED FY2008	DOLLAR CHANGE	PERCENT CHANGE
CONTINUING RECEIPTS				
Sales and Use Tax	\$ 603,185,287	\$ 645,992,263	\$ 42,806,976	7.10
Contractor's Excise Tax	78,790,924	86,943,321	8,152,397	10.35
Alcohol Beverage Tax	9,060,024	9,324,220	264,196	2.92
Alcohol Beverage 2% Wholesale Tax	1,125,604	1,213,458	87,854	7.81
Cigarette Tax	30,000,000	30,000,000	0	0.00
Bank Franchise Tax	50,473,895	44,929,496	(5,544,399)	(10.98)
Insurance Company Tax	57,282,670	60,221,920	2,939,250	5.13
Inheritance and Estate Tax	402,664	10,625	(392,039)	(97.36)
Licenses, Permits, and Fees	39,189,490	39,515,002	325,512	0.83
Investment Income and Interest	13,278,125	14,354,439	1,076,314	8.11
Charges for Goods and Services	14,488,998	16,425,328	1,936,330	13.36
Net Transfers In	9,237,431	21,144,311	11,906,880	128.90
Trust Funds	31,358,732	31,607,344	248,612	0.79
Severance Taxes	3,123,800	4,039,875	916,075	29.33
Unexpended Carryovers	959,385	0	(959,385)	(100.00)
Lottery	5,879,476	5,864,950	(14,526)	(0.25)
Property Tax Reduction Fund	120,265,382	126,244,151	5,978,769	4.97
Sale-Leaseback	10,498,875	9,827,175	(671,700)	(6.40)
CRP Program	1,158,220	1,108,425	(49,795)	(4.30)
SUBTOTAL (CONTINUING RECEIPTS)	\$1,079,758,979	\$1,148,766,303	\$ 69,007,324	6.39
ONE-TIME RECEIPTS				
Transfer from Telecommunications Relay Service	\$ 0	\$ 1,000,000	\$ 1,000,000	100.00
Transfer from Budgetary Accounting Fund	0	4,008,132	4,008,132	100.00
Transfer from Petroleum Release Fund	0	1,000,000	1,000,000	100.00
Transfer from Video Lottery Fund	0	500,000	500,000	100.00
Transfer from Highway Fund	2,750,000	0	(2,750,000)	0.00
Transfer from Technology Fund	3,800,000	0	(3,800,000)	0.00
Transfer from Property Tax Reserves	4,913,211	28,195,002	23,281,791	473.86
Obligated Cash Carried Forward	317,535	247,214	(70,321)	(22.15)
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 11,780,746	\$ 34,950,348	\$ 23,169,602	196.67
GRAND TOTAL	\$1,091,539,724	\$1,183,716,651	\$ 92,176,927	8.44

NOTE: The totals may not add due to rounding.

**COMPARISON BETWEEN FY2008 AND FY2009
REVENUE COLLECTIONS**

	<u>REVISED FY2008</u>	<u>PROJECTED FY2009</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
CONTINUING RECEIPTS				
Sales and Use Tax	\$ 645,992,263	\$ 677,773,884	\$ 31,781,621	4.92
Contractor's Excise Tax	86,943,321	93,480,521	6,537,200	7.52
Alcohol Beverage Tax	9,324,220	9,607,302	283,082	3.04
Alcohol Beverage 2% Wholesale Tax	1,213,458	1,285,426	71,968	5.93
Cigarette Tax	30,000,000	30,000,000	0	0.00
Bank Franchise Tax	44,929,496	43,993,343	(936,153)	(2.08)
Insurance Company Tax	60,221,920	62,667,830	2,445,910	4.06
Inheritance and Estate Tax	10,625	0	(10,625)	(100.00)
Licenses, Permits, and Fees	39,515,002	41,996,715	2,481,713	6.28
Investment Income and Interest	14,354,439	14,620,546	266,107	1.85
Charges for Goods and Services	16,425,328	17,293,311	867,983	5.28
Net Transfers In	21,144,311	20,826,134	(318,177)	(1.50)
Trust Funds	31,607,344	33,155,641	1,548,297	4.90
Severance Taxes	4,039,875	4,419,750	379,875	9.40
Unexpended Carryovers	0	0	0	0.00
Lottery	5,864,950	5,997,548	132,598	2.26
Property Tax Reduction Fund	126,244,151	126,268,457	24,306	0.02
Sale-Leaseback	9,827,175	9,141,450	(685,725)	(6.98)
CRP Program	1,108,425	273,526	(834,899)	(75.32)
SUBTOTAL (CONTINUING RECEIPTS)	<u>\$ 1,148,766,303</u>	<u>\$ 1,192,801,384</u>	<u>\$ 44,035,081</u>	<u>3.83</u>
ONE-TIME RECEIPTS				
Transfer from Telecommunications Relay Service	\$ 1,000,000	\$ 1,000,000	\$ 0	0.00
Transfer from Custer State Park Improvement Fund	0	6,249,370	6,249,370	100.00
Transfer from Private Activity Bond Fee Fund	0	1,500,000	1,500,000	100.00
Transfer from Pheasantland Industries Fund	0	1,000,000	1,000,000	100.00
Transfer from Budgetary Accounting Fund	4,008,132	0	(4,008,132)	(100.00)
Transfer from Petroleum Release Fund	1,000,000	0	(1,000,000)	(100.00)
Refinancing Gains	0	475,000	475,000	100.00
Transfer from Video Lottery Fund	500,000	0	(500,000)	(100.00)
Transfer from Property Tax Reserves	28,195,002	4,638,439	(23,556,563)	(83.55)
Obligated Cash Carried Forward	247,214	0	(247,214)	(100.00)
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 34,950,348</u>	<u>\$ 14,862,809</u>	<u>\$ (20,087,539)</u>	<u>(57.47)</u>
GRAND TOTAL	<u>\$ 1,183,716,651</u>	<u>\$ 1,207,664,193</u>	<u>\$ 23,947,542</u>	<u>2.02</u>

NOTE: The totals may not add due to rounding.

GENERAL FUND RECEIPTS

	ACTUAL FY2006	ACTUAL FY2007	REVISED FY2008	PROJECTED FY2009
CONTINUING RECEIPTS				
Sales and Use Tax	\$ 576,899,817	\$ 603,185,287	\$ 645,992,263	\$ 677,773,884
Contractor's Excise Tax	75,103,983	78,790,924	86,943,321	93,480,521
Alcohol Beverage Tax	8,637,272	9,060,024	9,324,220	9,607,302
Alcohol Beverage 2% Wholesale Tax	1,002,436	1,125,604	1,213,458	1,285,426
Cigarette Tax	28,174,469	30,000,000	30,000,000	30,000,000
Bank Franchise Tax	40,447,083	50,473,895	44,929,496	43,993,343
Insurance Company Tax	55,671,326	57,282,670	60,221,920	62,667,830
Inheritance and Estate Tax	672,099	402,664	10,625	0
Licenses, Permits, and Fees	32,624,317	39,189,490	39,515,002	41,996,715
Investment Income and Interest	9,410,606	13,278,125	14,354,439	14,620,546
Charges for Goods and Services	12,943,528	14,488,998	16,425,328	17,293,311
Net Transfers In	8,917,935	9,237,431	21,144,311	20,826,134
Trust Funds	32,009,283	31,358,732	31,607,344	33,155,641
Severance Taxes	2,725,946	3,123,800	4,039,875	4,419,750
Unexpended Carryovers	982,047	959,385	0	0
Lottery	5,013,429	5,879,476	5,864,950	5,997,548
Property Tax Reduction Fund	114,701,037	120,265,382	126,244,151	126,268,457
Sale-Leaseback	11,175,075	10,498,875	9,827,175	9,141,450
CRP Program	1,175,661	1,158,220	1,108,425	273,526
SUBTOTAL (CONTINUING RECEIPTS)	\$1,018,287,348	\$1,079,758,979	\$1,148,766,303	\$1,192,801,384
ONE-TIME RECEIPTS				
Transfer from Telecommunications Relay Service	\$ 0	\$ 0	\$ 1,000,000	\$ 1,000,000
Transfer from Custer State Park Improvement Fund	0	0	0	6,249,370
Transfer from Private Activity Bond Fee Fund	0	0	0	1,500,000
Transfer from Pheasantland Industries Fund	0	0	0	1,000,000
Transfer from Budgetary Accounting Fund	0	0	4,008,132	0
Transfer from Petroleum Release Fund	0	0	1,000,000	0
Refinancing Gains	945,310	0	0	475,000
Food Services Settlement	872,408	0	0	0
Securities Global Settlement	287,500	0	0	0
Transfer from Video Lottery Fund	0	0	500,000	0
Transfer from Highway Fund	0	2,750,000	0	0
Transfer from Technology Fund	0	3,800,000	0	0
Transfer from Property Tax Reserves	35,387,630	4,913,211	28,195,002	4,638,439
Obligated Cash Carried Forward	819,857	317,535	247,214	0
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 38,312,706	\$ 11,780,746	\$ 34,950,348	\$ 14,862,809
GRAND TOTAL	\$1,056,600,054	\$1,091,539,724	\$1,183,716,651	\$1,207,664,193

NOTE: The totals may not add due to rounding.

RECOMMENDED EXPENDITURES

OVERVIEW

Governor Rounds' FY2009 budget reflects a continuing commitment to three key segments: helping those who can not take care of themselves including the very young and the very old; protecting society from those who would do us harm; and providing a quality education for our children.

The Governor is recommending a 2.5% inflationary increase in the per student allocation for state aid to general education and for state aid to special education. This brings the per student allocation for state aid general education to \$4,642.02 for FY2009, an increase of \$113.22 over the FY2008 base rate of \$4,528.80. In addition, the Governor is recommending that \$1,845,723 in general funds is being recommended to support the Birth to Three program. Federal dollars available for this program are capped and the number of children eligible for services continues to increase. The Governor is recommending that \$1,184,338 in general funds, along with \$1,184,338 in available cement plant trust fund earnings be used to continue to fund the South Dakota Opportunity Scholarship.

The budget for the Board of Regents contains an increase of \$40 million in total funds and 83.5 FTE over the FY2008 budget. The increase consists of \$11.3 million in general funds, \$8.8 million in federal fund expenditure authority, and \$19.9 million in other fund expenditure authority. Included in this budget is a \$2.2 million increase in general funds for advancements in technology in public higher education, a \$2.3 million increase in both general funds and tuition and fees to construct and renovate science facilities, and a \$1.6 million increase in general funds for ongoing maintenance and repair at our state universities.

The Departments of Social Services, Human Services, and Health are responsible for the majority of the programs that deal with helping those who can not take care of themselves, the very young and the very old. This portion of the budget comprises of \$70.2 million of the \$159.2 million in total fund increases for FY2009. On the general fund side, the Departments of Health, Human, and Social Services account for \$18.7 million of the \$62.7 million increase. In terms of the total state budget, this category is 31.9% of the total funds and 32.9% of the general funds, which amounts to \$1.1 billion in total funding.

Social Services will see an increase of \$13.3 million in general funds and \$42.8 million in federal fund expenditure authority. Five major components driving this budget are: 1) the 2.5% provider inflation policy, which amounts to an increase of \$10.9 million in general funds and a federal fund expenditure authority increase of \$17.2 million; 2) the FMAP rate change, which will decrease the general fund budget by \$5.8 million; 3) increasing costs of medical coverage for those eligible for the Medicaid Program (91,779 individuals estimated in FY2009), which will cost an additional \$2.5 million of general funds; 4) funding to continue the Court Ordered Supervision program, which will cost \$1.2 million in general funds; and 5) increased caseloads and costs associated with the Direct Assistance program, which will cost \$1.2 million.

The Human Services budget is increasing by \$5.2 million in general funds, \$7.3 million in federal fund expenditure authority, \$1.2 million in other fund expenditure authority, and 6.0 FTE. A decrease of \$1,568,073 in general funds and a corresponding increase in federal fund expenditure authority is needed to reflect the change in the FMAP rate.

The budget for the Department of Health includes an increase of \$120,201 in general funds, \$360,046 in federal fund expenditure authority, and \$668,105 in other fund expenditure authority. This is a total increase of \$1,148,352 and 1.0 FTE. An increase of \$334,978 in other fund expenditure authority and 1.0 FTE is recommended for the Correctional Health Care program. The additional 1.0 FTE and \$51,136 in other fund expenditure authority is for the Intensive Methamphetamine Treatment program.

To address the safety of our State's citizens, a progressive criminal justice system is in place. The budget for Corrections will increase by \$2.7 million in general funds and 13.0 FTE. Included in this increase is funding for the Women's Prison Methamphetamine Treatment Program along with increases for utilities, inmate healthcare, and inflation for juvenile group residential placement services.

The Department of Public Safety and the Office of the Attorney General are also engaged in the safety of the public. The Department of Public Safety's budget includes an increase of \$900,000 in federal fund expenditure authority, which will take advantage of the increase in the Emergency Management and Performance grant and increase Emergency Management preparation in the state.

The Office of the Attorney General is adding one methamphetamine prosecutor, who will collaborate with local, state, and federal agents in matters concerning methamphetamine, and one additional fingerprint technician to perform additional background checks on employees.

The safety of South Dakota's citizens is also addressed within the budget for the Unified Judicial System. This budget is increasing by \$2.8 million which includes an increase of \$2,965,682 in general funds, an increase of \$278,436 in federal fund expenditure authority, a decrease of \$413,233 in other fund expenditure authority, and an increase of 19.2 FTE. Operating expenses such as training, drug testing, and travel account for a portion of the rise along with increases in Community Based Services and expenses associated with the implementation of a 4th Circuit Drug Court.

The Governor is recommending the continuation of the PACE program started by former Governor George S. Mickelson. This will include a 2.5% adjustment to job worth and a 2.5% salary policy for state employees.

Description	Inc/ (Dec)	FTE
Executive Branch	\$ 79,716,002	34.5
Board of Regents	39,967,697	83.5
State Aid	34,846,373	
UJS/Legislature/Elected	4,301,238	21.2
Technical Institutes	360,000	
Special/Contin. Approp.	7,834,897	
	<u>\$167,026,207</u>	<u>139.2</u>

The Executive Branch, which is under direct control of the Governor, has the following funding changes for FY2009:

General Funds	\$24,988,384
Federal Funds	\$58,155,713
Other Funds	\$(3,428,095)
FTE	34.5

SUMMARY OF RECOMMENDED BUDGET ADJUSTMENTS

STATE AID, HIGHER EDUCATION, EDUCATION

The budgets included in this category include State Aid to Education, Higher Education, and the Department of Education. This budget comprises of \$90.7 million of the \$159.2 million in total fund increases for FY2009. On the general fund side, this category accounts for \$35.9 million of the \$62.7 million increase. In terms of the total budget, the education category is 34.3% of the total funds and 49.8% of the general funds, which amounts to \$1.2 billion in total funding for education.

STATE AID

This category includes state aid to K-12 education, postsecondary vocational education institutes, funding of stipends to the National Board of Certified Teachers (NBCT) teachers, and technology in the schools. Also included in this budget is \$5,800,000 in funding from the Education Enhancement Tobacco Tax Fund to fund the Teacher Compensation Assistance Program and to help fund state aid to general education.

In accordance with state statute, the Governor is recommending a 2.5% inflationary increase in the per student allocation for state aid to general education and for state aid to special education for FY2009. This brings the per-student allocation for state aid to general education to \$4,642.02 for FY2009, an increase of \$113.22 over the FY2008 base rate of \$4,528.80. The state aid payment fall enrollment estimate of 122,087 was used for calculating the FY2009 budget.

In addition to the statutory increase to the formula, the Governor also recommends that funding for the Technology in Schools budget and statewide assessment testing required by No Child Left Behind is included as an additional component to the state aid formula. The increase to state aid to general education will be offset by corresponding decreases within the Technology in Schools and Education Resources budget, for a net savings to the state of \$2,897,876 in general funds. The total recommended budgeted amount for state aid to general education is \$336,613,578 in general funds and \$1,800,000 in other fund expenditure authority.

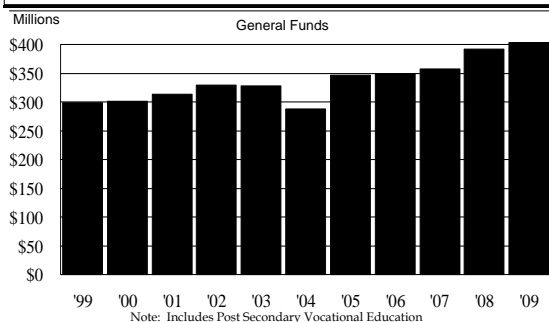
The budgeted amount for state aid to special education is recommended to increase by \$1,425,688 in general funds, bringing the total budget for this program to \$45,127,372 in general funds for FY2009. The formula for FY2009 is based on an inflationary increase of 2.5% to the per student allocation for each disability level. In addition, the per student allocation for each disability level will be adjusted in FY2009 in accordance with SDCL 13-37-35.2.

The FY2009 recommendation for funding to provide stipends to the National Board Certified Teachers and to reimburse the fees associated with taking the exam will increase by \$3,000 for a total budget of \$93,000 in general funds.

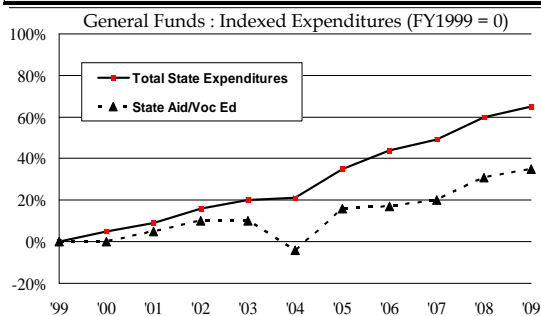
A decrease of \$6,632,201 in general funds with a corresponding increase in other fund expenditure authority is recommended for technology in the schools. In addition, a slight increase of \$47,820 in other fund expenditure authority is recommended, bringing the total budget to \$9,900,653 in other fund expenditure authority. The technology in schools budget is used to support ongoing costs of the technology infrastructure for the school districts.

The Governor is recommending an increase of \$360,000 over the FY2008 base budget for the postsecondary technical institutes. This increase is to provide ongoing support for maintenance and repair in the postsecondary institutes. This funding was found in special appropriations for FY2007 and

State Aid to Schools



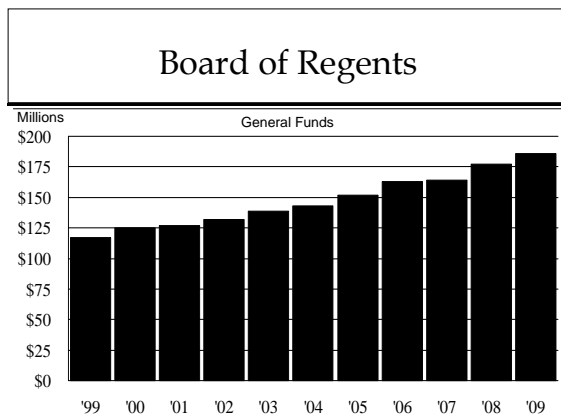
State Aid to Schools



FY2008. In calculating per student funding, an increase based on a 2.5% adjustment similar to the K-12 statutory increase was used, resulting in an increase of \$446,404. This increase in the estimated dollars per student is offset by a decrease in student enrollments experienced in FY2007. The total recommended FY2009 budget for postsecondary technical institutes is \$19,487,140 in general funds.

BOARD OF REGENTS

The budget for the Board of Regents provides funding for the six state universities (Black Hills State University, Dakota State University, Northern State University, South Dakota School of Mines and Technology, South Dakota State University, and the University of South Dakota). Within the university budgets is funding for the University Center, formerly known as USDSU, which is located in Sioux Falls. The state's two special schools, South Dakota School for the Deaf and South Dakota School for the Blind and Visually Impaired, are also included in the regental system.



The budget for the Board of Regents contains a net increase of \$39,967,697 in total funds and 83.5 FTE over the FY2008 budget. The increase consists of \$11,329,923 in general funds, \$8,764,560 in federal fund expenditure authority, and \$19,873,214 in other fund expenditure authority. The total FY2009 recommended budget for the Board of Regents consists of \$185,759,211 in general funds, \$118,444,575 in federal fund expenditure authority, and \$309,315,285 in other fund expenditure authority, for a total FY2009 budget of \$613,519,071 and 5,591.0 FTE.

In an effort to support advancements in technology in higher education, the Governor is recommending 25.5 FTE and \$1,309,040 in general funds for a mobile computing environment. Also recommended is \$886,846 in general funds for the operating support of a high speed research, education and economic development network, along with 2.0 FTE for technical support. The

capital expenditures for these two projects will be paid for with one-time funds within the Board of Regents.

The Governor is partnering with the Board of Regents to upgrade and renovate various science facilities and laboratories in South Dakota public universities. The Governor recommends that the state, through the South Dakota Building Authority, issue a 25 year, \$65M bond. In FY2009, the payment will be made with \$2.3M in general funds and \$2.3M in tuition and fees.

The South Dakota Opportunity Scholarship continues to grow and is projected to have 3,465 students receiving scholarship funds in FY2009. Available cement plant trust fund earnings will be used to help fund this scholarship.

The FY2009 recommendation includes \$302,104 in general funds to cover the rising costs of utilities on the campuses and \$1,632,999 in general funds for ongoing maintenance and repair.

The Board of Regents continues to grow in federal grant and contract activity. The recommended budget includes the addition of 56.0 FTE, \$7,732,677 in federal fund expenditure authority, and \$13,731,904 in other fund expenditure authority related to federal grant and contract activity and increased lease payments. The FTE will be distributed among three campuses: NSU (2.0 FTE), SDSU (46.0 FTE), and USD (14.0 FTE). These increases will be partially offset by a reduction of 6.0 FTE at BHSU. The growth in FTE is attributed to increases in grant and contract activity, along with student support and support staff increases.

EDUCATION

The Governor's recommendation for the Department of Education, including the State Aid to Education formula, reflects an increase of \$24,551,721 in general funds, \$8,756,668 in federal fund expenditure authority, \$17,434,403 in other fund expenditure authority, and 1.0 FTE. The recommended increase for state aid is \$22,705,720 in general funds and \$12,140,653 in other fund expenditure authority. An increase of \$446,404 in general funds for postsecondary vocational education is recommended based on a 2.5% adjustment similar to the K-12 statutory increase. This increase in the estimated dollars per student is offset by a decrease in student enrollments experienced in FY2007. However, the Governor recommends that \$360,000 in general funds, which were previously funded as a special appropriation for maintenance and repair, be added to the ongoing budget for postsecondary technical institutes. The total recommended budget for FY2009 is \$411,903,986 in general funds, \$166,367,286 in

federal fund expenditure authority, \$22,265,046 in other fund expenditure authority, and 141.0 FTE.

GENERAL ADMINISTRATION

The Governor is recommending no significant changes for this budget. The total recommended FY2009 budget for this division is \$1,618,795 in general funds, \$5,358,297 in federal fund expenditure authority, \$13,674 in other fund expenditure authority, and 33.5 FTE.

CAREER AND TECHNICAL EDUCATION

The total recommended FY2009 budget for this division is \$581,404 in general funds, \$5,467,778 in federal fund expenditure authority, \$1,704,352 in other fund expenditure authority, and 11.5 FTE. Increases in this division include \$1,500,000 from the Education Enhancement Tobacco Tax Fund to provide grants to school districts for the enhancement of secondary career and technical education programs. This is a continuation of the program started by SB 168 of the 2006 legislative session and continued in HB 1171 of the 2007 session. An increase of \$50,000 in other fund expenditure authority due to a grant received from the Great Plains Foundation is also recommended.

EDUCATION SERVICES AND RESOURCES

This division includes the Office of Curriculum, Technology, and Assessment; the Office of Accreditation and Teacher Quality; the Office of School Enhancement; and the Office of Education Services and Support. The recommendation for this program includes an increase of \$1,357,905 in general funds, \$8,807,398 in federal fund expenditure authority, and \$2,043,750 in other fund expenditure authority. Due to capped federal funding for the Birth to Three program, an increase of \$1,845,723 in general funds is being recommended to continue this program. As a cost containment measure, the rates paid to providers for services under the Birth to Three program are recommended to be set at 135% of the Medicaid rate for the same services. An increase in federal fund expenditure authority in the amount of \$4,518,292 is recommended for No Child Left Behind (NCLB) and Child and Adult Nutrition (CANS) flow through grants. In addition, an increase in federal fund expenditure authority in the amount of \$4,144,844 is being recommended for the Teacher Incentive Fund (TIF) grant received by the department. The TIF grant is a five year grant from the US Department of Education and is used to compensate teachers, administrators, and paraprofessionals for student achievement. An increase of 1.0 FTE and \$59,974 in federal fund expenditure authority is being recommended. The federal government is now requiring that the state's Head Start Coordinator be a dedicated full-time

employee. Previously, this position worked part-time with Head Start and part-time with other programs. The total recommended FY2009 budget for this division is \$5,115,048 in general funds, \$154,351,489 in federal fund expenditure authority, \$2,960,284 in other fund expenditure authority, and 63.5 FTE.

EDUCATION SERVICES AGENCIES

Federal fund expenditure authority in the amount of \$250,000 is being moved from the Education Service Agencies' (ESA) budget to Education Services and Resources. Funding that was previously used to fund ESA programs is now needed to meet the increased assessment requirements of NCLB. Other fund expenditure authority in the amount of \$1,700,000, to come from the Education Enhancement Tobacco Tax Fund, is recommended as a continuation of the funding set forth in HB 1171 of the 2007 legislative session. The total recommended FY2009 budget for this program is \$500,000 in general funds and \$1,700,000 in other fund expenditure authority for a total of \$2,200,000.

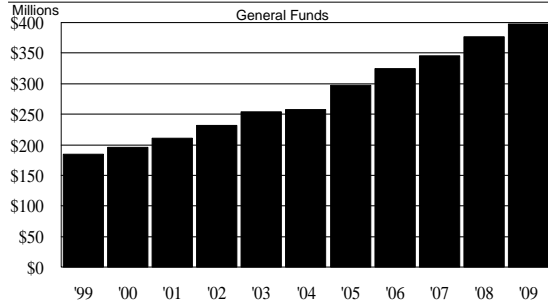
STATE LIBRARY

The Governor is recommending no significant changes for this budget. The FY2009 recommended budget for the State Library consists of \$2,317,649 in general funds, \$1,189,722 in federal fund expenditure authority, \$186,083 in other fund expenditure authority, and 32.5 FTE.

HEALTH, HUMAN, AND SOCIAL SERVICES

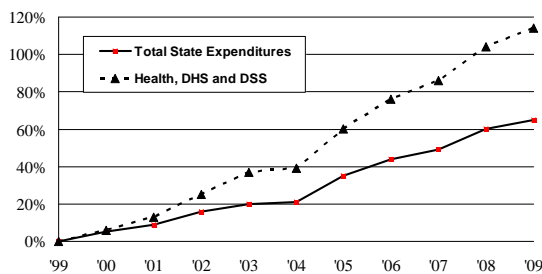
This portion of the budget comprises of \$70.2 million of the \$159.2 million in total fund increases for FY2009. On the general fund side, the Departments of Health, Human, and Social Services account for \$18.7 million of the \$62.7 million increase. In terms of the total state budget, this category is 31.9% of the total funds and 32.9% of the general funds, which amounts to \$1.1 billion in total funding.

Health, Human, and Social Services



Health, Human, and Social Services

General Funds : Indexed Expenditures (FY1999 = 0)



HEALTH

The FY2009 Governor's recommended budget for the Department of Health, including the informational budgets for boards and commissions, includes an increase of \$120,201 in general funds, \$360,046 in federal fund expenditure authority, and \$668,105 in other fund expenditure authority. This is a total increase of \$1,148,352 and 1.0 FTE. The total FY2009 budget is \$7,800,105 in general funds, \$35,055,710 in federal fund expenditure authority, and \$30,968,569 in other fund expenditure authority, for a total of \$73,824,384, with 401.2 FTE.

ADMINISTRATION

The total FY2009 recommended budget for Administration includes an increase of \$56,306 in general funds. The total recommended budget is \$1,384,509 in general funds, \$1,069,215 in federal fund expenditure authority, and \$1,243,869 in other fund expenditure authority, with 31.0 FTE.

HEALTH SYSTEMS DEVELOPMENT AND REGULATION

The total FY2009 recommended budget for this division includes an increase of \$131,514 in general funds. The total recommended budget is \$2,193,674 in general funds, \$12,557,735 in federal

fund expenditure authority, and \$56,249 in other fund expenditure authority, with 63.5 FTE.

HEALTH AND MEDICAL SERVICES

The total FY2009 recommended budget for this division includes an increase of \$310,033 in general funds. The total recommended budget is \$4,221,922 in general funds, \$18,253,734 in federal fund expenditure authority, and \$3,013,419 in other fund expenditure authority, with 179.5 FTE.

LABORATORY SERVICES

The total FY2009 budget for this division includes an increase of \$56,402 in general funds. The total recommended budget is \$2,071,088 in federal fund expenditure authority and \$3,211,404 in other fund expenditure authority, with 29.0 FTE.

CORRECTIONAL HEALTH

This program has a recommended increase of \$334,978 in other fund expenditure authority and 1.0 FTE. The additional 1.0 FTE and \$51,136 in other fund expenditure authority is for the Intensive Methamphetamine Treatment program. The total FY2009 budget for this division is \$15,631,363 in other fund expenditure authority and 76.0 FTE.

TOBACCO PREVENTION

The total FY2009 budget for this division includes an increase of \$5,976 in general funds. The total recommended budget is \$1,103,938 in federal fund expenditure authority, \$5,000,000 in other fund expenditure authority, and 3.0 FTE.

PROFESSIONAL AND OCCUPATIONAL LICENSING - INFORMATIONAL

This division is comprised of the informational budgets of the professional and occupational licensing boards. There are eleven boards including the 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 Optometry, Board of Pharmacy, Board of Podiatry Examiners, and Board of Massage Therapy. The total recommended budget for FY2009 for the Boards is \$2,812,265 and 19.2 FTE. This represents an increase of \$253,143 in other fund expenditure authority.

HUMAN SERVICES

The Governor is recommending increases of \$5,247,942 in general funds, \$7,250,412 in federal fund expenditure authority, and \$1,183,997 in other fund expenditure authority, for a total increase of

\$13,682,351 and 6.0 FTE. The recommendation includes a decrease of \$1,568,073 in general funds and a corresponding increase in federal fund expenditure authority due to the change in the Federal Medical Assistance Percentage (FMAP) for Title XIX programs. For FY2009, a total budget of \$245,879,404 is recommended, consisting of \$109,974,326 in general funds, \$126,709,487 in federal fund expenditure authority, \$9,195,591 in other fund expenditure authority, and 1,228.7 FTE.

SECRETARIAT

The Governor's recommendation includes an increase of \$33,177 in general funds and a decrease of \$41,038 in federal fund expenditure authority, for a total decrease of \$7,861. An increase of \$3,682 in general funds is recommended for a 2.5% provider inflation policy. A decrease of 1.0 FTE and \$67,757 in federal fund expenditure authority is offset in the Bureau of Finance and Management in order to centralize state government's specialized accounting functions.

DEVELOPMENTAL DISABILITIES

The recommendation for the division of Developmental Disabilities is an increase in general funds of \$1,554,330 and an increase in federal fund expenditure authority of \$4,296,967. An increase of \$840,137 in general funds and \$1,375,661 in federal fund expenditure authority, for a total of \$2,215,798, is recommended for a 2.5% provider inflation policy. The Governor's recommendation also includes \$1,632,561 in general funds and \$2,375,386 in federal fund expenditure authority to address consumer expansion for individuals with developmental disabilities.

SOUTH DAKOTA DEVELOPMENTAL CENTER

The Governor's recommendation includes increases of \$21,270 in general funds, \$743,497 in federal fund expenditure authority, and \$67,686 in other fund expenditure authority, for a total increase of \$832,453. Included in the recommendation is a decrease of \$214,659 in the utilities budget for the South Dakota Developmental Center.

ALCOHOL AND DRUG ABUSE

The Governor recommends increases of \$1,924,952 in general funds, \$1,097,691 in federal fund expenditure authority, \$1,027,373 in other fund expenditure authority, and 5.0 FTE, for a total increase of \$4,050,016 in this division. An increase of \$228,161 in general funds and \$59,659 in federal fund expenditure authority, for a total of \$287,820, is recommended for a 2.5% provider inflation policy. Additional major increases within this division are due to the Intensive Methamphetamine Treatment

program and specialized residential methamphetamine services, along with a rate increase for the alcohol and drug treatment providers.

REHABILITATION SERVICES

The Governor's recommended budget for Rehabilitation Services includes increases of \$378,225 in general funds and \$371,645 in federal fund expenditure authority, for a net increase of \$749,870. An increase of \$58,056 in general funds and \$42,308 in federal fund expenditure authority, for a total of \$100,364 is recommended for a 2.5% provider inflation policy. The Governor's recommendation also includes \$321,557 in general funds and \$522,866 in federal fund expenditure authority to address consumer expansion for individuals in need of Assistive Daily Living Services.

TELECOMMUNICATION DEVICES FOR THE DEAF

The Governor is recommending no change to the Telecommunication Devices for the Deaf budget. The total FY2009 budget is \$1,251,680 in other fund expenditure authority.

BOARD OF COUNSELOR EXAMINERS - INFORMATIONAL

The Governor is recommending a decrease of \$1,639 in other fund expenditure authority. The total FY2009 budget is \$74,986 in other fund expenditure authority.

BOARD OF PSYCHOLOGY EXAMINERS - INFORMATIONAL

The Governor is recommending an increase of \$1,599 in other fund expenditure authority. The total FY2009 budget is \$74,713 in other fund expenditure authority.

BOARD OF SOCIAL WORK EXAMINERS - INFORMATIONAL

The Governor is recommending an increase of \$1,678 in other fund expenditure authority. The total FY2009 budget is \$91,646 in other fund expenditure authority.

CERTIFICATION BOARD FOR ALCOHOL AND DRUG PROFESSIONALS - INFORMATIONAL

The Governor is recommending an increase of \$15,277 in other fund expenditure authority. The total FY2009 budget is \$139,126 in other fund expenditure authority and 1.3 FTE.

SERVICE TO THE BLIND AND VISUALLY IMPAIRED

The Governor is recommending increases of \$19,985 in general funds, \$63,103 in federal fund expenditure authority, and \$4,795 in other fund expenditure authority, for a total increase of \$87,883 in the division of Service to the Blind and Visually Impaired.

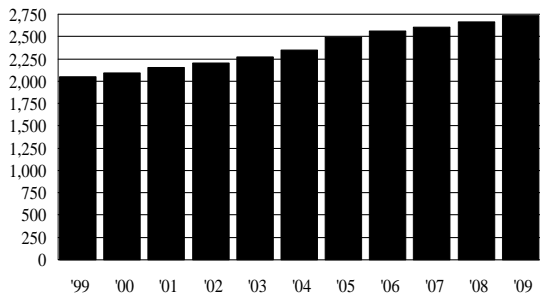
HUMAN SERVICES CENTER

The Governor recommends increases of \$619,389 in general funds, \$449,757 in federal fund expenditure authority, \$30,708 in other fund expenditure authority, and 1.0 FTE, for a total increase of \$1,099,854. The changes at the Human Services Center are reflective of food services and personal services increases and a decrease in utilities. The FTE will be an Internal Medicine Physician and the cost will be offset by a reduction in contractual services.

COMMUNITY MENTAL HEALTH

The Governor's recommendation for Community Mental Health reflects increases of \$696,614 in general funds, \$268,790 in federal fund expenditure authority, \$36,520 in other fund expenditure authority, and 1.0 FTE, for a net increase of \$1,001,924. Additional funding is recommended for Mental Health consumer expansion at a total cost of \$417,687 in general funds and \$301,226 in federal fund expenditure authority. An increase of \$347,514 in general funds, \$227,609 in federal fund expenditure authority, and \$6,646 in other fund expenditure authority, for a total increase of \$581,769 is recommended for a 2.5% provider inflation policy. The additional FTE is for the Intensive Methamphetamine Treatment program.

Developmental Disabilities Clients



SOCIAL SERVICES

The Governor's recommended budget for the Department of Social Services is \$276,787,145 in general funds, \$526,621,103 in federal fund

expenditure authority, and \$8,471,032 in other fund expenditure authority, for a total FY2009 budget of \$811,879,280 and 1,001.5 FTE. This recommendation includes an increase of \$13,290,565 in general funds, \$42,778,391 in federal fund expenditure authority, and a decrease of \$727,408 in other fund expenditure authority, with an increase of 11.0 FTE.

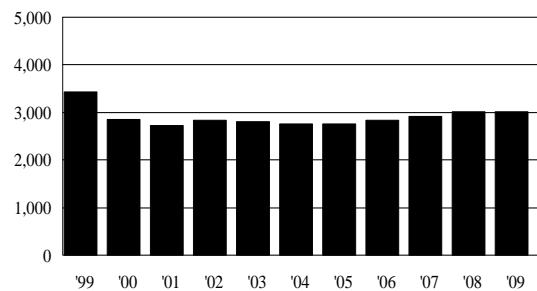
ADMINISTRATION

The recommended budget for Administration includes an increase of \$114,629 in general funds, \$118,773 in federal fund expenditure authority, \$171 in other fund expenditure authority, and a reduction of 1.0 FTE, for a total increase of \$233,573.

ECONOMIC ASSISTANCE

The Governor's recommended budget for Economic Assistance includes an increase of \$683,534 in general funds and \$1,040,989 in federal fund expenditure authority, for a total increase of \$1,724,523. Adjustments to this budget include an inflationary increase for Auxiliary Placement, Temporary Assistance for Needy Families (TANF), and Food Stamp Employment Training, and an increase to the Social Security Income Supplementation.

TANF Case Load in South Dakota

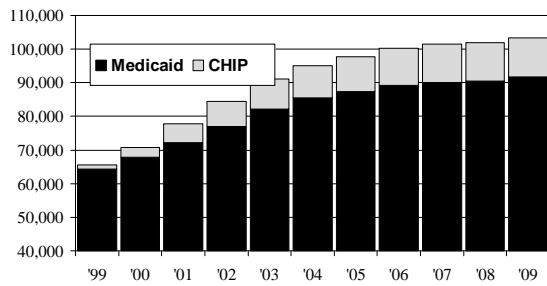


MEDICAL AND ADULT SERVICES

The recommended budget for Medical and Adult Services includes an increase of \$8,270,456 in general funds, \$40,271,897 in federal fund expenditure authority, and \$4,547 in other fund expenditure authority, for a total increase of \$48,546,900 and 12.0 FTE. The FY2009 recommended budget is \$216,868,109 in general funds, \$412,759,191 in federal fund expenditure authority, and \$3,490,637 in other fund expenditure authority, for a total budget of \$633,117,937 and 147.5 FTE. The major adjustment to this budget is an inflationary increase based on the 2.5% provider inflation policy of \$10,167,692 in general funds and \$16,364,750 in federal fund expenditure authority.

Other adjustments include: 1) a decrease over the FY2008 base budget of \$5,455,110 in general funds and an equivalent offsetting increase in federal fund expenditure authority due to the change in the Federal Medical Assistance Percentage (FMAP); 2) an increase of \$2,591,400 in general funds and \$4,282,314 in federal fund expenditure authority due to the growth in the number of Medicaid and CHIP clients, and the increased utilization of Medical Services; 3) an increase of \$1,087,671 in general funds due to increased costs of the Medicare Part D program; 4) an increase of \$55,583 in general funds, \$13,968,021 in federal fund expenditure authority, and 12.0 FTE for the Medicaid Management Information System (MMIS) project; 5) an increase of \$1,752,099 in federal fund expenditure authority due to more Indian Health Services clients; and 6) a projected budget savings of \$589,475 in general funds and \$2,149,730 in federal fund expenditure authority due to reduced costs in the Medical Services budget.

Medical Assistance Case Loads in South Dakota



CHILDREN'S SERVICES

The Governor's recommended FY2009 budget for Children's Services includes an increase of \$4,221,946 in general funds, \$1,346,732 in federal fund expenditure authority, and a decrease of \$732,126 in other fund expenditure authority, for a total increase of \$4,836,552. Major adjustments to this budget include: 1) a decrease from the FY2008 base budget of \$379,408 in general funds and an equivalent offsetting increase in federal fund expenditure authority due to the change in the FMAP; 2) an increase of \$478,827 in general funds, \$361,195 in federal fund expenditure authority, and \$6,696 in other fund expenditure authority for 2.5% provider inflation; 3) an increase of \$1,170,000 in general funds to continue the Court Ordered Supervision program; 4) an increase of \$1,164,915 in general funds due to increased caseloads and costs associated with the Direct Assistance program; 5) an increase of \$733,665 in general funds, a decrease of \$43,107 in federal fund expenditure authority, and a decrease of \$690,558 in other fund expenditure authority in the division of Child Support due to the incentive awards no longer

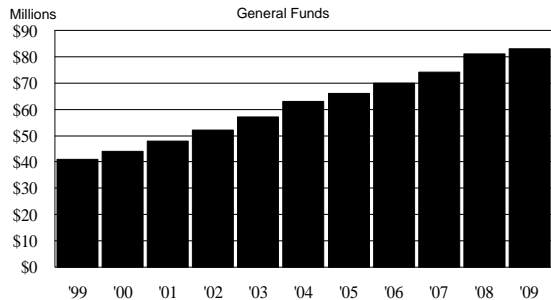
being able to be used as match for federal funds; and 6) an increase of \$298,476 in general funds and \$195,116 in federal fund expenditure authority due to the reclassification of Child Protection Service field staff.

CORRECTIONS

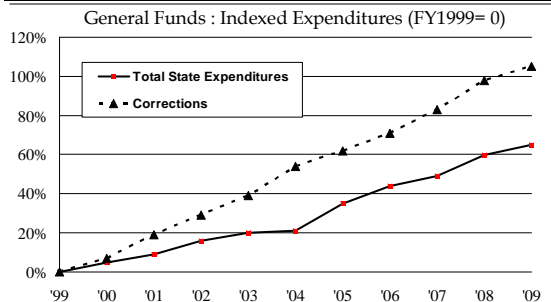
The Governor's recommended budget for the Department of Corrections is \$83,403,757 in general funds, \$12,714,269 in federal fund expenditure authority, and \$9,682,276 in other fund expenditure authority, for a total FY2009 budget of \$105,800,302, and 910.5 FTE. This includes an increase of \$2,652,839 in general funds, \$1,243,071 in federal fund expenditure authority, and \$101,613 in other fund expenditure authority, for a net increase of \$3,997,523. An increase of 13.0 FTE is also recommended.

The Average Daily Count (ADC) of adult inmates is projected to reach 3,582 in FY2009. This represents an increase of 204 inmates over the actual FY2007 ADC of 3,378 inmates, or a 6.0% increase over two years. The average daily population of juveniles in institutional settings within the Department of Corrections is projected at 145 for FY2009, which is a 13.9% decrease over two years.

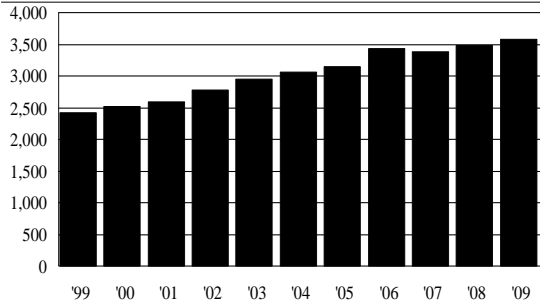
Corrections



Corrections



Average Daily Population of Adult Inmates



ADMINISTRATION

The Governor is recommending an increase of \$432,668 in general funds, \$50,649 in federal fund expenditure authority, \$11,024 in other fund expenditure authority, and 2.0 FTE. The 2.0 FTE are to change two contracted positions, the Sex Offender Manager and the Office of Juvenile Justice and Delinquency Prevention Specialist, to employees. The majority of the general fund increase is tied to increased costs of the Inmate Medical and Mental Health Services agreements with the Department of Health and the Department of Human Services. The total recommended budget in Administration includes \$18,724,227 in general funds, \$2,610,916 in federal fund expenditure authority, and \$183,767 in other fund expenditure authority, with 36.0 FTE.

MIKE DURFEE STATE PRISON

The recommendation for the Mike Durfee State Prison (MDSP) includes increases of \$308,863 in general funds, \$40,978 in federal fund expenditure authority, \$150,171 in other fund expenditure authority, and 0.5 FTE, for a total increase of \$500,012. The 0.5 FTE is to make the part-time Cultural Activities Coordinator a full-time position. Other fund expenditure authority is needed in order to renovate the control room. Decreases for food services and clothing are occurring due to lower ADC projections than in the previous budget. The overall budget for MDSP is \$12,939,608 in general funds, \$175,656 in federal fund expenditure authority, \$465,933 in other fund expenditure authority, and 182.5 FTE.

STATE PENITENTIARY

The recommendation for the South Dakota State Penitentiary (SDSP) includes increases of \$441,213 in general funds, \$33,555 in federal fund expenditure authority, \$7,195 in other fund expenditure authority, and 0.5 FTE, for a total increase of \$481,963. The recommended 0.5 FTE is for a part-time Senior Claims Clerk to process inmate banking transactions. Major impacts to this

program are food services and clothing decreases and utilities increases. The overall budget for SDSP is \$18,397,935 in general funds, \$560,073 in federal fund expenditure authority, \$228,493 in other fund expenditure authority, and 291.5 FTE.

WOMEN'S PRISON

The budget for the Women's Prison (SDWP) is recommended to increase by \$160,032 in general funds. The overall budget for SDWP is \$3,213,040 in general funds, \$374,818 in federal fund expenditure authority, \$151,814 in other fund expenditure authority, and 50.0 FTE.

PHEASANTLAND INDUSTRIES

The budget for Pheasantland Industries is recommended to increase by \$19,400 in other fund expenditure authority. The total budget for Pheasantland Industries is \$3,026,177 in other fund expenditure authority and 15.0 FTE.

COMMUNITY SERVICES

The Community Services' budget is recommended to increase by \$809,415 in general funds, \$63,722 in federal fund expenditure authority, and decrease by \$21,093 in other fund expenditure authority. The Governor also recommends an increase of 9.0 FTE. The increase within this program is due to the Intensive Methamphetamine Treatment Program at the Women's Prison, which was a special appropriation in FY2008. The total budget for Community Services is \$4,469,825 in general funds, \$140,944 in federal fund expenditure authority, \$3,233,634 in other fund expenditure authority, and 90.5 FTE.

PAROLE SERVICES

The Governor's recommendation for Parole Services is an increase of \$121,470 in general funds and \$1,164 in other fund expenditure authority. The total FY2009 budget recommendation is \$3,689,709 in general funds, \$44,462 in other fund expenditure authority, and 59.0 FTE.

JUVENILE COMMUNITY CORRECTIONS

The Juvenile Community Corrections budget is recommended to increase by \$97,941 in general funds, \$1,140,851 in federal fund expenditure authority, \$1,596,324 in other fund authority, and 1.0 FTE, for a total increase of \$2,835,116. The Governor recommends 1.0 FTE for a Community Corrections Specialist to develop community-bases services and process Medicaid paperwork for juveniles. The increases for Group and Residential Placement services are due to increased rates from service providers. The overall budget for Juvenile

Community Corrections is \$12,658,553 in general funds, \$8,087,782 in federal fund expenditure authority, \$2,128,124 in other fund expenditure authority, and 49.5 FTE.

YOUTH CHALLENGE CENTER

The Governor recommends an increase of \$31,597 in general funds and \$21,182 in federal fund expenditure authority at the Youth Challenge Center (YCC). The total budget for YCC is \$1,098,992 in general funds, \$266,714 in federal fund expenditure authority, \$14,942 in other fund expenditure authority, and 26.0 FTE.

PATRICK HENRY BRADY ACADEMY

The Governor recommends an increase of \$41,425 in general funds at the Patrick Henry Brady Academy. The total budget for the Patrick Henry Brady Academy is \$1,474,233 in general funds, \$14,280 in other fund expenditure authority, and 26.0 FTE.

STATE TREATMENT AND REHABILITATION (STAR) ACADEMY

The State Treatment and Rehabilitation (STAR) Academy contains the budget for food services, the physical plant, medical services, education, and administration for the Custer juvenile programs. The budget for FY2009 is recommended to increase by \$184,247 in general funds, decrease by \$107,866 in federal fund expenditure authority, and decrease by \$1,662,572 in other fund expenditure authority. The reduction in other fund expenditure authority is due to the completion of the biomass boiler project. The total budget for STAR is \$5,271,702 in general funds, \$497,366 in federal fund expenditure authority, \$178,000 in other fund expenditure authority, and 58.5 FTE.

QUEST/EXCEL

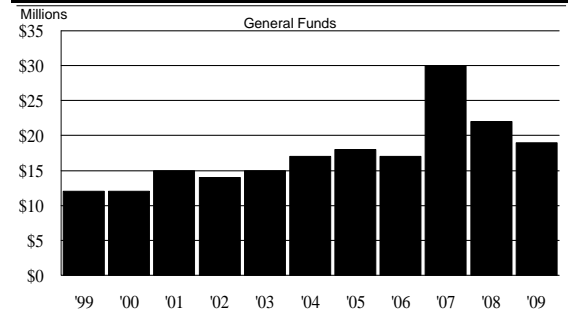
The Governor recommends an increase of \$23,968 in general funds for Quest/ExCEL. The total budget for Quest/ExCel is \$1,465,933 in general funds, \$12,650 in other fund expenditure authority, and 26.0 FTE.

AGRICULTURE; ENVIRONMENT AND NATURAL RESOURCES; AND, GAME, FISH, AND PARKS

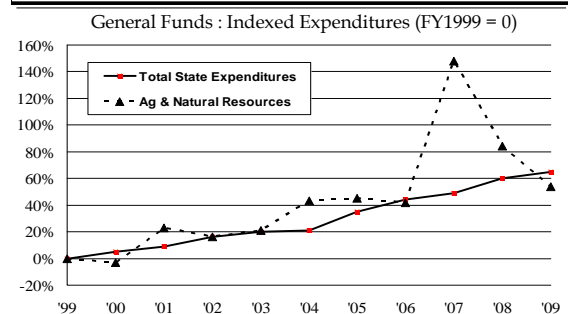
This portion of the budget represents \$0.5 million of the recommended \$159.2 million in total fund increases for FY2009. The total general funds appropriated to Agriculture; Environment and Natural Resources; and, Game, Fish, & Parks are recommended to increase by \$0.7 million. Federal and other fund expenditure authority are

recommended to decrease by \$0.3 million. This category represents 1.2% of the recommended statewide general fund increase.

Agriculture, Natural Resources and Game, Fish, and Parks



Agriculture, Natural Resources and Game, Fish, and Parks



AGRICULTURE

The Governor's FY2009 recommended budget for the Department of Agriculture is \$31,737,339, and consists of \$6,864,513 in general funds, \$7,001,008 in federal fund expenditure authority, \$17,871,818 in other fund expenditure authority, and 198.8 FTE. This represents an overall decrease of \$406,034 in the Department of Agriculture's budget.

OFFICE OF THE SECRETARY

The Governor is recommending an overall increase of \$21,395 for the Office of the Secretary. The Office of the Secretary's total recommended budget is \$817,738 and consists of \$653,630 in general funds, \$52,393 in federal fund expenditure authority, and \$111,715 in other fund expenditure authority, with 8.5 FTE.

AGRICULTURAL SERVICES AND ASSISTANCE

The recommended FY2009 budget for Agricultural Services and Assistance includes \$2,315,794 in general funds, \$2,934,260 in federal fund expenditure authority, and \$2,708,621 in other fund expenditure authority, for a total budget of

\$7,958,675, with 84.9 FTE. This recommendation reflects a total increase of \$297,805 for FY2009.

The total FY2009 recommended budget for Agriculture Services is \$3,979,829 and 34.0 FTE. The Governor is recommending no significant changes for this division's budget.

The total recommended budget for Fire Suppression includes \$3,978,846 and 50.9 FTE. Included in the FY2009 budget is an increase of \$21,417 in general funds, \$212,924 in federal fund expenditure authority, and \$3,506 in other fund authority. The Governor is recommending an increase of \$176,960 in federal fund authority for handcrew rent and pass through funding for rural fire departments and landowners.

AGRICULTURAL DEVELOPMENT AND PROMOTION

The Governor is recommending an increase of \$55,992 for Agricultural Development and Promotion. The total recommended FY2009 budget consists of \$1,224,866 in general funds, \$1,628,362 in federal fund expenditure authority, and \$1,432,532 in other fund expenditure authority, for a total of \$4,285,760 and 28.0 FTE.

The total FY2009 recommended budget for Agriculture Development is \$1,515,278 and 9.0 FTE. The Governor is recommending no significant changes for this division's budget.

The total FY2009 recommended budget for Resource Conservation and Forestry is \$2,770,482 and 19.0 FTE. The Governor is recommending no significant changes for this division's budget.

ANIMAL INDUSTRY BOARD

The recommended budget for the Animal Industry Board includes an increase of \$95,202. This increase is comprised of a decrease of \$64,294 in general funds, an increase of \$29,642 in federal fund expenditure authority, and an increase of \$129,854 in other fund expenditure authority. The total budget for the Animal Industry Board is \$4,544,706 and 44.9 FTE.

STATE FAIR

The total FY2009 recommended budget includes an increase of \$750,000 in general funds to replace the need for an annual appropriation. The State Fair's total budget is \$2,658,975, and 19.5 FTE.

ENVIRONMENT AND NATURAL RESOURCES

The Governor's FY2009 recommended budget for the Department of Environment and Natural Resources totals \$18,272,863, and consists of \$6,422,430 in general funds, \$6,434,961 in federal fund expenditure authority, \$5,415,472 in other fund expenditure authority, and 176.5 FTE. This recommendation includes an increase of \$158,723 in general funds, \$524,491 in federal fund expenditure authority, and \$158,850 in other fund expenditure authority. The total increase for the Department of Environment and Natural Resources is \$842,064.

FINANCIAL AND TECHNICAL ASSISTANCE

The Governor is recommending no significant changes to this budget. The Financial and Technical Assistance budget consists of \$2,294,723 in general funds, \$1,795,168 in federal fund expenditure authority, and \$713,260 in other fund expenditure authority, for a total budget of \$4,803,151 and 58.0 FTE.

ENVIRONMENTAL SERVICES

The Governor recommends a total FY2009 budget for Environmental Services of \$10,954,712 and 118.5 FTE. Environmental Services consists of \$4,127,707 in general funds, \$4,639,793 in federal fund expenditure authority, and \$2,187,212 in other fund expenditure authority. The recommended increase is comprised of \$102,211 in general funds, \$489,068 in federal fund expenditure authority, and \$143,801 in other fund expenditure authority. Due to a potential oil refinery project in eastern South Dakota, the Governor is recommending an increase of \$410,796 in federal fund expenditure authority for air and surface water quality monitoring stations, and \$100,000 of other fund expenditure authority for the contracting of environmental consultants with expertise in oil refineries and crude oil pipelines.

REGULATED RESPONSE FUND – INFORMATIONAL

The Governor is recommending no change in the Regulated Response Fund budget. This budget is informational and continuously appropriated with \$1,750,000 in other fund expenditure authority.

LIVESTOCK CLEANUP FUND – INFORMATIONAL

The Governor is recommending no change in the Livestock Cleanup Fund budget. This budget is informational and continuously appropriated with \$765,000 in other fund expenditure authority.

GAME, FISH, AND PARKS

The FY2009 recommended budget for the Department of Game, Fish, and Parks totals \$65,671,229, including \$5,632,817 in general funds, \$18,738,332 in federal fund expenditure authority, \$41,300,080 in other fund expenditure authority, and 566.6 FTE. The Governor is recommending an overall decrease of 4.0 FTE within the Department of Game, Fish, and Parks. This budget reflects an overall increase of \$43,454.

CONSERVATION RESERVE ENHANCEMENT PROGRAM

The Governor is recommending a decrease of \$822,345 in general funds for the Conservation Reserve Enhancement Program. The total recommended budget for FY2009 is \$346,335 in general funds. These funds are dedicated for the retirement of bonds issued to lease land from farmers and ranchers in the Conservation Reserve Program.

ADMINISTRATION

The Governor recommends a total budget decrease of \$1,056 in general funds, \$9,359 in other fund expenditure authority, and 1.0 FTE. The total budget for Administration is \$4,324,061 and 26.1 FTE.

WILDLIFE – INFORMATIONAL

The recommendation for the Division of Wildlife includes an increase of \$1,136,439 in federal fund expenditure authority and \$315,390 in other fund expenditure authority. Included in this recommendation is an increase of \$255,000 in federal fund expenditure authority for the treatment of prairie dog infestations, \$153,393 of federal fund expenditure authority for research grants, and an increase of \$400,000 in federal fund expenditure authority for the Habitat Management Program. The changes in the Habitat Management Program are due to a funding flip from other fund expenditure authority to federal fund expenditure authority. The total FY2009 recommended budget for the Division of Wildlife is \$34,706,338 and 291.2 FTE.

The Governor is recommending a decrease of \$811,516 in the Wildlife Development and Improvement Program. The total budget for the Wildlife Development and Improvement Program is \$2,548,484, of which \$2,089,750 is federal fund expenditure authority and \$458,734 is other fund expenditure authority.

STATE PARKS AND RECREATION

The Division of State Parks and Recreation's recommended total FY2009 budget is \$16,350,318 and 238.9 FTE. The recommended increases in this division include \$589,472 in general funds, \$20,962 in federal fund expenditure authority, and \$512,035 in other fund expenditure authority. This recommendation includes a decrease of 3.0 FTE. Included in this recommendation is a \$300,000 increase of other fund expenditure authority to add point of sale technology to the current reservation system. Also included is an increase of \$63,500 in other fund expenditure authority within Custer State Park for promotion and marketing, and an increase of \$40,000 of other fund expenditure authority for electricity costs due to the addition of camping cabins and electrical pedestals within Custer State Park.

The Division of State Parks and Recreation's Development and Improvement Program has a total recommended decrease of \$913,845. The total recommended budget includes \$202,175 in general funds, \$3,577,112 in federal fund expenditure authority, \$2,420,325 in other fund expenditure authority, and 1.3 FTE, for a total budget of \$6,199,612.

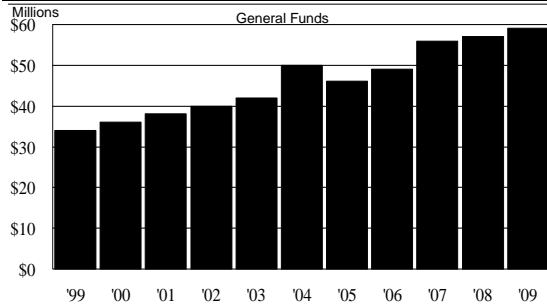
SNOWMOBILE TRAILS – INFORMATIONAL

Recommended changes within the Snowmobile Trails Program include an increase of \$12,000 in federal fund expenditure authority and \$15,277 in other fund expenditure authority. The total recommended budget for the Snowmobile Trails Program is \$126,000 in federal fund expenditure authority, \$1,070,081 in other fund expenditure authority, and 9.1 FTE.

LEGISLATURE, UNIFIED JUDICIAL SYSTEM, PUBLIC UTILITIES COMMISSION, AND ELECTED OFFICIALS

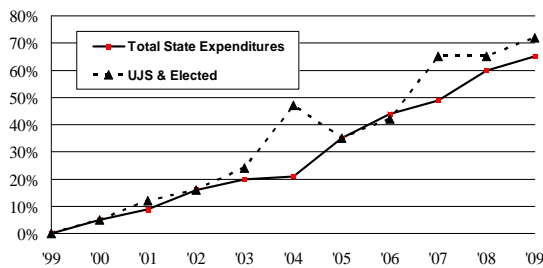
The Governor's recommendation for the FY2009 budget for this sector totals \$89.1 million, of which \$56.6 million is general funds, \$7.8 million is federal fund expenditure authority, and \$24.5 million is other fund expenditure authority. This reflects an increase of \$3.3 million in general funds, \$0.3 million in federal fund expenditure authority, and \$0.6 million in other fund expenditure authority. This is a total increase of \$4.3 million which is 2.7% of the total increases in the FY2009 budget. The recommendation also includes an increase of 21.2 FTE, for a total of 862.6 FTE.

UJS, Legislature and Elected Officials



UJS, Legislature and Elected Officials

General Funds : Indexed Expenditures (FY1999 = 0)



LEGISLATURE

The total FY2009 recommended budget for the South Dakota Legislature is \$7,765,892 in general funds, \$35,000 in other fund expenditure authority, and 69.3 FTE. Changes to the budget for the Legislative Research Council include an increase of \$127,429 due to a 40-day session. The Governor is also recommending a total increase of \$4,477 for Legislative Audit. Included in this budget is an increase of \$120,350 in general funds to fund the employee compensation package. The net change for the South Dakota Legislature is an increase of \$252,256 in general funds.

UNIFIED JUDICIAL SYSTEM

The Governor's FY2009 recommendation for the Unified Judicial System includes an increase of \$2,965,682 in general funds, \$278,436 in federal fund expenditure authority, and a decrease of \$413,233 in other fund expenditure authority, for a total increase of \$2,830,885. This recommendation also contains 19.2 additional FTE. Expansion in personal services amounts to \$1,920,192, of which \$780,366 is for new FTE.

The operating side of the Unified Judicial System's budget is increasing by \$1,274,417 in general funds, \$105,727 in federal fund expenditure

authority, and decreasing by \$469,451 in other fund expenditure authority. Operating expenses such as training, drug testing, and travel account for a portion of the rise along with increases in Community Based Services and expenses associated with the implementation of a Fourth Circuit Drug Court.

The total FY2009 recommended budget totals \$41,732,980 and consists of \$35,334,448 in general funds, \$569,106 in federal fund expenditure authority, \$5,829,426 in other fund expenditure authority, and 530.8 FTE.

PUBLIC UTILITIES COMMISSION

The Governor recommends an increase of \$8,912 in general funds, a decrease of \$263,468 in federal fund expenditure authority, and an increase of \$171,114 in other fund expenditure authority for the Public Utilities Commission. The total FY2009 recommended budget is \$586,214 in general funds, \$87,076 in federal fund expenditure authority, and \$3,203,040 in other fund expenditure authority, with 30.2 FTE.

ATTORNEY GENERAL

The Governor's recommendation for the Office of the Attorney General is an overall budget increase of \$531,750. The FY2009 budget recommendation consists of an increase of \$28,496 in general funds, \$318,589 in federal fund expenditure authority, and \$184,665 in other fund expenditure authority, with an additional 2.0 FTE. The total recommended FY2009 budget for the Office of the Attorney General is \$9,714,137 in general funds, \$3,998,603 in federal fund expenditure authority, and \$4,408,178 in other fund expenditure authority, for a total budget of \$18,120,918, with 155.0 FTE.

LEGAL SERVICES

The FY2009 budget represents an increase of \$3,522 in general funds, \$289,036 in federal fund expenditure authority, a decrease of \$23,275 in other fund expenditure authority, and an increase of 1.0 FTE. The FTE increase is for a methamphetamine prosecutor which will be funded by the Community Oriented Policing Services Methamphetamine Grant. Since the Edward Byrne grant has increased, general funds have been reduced and federal funds increased. The recommended budget for the Legal Services program is \$5,126,207 in general funds, \$1,457,811 in federal fund expenditure authority, and \$799,842 in other fund expenditure authority, for a total of \$7,383,860 and 75.0 FTE.

CRIMINAL INVESTIGATION

The FY2009 budget includes an increase of \$92,468 in general funds, \$29,553 in federal fund expenditure authority, \$92,508 in other fund expenditure authority, and 1.0 FTE. The additional FTE is needed to process fingerprint background checks and will be funded with revenues from record checks. The overall recommended budget for the division of Criminal Investigation is \$4,105,528 in general funds, \$2,540,792 in federal fund expenditure authority, and \$1,873,883 in other fund expenditure authority, for a total of \$8,520,203 and 67.5 FTE.

LAW ENFORCEMENT TRAINING

The Governor's recommendation for Law Enforcement Training is a decrease of \$67,322 in general funds and an increase of \$111,299 in other fund expenditure authority. A portion of the space billing increase from FY2008 will be funded by the Law Enforcement Officer Training (LEOT) fund instead of general funds. Major impacts for the LEOT fund include increases for security, instructors, and ammunition. The total budget for this division is \$482,402 in general funds and \$1,530,704 in other fund expenditure authority, for a total of \$2,013,106 and 10.5 FTE.

911 TRAINING

The Governor is recommending a decrease of \$172 in general funds and an increase of \$4,133 in other fund expenditure authority. The total budget for this division is \$203,749 in other fund expenditure authority and 2.0 FTE.

SECRETARY OF STATE

The Governor's recommendation for the Secretary of State's FY2009 budget is \$974,260 in general funds, \$3,191,927 in federal fund expenditure authority, \$270,394 in other fund expenditure authority, and 15.3 FTE. This budget includes increases of \$17,550 in general funds, \$1,363 in federal fund expenditure authority, and \$3,854 in other fund expenditure authority to fund the employee compensation package.

SCHOOL AND PUBLIC LANDS

The Governor's recommendation for the FY2009 School and Public Lands' budget is \$542,835 in general funds and \$225,000 in other fund expenditure authority, for a total budget of \$767,835, with 7.0 FTE. Included in this budget is an increase of \$10,938 in general funds to fund the employee compensation package.

STATE AUDITOR

The Governor's recommendation includes an increase of \$46,969 in general funds. The total FY2009 recommended budget is \$1,209,553 in general funds and 18.0 FTE.

STATE TREASURER

The Governor's recommended budget includes an increase of \$7,979 in general funds and \$681,136 in other fund expenditure authority. The total FY2009 recommended budget consists of \$505,547 in general funds, \$10,607,571 in other fund expenditure authority, and 37.0 FTE.

TREASURY MANAGEMENT

The Governor's recommendation includes an increase of \$7,979 in general funds. The total recommended FY2009 budget consists of \$505,547 in general funds and 5.5 FTE.

UNCLAIMED PROPERTY - INFORMATIONAL

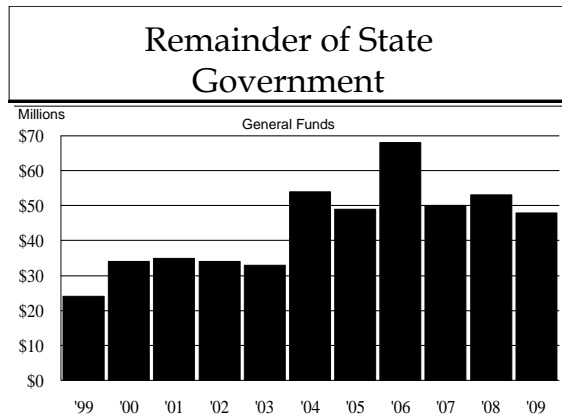
The Governor's recommendation includes an increase of \$5,316 in other fund expenditure authority. The total recommended FY2009 budget consists of \$2,375,758 in other fund expenditure authority and 3.5 FTE.

INVESTMENT COUNCIL

The Governor recommends an increase of \$675,820 in other fund expenditure authority for the Investment Council. Included is an increase of \$702,195 for personal services for the Investment Council's salary budget and a decrease of \$26,375 in operating expenses. The total recommended FY2009 budget is \$8,231,813 in other fund expenditure authority and 28.0 FTE.

REMAINDER OF STATE GOVERNMENT

The budgets included in this category are the Departments of Executive Management, Military and Veterans' Affairs, Revenue and Regulation, Tourism and State Development, Transportation, Labor, and Public Safety. This portion of the budget is comprised of a total decrease of \$10.7 million for FY2009. On the general fund side, this category accounts for \$1.5 million of the \$62.7 million increase. In terms of the total state budget, this category has 25.0% of the total funds and 4.1% of the general funds, which amounts to \$885.8 million in total funding.



EXECUTIVE MANAGEMENT

The Governor's recommendation for the Department of Executive Management includes an increase of \$1,069,468 in general funds, \$1,127 in federal fund expenditure authority, \$19,593,312 in other fund expenditure authority, and 15.0 FTE. The total FY2009 budget includes \$24,427,294 in general funds, \$3,620,743 in federal fund expenditure authority, and \$106,701,047 in other fund expenditure authority, for a total of \$134,749,084, with 689.3 FTE.

GUBERNATORIAL DIVISION

The Governor is recommending no significant changes for this budget. The total recommended budget is \$2,378,375 in general funds, \$259,927 in federal fund expenditure authority, and 23.0 FTE, for a total budget of \$2,638,302 in the FY2009 Gubernatorial Division budget.

BUREAU OF FINANCE AND MANAGEMENT

The Governor recommends a general fund decrease of \$615,719, an other funds expenditure authority increase of \$402,726, and 5.0 additional FTE. The general fund decrease is attributable to the Bureau of Finance and Management sale/leaseback agreement schedule. An additional 5.0 FTE are recommended in order to centralize state government's specialized accounting functions. This increase is offset by FTE decreases in five agencies. The recommended FY2009 budget is \$9,392,529 in general funds and \$6,777,461 in other fund expenditure authority, for a total FY2009 recommended budget of \$16,169,990 and 37.0 FTE.

BUREAU OF ADMINISTRATION

The Governor recommends an increase of \$1,056,423 in general funds, \$1,594,323 in other fund expenditure authority, and a decrease of 2.0 FTE. An increase of \$1,083,024 in general funds and \$1,368,420 in other fund expenditure authority

is the first recommendation of a four year plan to increase the Statewide Maintenance and Repair budget to 2% of the replacement value of state-owned buildings. The School and Public Lands' Public Buildings fund will be used for one year. An additional engineer is needed to supervise the additional projects related to this budget increase. A reduction of 3.0 FTE is recommended to move to the Department of Public Safety for improvement of Capitol Security. The FY2009 recommended budget for this division is \$5,770,700 in general funds, \$500,000 in federal fund expenditure authority, and \$33,189,161 in other fund expenditure authority, for a total FY2009 budget of \$39,459,861, and 178.5 FTE.

BUREAU OF INFORMATION AND TELECOMMUNICATIONS

The Governor recommends an increase of \$506,780 in general funds, \$14,642,472 in other fund expenditure authority, and 11.0 FTE. Eight FTE are recommended to support the Department of Social Services' new Medicaid Management Information System. Also recommended is 1.0 FTE and \$12,655,557 in other fund expenditure authority in order to bill the Board of Regents for work related to the Northern Tier Research Network. To provide security support to the K-12 school system computers, 2.0 FTE are recommended. Also included is an increase of \$354,900 in general funds for Public Broadcasting in order to complete the mandatory digital television conversion. The Governor's total recommended FY2009 budget for the Bureau of Information and Telecommunications is \$5,917,859 in general funds, \$2,360,816 in federal fund expenditure authority, and \$52,609,056 in other fund expenditure authority, for a total FY2009 recommended budget of \$60,887,731, and 379.3 FTE.

BUREAU OF PERSONNEL

The Governor's recommendation for the Bureau of Personnel includes an increase of \$59,248 in general funds, \$2,953,791 in other fund expenditure authority, and 1.0 FTE for a total increase of \$3,013,039. These increases are due to increased use of the Risk Pool. Also recommended is 1.0 FTE to process the increased number of applications and claims for the Risk Pool. The total FY2009 budget consists of \$967,831 in general funds, \$500,000 in federal fund expenditure authority, and \$14,125,369 in other fund expenditure authority, for a total of \$15,593,200, and 71.5 FTE.

MILITARY AND VETERANS' AFFAIRS

The Governor's recommendation for the Department of Military and Veterans' Affairs includes increases of \$395,321 in general funds, \$234,084 in federal fund expenditure authority, \$79,194 in other fund expenditure authority and 1.5 FTE. Included in the general fund increase is \$247,844 in the State Veterans' Home budget for ongoing operating expenses and maintenance and repair. The additional 1.5 FTE will be for facility workers at the Mobridge Armory and the Mitchell Surface Equipment Maintenance Complex. The total recommended FY2009 budget is \$6,333,561 in general funds, \$19,877,859 in federal fund expenditure authority and \$4,653,785 in other fund expenditure authority, for a total of \$30,865,205, with 196.1 FTE.

OFFICE OF THE ADJUTANT GENERAL

The Governor is recommending no significant changes for this budget. The Governor's FY2009 total budget recommendation for the Office of the Adjutant General is \$675,857 in general funds, \$11,300 in federal fund expenditure authority and \$26,032 in other fund expenditure authority, with 4.3 FTE.

ARMY AND AIR GUARD

The Governor's recommendation for the Guard includes increases of \$53,975 in general funds, \$227,467 in federal fund expenditure authority and 1.5 FTE. These increases are for facility workers, utilities and personal services. The total FY2009 recommended budget for the Army Guard is \$16,868,858 and 50.1 FTE. The total FY2009 recommendation for the Air Guard is \$4,499,686 and 41.0 FTE.

VETERANS' BENEFITS AND SERVICES

The Governor is recommending no significant changes for this budget. The total recommended FY2009 budget for Veterans' Benefits and Services is \$1,126,308 in general funds and \$272,721 in federal fund expenditure authority, for a total of \$1,399,029 and 18.0 FTE.

STATE VETERANS' HOME

The Governor's recommendation for the State Veterans' Home includes increases of \$299,663 in general funds and \$78,601 in other fund expenditure authority. Of the total general fund increases, \$197,844 is for ongoing operation and \$50,000 is for maintenance and repair. The total recommended FY2009 budget is \$2,269,190 in general funds, \$487,500 in federal fund expenditure authority and \$4,627,753 in other fund expenditure

authority, for a total budget of \$7,384,443 and 82.7 FTE.

REVENUE AND REGULATION

The Governor's recommended budget for the Department of Revenue and Regulation totals \$58,924,526, and consists of \$1,325,628 in general funds, \$546,000 in federal fund expenditure authority, \$57,052,898 in other fund expenditure authority, and 326.1 FTE. The Governor is recommending an increase of \$218,384 in general funds, \$3,395,555 in other fund expenditure authority, \$546,000 in federal fund expenditure authority, and 4.0 FTE.

SECRETARIAT

The Governor's recommendation includes an increase of \$3,224 in general funds and \$70,800 in other fund expenditure authority. The total FY2009 recommended budget consists of \$164,225 in general funds, \$3,614,793 in other fund expenditure authority and 39.0 FTE.

BUSINESS TAX

The Governor's recommendation includes an increase of \$83,586 in other fund expenditure authority. The total FY2009 recommended budget consists of \$3,585,242 in other fund expenditure authority and 51.0 FTE.

MOTOR VEHICLES

The Governor's recommendation includes an overall increase of \$546,000 in federal fund expenditure authority and \$597,181 in other fund expenditure authority. This includes an increase of \$546,000 of federal fund expenditure authority and \$954,000 of other fund expenditure authority for the development of a new system for the International Fuel Tax Agreement and International Registration Plan as the current system will no longer be supported after 2010. This recommendation also includes a decrease of \$422,500 in other fund expenditure authority due to the completion of the Motor Vehicle Registration system in FY2008. The total FY2009 recommended budget consists of \$546,000 in federal fund expenditure authority, \$6,514,107 in other fund expenditure authority and 48.1 FTE.

PROPERTY AND SPECIAL TAXES

The Governor's recommendation includes an increase of \$22,837 in general funds. The recommended FY2009 budget consists of \$969,080 in general funds and 14.0 FTE.

AUDITS

The recommended FY2009 budget consists of an increase of \$192,323 in general funds, \$85,578 in other fund expenditure authority, and 2.0 FTE. Included is an increase of \$187,600 in general funds and 2.0 FTE that will be dedicated to conduct audits on financial institutions to ensure compliance of the state's bank franchise taxes. The total FY2009 budget consists of \$192,323 in general funds, \$3,610,873 in other fund expenditure authority, and 58.0 FTE.

BANKING

The Governor's recommendation is an overall decrease of \$63,482 in other fund expenditure authority and an increase of 1.0 FTE. The additional FTE will be classified as a bank examiner to address the increase in state-chartered bank and trust assets. Included in the recommended budget is a decrease of \$300,000 in other fund expenditure authority associated with the one-time purchase of a new computer system and an increase of \$133,500 in other fund expenditure authority for the use of the National Mortgage System. The recommended FY2009 budget is \$1,850,516 in other fund expenditure authority and 20.5 FTE.

SECURITIES

The Governor's recommendation includes an increase of \$10,594 in other fund expenditure authority. The total FY2009 recommended budget consists of \$389,949 in other fund expenditure authority and 5.0 FTE.

INSURANCE

The Governor's recommendation includes an increase of \$48,733 in other fund expenditure authority. The total recommended FY2009 budget consists of \$1,835,791 in other fund expenditure authority and 28.5 FTE.

INSURANCE FRAUD UNIT - INFORMATIONAL

The Governor's recommendation includes an increase of \$7,733 in other fund expenditure authority. The total recommended FY2009 budget is \$321,196 in other fund expenditure authority and 4.0 FTE.

PETROLEUM RELEASE COMPENSATION

The Governor's recommendation includes an increase of \$10,725 in other fund expenditure authority. The total recommended FY2009 budget for Petroleum Release Compensation is \$2,549,909 in other fund expenditure authority and 5.0 FTE.

LOTTERY

The Governor's recommendation includes an overall increase of \$2,456,625 in other fund expenditure authority. Included in the recommended budget is an increase of \$2,400,000 in other fund expenditure authority for the replacement of the video lottery central system. The total recommended FY2009 budget for Lottery is \$30,902,626 of other fund expenditure authority and 31.0 FTE.

REVENUE BOARDS AND COMMISSIONS – INFORMATIONAL

This includes the informational budgets of the Real Estate Commission, the Abstractors Board of Examiners, and the Commission on Gaming. The Governor is recommending an increase of \$87,482 in other fund expenditure authority and 1.0 FTE. Included in the recommendation is an increase of \$45,584 in other fund expenditure authority and 1.0 FTE for a System Specialist to support device testing with the Commission on Gaming. The total FY2009 recommended budget for the Boards and Commissions is \$1,877,896 in other fund expenditure authority and 22.0 FTE.

TOURISM AND STATE DEVELOPMENT

The Governor's recommended budget for the Department of Tourism and State Development totals \$77,359,165, and consists of \$11,782,321 in general funds, \$14,536,741 in federal fund expenditure authority, \$51,040,103 in other fund expenditure authority and 193.9 FTE. The Governor is recommending reductions of \$373,122 in general funds and \$89,412 in federal fund expenditure authority, and an increase of \$701,985 in other fund expenditure authority. Included in the Governor's recommendation is a \$564,151 reduction in general funds due to the final bond payment for the Cultural Heritage Center being made in FY2008.

ECONOMIC DEVELOPMENT

The Governor is recommending no significant changes for this budget. The recommended budget for Economic Development consists of \$2,537,850 in general funds, \$11,265,208 in federal fund expenditure authority and \$11,619,938 in other fund expenditure authority, for a total budget of \$25,422,996 and 40.8 FTE.

TOURISM

The Tourism budget is funded by revenues generated from Deadwood Gaming, a 1% gross receipts tax on hotel rooms and other tourist activities, and the Co-op Revolving Fund. For

FY2009, the Governor is recommending an increase of \$299,631 in other fund expenditure authority for additional advertising and promotions based on a projected 6.2% growth in revenues. The total FY2009 recommended budget consists of \$2,000,000 in general funds, \$9,657,289 in other fund expenditure authority and 23.8 FTE.

RESEARCH COMMERCE

The Governor is recommending no significant changes for this budget. The Governor is recommending \$4,041,595 in general funds and 2.0 FTE for the Division of Research Commerce.

TRIBAL GOVERNMENT RELATIONS

The Governor is recommending no significant changes for this budget. The Governor's recommendation for the FY2009 Tribal Government Relations budget is \$224,081 in general funds and 3.0 FTE.

CULTURAL AFFAIRS

The total recommended FY2009 Cultural Affairs budget consists of \$2,978,795 in general funds, \$1,611,314 in federal fund expenditure authority and \$2,150,713 in other fund expenditure authority, for a total budget of \$6,740,822, and 48.0 FTE. This includes a general fund reduction of \$564,151 because the Cultural Heritage Center bond will be paid off in FY2008.

SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY - INFORMATIONAL

The Governor is recommending no significant changes for this budget. The total FY2009 recommended budget is \$10,037,376, and consists of \$1,660,219 in federal fund expenditure authority, \$8,377,157 in other fund expenditure authority and 64.0 FTE.

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY - INFORMATIONAL

The Governor is recommending no significant changes for this budget. The Governor is recommending a total FY2009 budget of \$19,235,006 in other fund expenditure authority and 12.3 FTE.

TRANSPORTATION

The Department of Transportation's recommended FY2009 budget contains \$518,660 in general funds, \$304,022,015 in federal fund expenditure authority, \$185,155,615 in other fund expenditure authority, and 1,040.3 FTE, for a total budget of \$489,696,290. The FY2009 budget reflects an

increase of \$7,862 in general funds, a decrease of \$1,021,338 in federal fund expenditure authority, a decrease of \$31,893,524 in other fund expenditure authority, and a decrease of 14.0 FTE. The decrease in other fund expenditure authority reflects the stagnant revenue stream of the State Highway Fund. The decrease in FTE aligns the department's FY2009 FTE budget with historical FTE usage.

The Governor's FY2009 recommendation for General Operations includes an increase of \$7,862 in general funds, an increase of \$307,025 in federal fund expenditure authority, and a decrease of \$6,657,162 in other fund expenditure authority for a total budget of \$153,231,739 and 1,040.3 FTE.

The recommended budget for Construction Contracts includes a decrease of \$1,328,363 in federal fund expenditure authority and a decrease of \$25,236,362 in other fund expenditure authority. The total budget for Construction Contracts is \$336,464,551 and makes up 69% of the Department of Transportation's \$489,696,290 budget. The \$336,464,551 budgeted for Construction Contracts is informational.

LABOR

The Governor's recommendation for the Department of Labor is \$869,263 in general funds, \$34,662,050 in federal fund expenditure authority, and \$6,838,792 in other fund expenditure authority, for a total FY2009 budget of \$42,370,105 and 428.5 FTE. This recommendation includes an increase of \$21,815 in general funds, a decrease of \$2,061,605 in federal fund expenditure authority, an increase of \$289,614 in other fund expenditure authority, and a reduction of 3.0 FTE. The primary mission of the department is to provide job training, administer unemployment insurance and workers' compensation for South Dakota employers, and to administer the South Dakota Retirement System. For reporting purposes, the budgets for six professional and occupational licensing boards are included in this department.

PROFESSIONAL AND OCCUPATIONAL LICENSING

This division is comprised of the informational budgets of the professional and occupational licensing boards. There are six boards with a total recommended budget for FY2009 of \$2,793,153, which is a total increase of \$57,887 in other fund expenditure authority. These boards are self-supporting through their fee systems. The boards include: Board of Accountancy, Board of Barber Examiners, Cosmetology Commission, Plumbing Commission, Board of Technical Professions, and the Electrical Commission.

SOUTH DAKOTA RETIREMENT SYSTEM

The recommended budget for the South Dakota Retirement System is \$3,614,049 in other fund expenditure authority and 33.0 FTE. The recommendation includes an increase of \$224,561 in other fund expenditure authority, and 2.0 FTE. The FTE will be Retirement Planners responsible for servicing a new benefit program.

PUBLIC SAFETY

The Department of Public Safety has a total FY2009 recommended budget of \$51,794,900, including \$3,999,780 in general funds, \$24,214,862 in federal fund expenditure authority, \$23,580,258 in other fund expenditure authority, and 413.5 FTE.

ADMINISTRATION

The Governor recommends an increase of \$3,239 in general funds, \$3,188 in federal fund expenditure authority, and \$16,217 in other fund expenditure authority. Administration's total recommended budget is \$851,520, including \$105,167 in general funds, \$122,538 in federal fund expenditure authority, \$623,815 in other fund expenditure authority, and 8.5 FTE.

ENFORCEMENT

The Division of Enforcement includes the Highway Patrol, Accident Records, Highway Safety, and State Radio. The Governor recommends an increase of \$55,956 in general funds, \$16,090 in federal fund expenditure authority, and a decrease of \$1,264,966 in other fund expenditure authority. Approximately 66% of the total FY2009 recommended budget of \$24,866,802 is for salaries and benefits. Other fund expenditure authority reductions are due to a flat revenue stream in the State Highway Fund. The Governor recommends a \$25,000 increase for the motorcycle safety education contract. Also recommended are 3.0 FTE to improve Capitol Security; these FTE are offset by a reduction in the Bureau of Administration. The total FY2009 recommendation consists of \$1,824,656 in general funds, \$5,626,688 in federal fund expenditure authority, and \$17,415,458 in other fund expenditure authority, with 282.0 FTE.

EMERGENCY SERVICES AND HOMELAND SECURITY

The division of Emergency Services and Homeland Security includes Emergency Management, Emergency Medical Services, the State Fire Marshal, and the Office of Homeland Security. The Governor recommends an increase of \$34,778 in general funds, a decrease of \$623,956 in federal fund expenditure authority, and an increase of

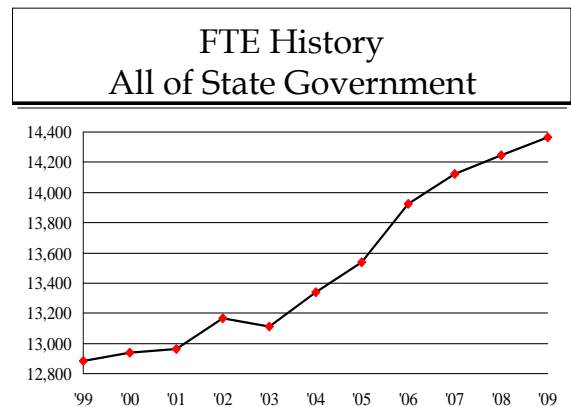
\$2,198 in other fund expenditure authority. An increase of \$900,000 in federal fund expenditure authority is due to an increase in the Emergency Management and Performance Grant. Since the availability of federal funds in Homeland Security has decreased, a reduction of \$2,000,000 in federal fund expenditure authority is recommended. The total recommended budget for the Emergency Services and Homeland Security Division is \$20,216,406, including \$1,495,530 in general funds, \$18,465,636 in federal fund expenditure authority, \$255,240 in other fund expenditure authority, and 35.5 FTE.

INSPECTION AND LICENSING

This division includes Weights and Measures, Driver Licensing, and Inspections. The Governor recommends an increase of \$23,739 in general funds and \$149,122 in other fund expenditure authority. This includes an increase for the rate increase on the heavy scale trucks. The total recommended FY2009 budget includes \$574,427 in general funds, \$5,285,745 in other fund expenditure authority, and 87.5 FTE.

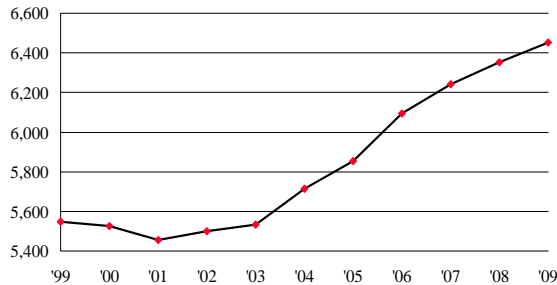
FTE CHANGE

The total appropriated FTE increased from 12,883.9 in FY1999 to a proposed level of 14,366.2 for FY2009. This is a difference of 1,482.3 FTE over a ten-year period.



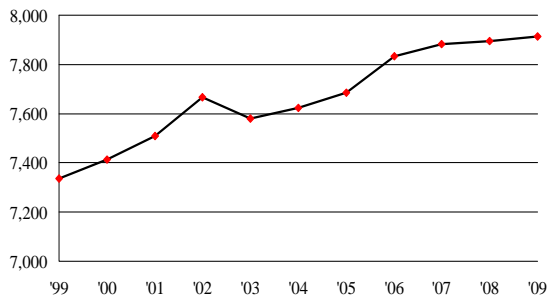
For offices outside the control of the Governor, total appropriated FTE grew from 5,547.4 in FY1999 to a recommended 6,453.6 for FY2009, or an increase of 906.2 FTE.

FTE History for Offices Outside Control of Governor



The agencies under direct control of the Governor had total appropriated FTE of 7,336.5 in FY1999. The FY2009 budget proposal brings the FTE to a level of 7,912.6, for an increase of 576.1 FTE during the decade.

FTE History for Offices Under Control of Governor



SUMMARY OF REORGANIZATIONS

CORRECTIONS

A reorganization occurred in the Department of Corrections. The department closed the Living Center since few juveniles remained in it, eliminated the 3rd platoon in the Patrick Henry Brady Academy, created an intake unit within ExCEL, formed a second Youth Challenge Center unit, and consolidated Admissions, Security and Control into one activity. This restructuring provides for better management of and service to juveniles located in the State Treatment and Rehabilitation Academy.

HEALTH

A reorganization occurred between the Department of Health and the Department of Social Services. The Family Practice Residency Program was moved into the Department of Social Services in order to maximize available federal funding.

LABOR

A reorganization occurred within the South Dakota Retirement System (SDRS). The Supplemental Retirement and Special Pay Plan were combined under the main plan as SDRS will be taking a stronger role in marketing and education for both plans.

PUBLIC SAFETY

A budgetary reorganization occurred in the Department of Public Safety, combining the Emergency Services Division and the Homeland Security Division to form the Emergency Services and Homeland Security Division. These two divisions work closely together on grant, training, and preparedness activities, and share common missions and objectives.

SPECIAL APPROPRIATION RECOMMENDATIONS

FY2009 SPECIAL APPROPRIATIONS	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
Tax Refunds for Elderly and Disabled	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Sales Tax on Food Refund Program	\$ 1,173,430	\$ -	\$ 108,387	\$ 1,281,817
Physician Tuition Reimbursement	\$ 124,894	\$ -	\$ -	\$ 124,894
Dental Externships	\$ 40,000	\$ -	\$ -	\$ 40,000
K-12 School District Consolidation Incentives	\$ 348,900	\$ -	\$ -	\$ 348,900
K-12 School District Sparsity	\$ 2,043,138	\$ -	\$ -	\$ 2,043,138
Armory Transformation Upgrade for Yankton	\$ 200,000	\$ 500,000	\$ -	\$ 700,000
TOTAL FY2009 SPECIAL APPROPRIATIONS	\$ 4,930,362	\$ 500,000	\$ 108,387	\$ 5,538,749

NOTE: FY2009 special appropriations become available for expenditure on July 1, 2008, and are included in the FY2009 column of the General Fund Condition Statement.

Governor Rounds is recommending total special appropriations of \$4,930,362 in general funds, \$500,000 in federal fund expenditure authority, and \$108,387 in other fund expenditure authority. The following paragraphs highlight each recommended special appropriation.

- ◆ **Tax Refunds for the Elderly and Disabled:** The Governor is recommending \$1,000,000 in general funds for tax refunds for elderly and disabled individuals who meet income guidelines.
- ◆ **Sales Tax on Food Refund Program:** The Governor is recommending \$1,173,430 in general funds and \$108,387 in other fund expenditure authority to fund the Sales Tax on Food Refund program in FY2009.
- ◆ **Physician Tuition Reimbursement Program:** The Governor is recommending \$124,894 in general funds to reimburse three participants who have complied with the requirements of the South Dakota Physician, Midlevel, or Dentist Tuition Reimbursement program per SDCL 1-16A-71.1, SDCL 1-16A-73.6, or SDCL 1-16A-73.2.
- ◆ **Resident Dentist Externship Program:** The Governor is recommending \$40,000 in general funds to compensate dental schools for the cost of sending South Dakota dental students back to South Dakota for a three-week externship experience.
- ◆ **School District Consolidation Incentives:** The Governor is recommending \$348,900 in general funds to reimburse certain school districts for consolidation incentives per SDCL 13-6-92.
- ◆ **K-12 School District Sparsity:** The Governor is recommending \$2,043,138 in general funds to provide funding for sparse school districts as per SDCL 13-13-78.
- ◆ **Armory Transformation Upgrade for Yankton:** The Governor is recommending \$200,000 in general funds and \$500,000 in federal fund expenditure authority for the renovation of the Yankton armory as part of the Army National Guard Transformation plan.

FY2008 EMERGENCY SPECIAL APPROPRIATIONS	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
Extraordinary Litigation Fund	\$ 2,252,784	\$ -	\$ -	\$ 2,252,784
Fire Suppression Fund	\$ 1,843,110	\$ -	\$ -	\$ 1,843,110
Emergency and Disaster Fund	\$ 4,337,522	\$ -	\$ -	\$ 4,337,522
Conservation Grant	\$ 600,000	\$ -	\$ -	\$ 600,000
K-12 School District Sparsity Shortfall	\$ 197,855	\$ -	\$ -	\$ 197,855
State Aid Lawsuit Costs	\$ 948,750	\$ -	\$ -	\$ 948,750
Water Omnibus Bill	\$ 1,000,000	\$ 160,000	\$ 13,450,000	\$ 14,610,000
Classroom Connections Year 3	\$ 2,954,440	\$ -	\$ -	\$ 2,954,440
Bear Butte State Park Easement	\$ 250,000	\$ 593,777	\$ 343,777	\$ 1,187,554
Energy Conservation Loan Fund	\$ 10,000,000	\$ -	\$ -	\$ 10,000,000
TOTAL FY2008 EMERGENCY SPECIAL APPROPRIATIONS	\$ 24,384,461	\$ 753,777	\$ 13,793,777	\$ 38,932,015

NOTE: FY2008 emergency special appropriations become available for expenditure upon passage of the bill and are included in the FY2008 column of the General Fund Condition Statement.

Governor Rounds is recommending total emergency special appropriations of \$24,384,461 in general funds, \$753,777 in federal fund expenditure authority, and \$13,793,777 in other fund expenditure authority. The following paragraphs highlight each recommended emergency special appropriation.

- ◆ **Extraordinary Litigation Fund:** The Governor is recommending \$2,252,784 in general funds to be deposited into the Extraordinary Litigation Fund to fund litigation expenses which are not eligible to be paid under SDCL 3-22-1.
- ◆ **Fire Suppression Fund:** The Governor is recommending \$1,843,110 in general funds to be deposited into the Fire Suppression Fund for costs related to the suppression of wildfires in South Dakota.
- ◆ **Emergency and Disaster Fund:** The Governor is recommending \$4,337,522 in general funds to be deposited into the Emergency and Disaster Special Revenue Fund for costs related to disasters in South Dakota.
- ◆ **Conservation Grant:** The Governor is recommending \$600,000 in general funds to be used to fund the conservation districts and address soil and water conservation in South Dakota.
- ◆ **K-12 School District Sparsity Shortfall:** The Governor is recommending \$197,855 in general funds to fund the FY2008 shortfall in K-12 School District Sparsity Funding. SB 30 of the 2007 legislative session appropriated \$1,800,000 in general funds to provide funding for sparse school districts. The need is currently estimated to be \$1,997,855.
- ◆ **State Aid Lawsuit Costs:** The Governor is recommended \$948,750 in general funds to cover costs to the state associated with the state aid lawsuit.
- ◆ **Water Omnibus Bill:** The Governor is recommending \$1,000,000 in general funds, \$160,000 in federal fund expenditure authority and \$13,450,000 in other fund expenditure authority for water development, solid waste, and water quality improvement projects throughout the state. General funds in the amount of \$1,000,000 and \$5,400,000 in other fund expenditure authority will be used for the accelerated cost share commitment to the Lewis and Clark Rural Water System.
- ◆ **Classroom Connections Year 3:** The Governor is recommending \$2,954,440 in general funds to fund the third round of the Classroom Connections program. This funding will purchase approximately 5,000 laptop computers in 20 school districts. Funds will be paid out over 3 years.
- ◆ **Bear Butte State Park Easement:** The Governor is recommending \$250,000 in general funds, \$593,777 in federal fund expenditure authority, and \$343,777 in other fund expenditure authority for the acquisition of a conservation easement adjacent to Bear Butte State Park.
- ◆ **Energy Conservation Loan Fund:** The Governor is recommending \$10,000,000 in general funds for public entities and state agencies to enhance energy efficiency in their buildings. The perpetual revolving loan fund will be used to finance energy savings projects.

FY2008 GENERAL BILL AMENDMENTS	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
Cement Plant Earnings for Education	\$ 1,184,338	\$ -	\$ -	\$ 1,184,338
BOR Critical M&R Bond Payment Shortfall	\$ 427,948	\$ -	\$ -	\$ 427,948
Risk Pool Shortfall	\$ 50,000	\$ -	\$ 2,000,000	\$ 2,050,000
Custer State Park Bond Payment Shortfall	\$ 483,363	\$ -	\$ -	\$ 483,363
Tobacco Funding Authority	\$ -	\$ -	\$ 491,000	\$ 491,000
State Aid to K-12 Education Shortfall	\$ 2,369,210	\$ -	\$ -	\$ 2,369,210
Drug Court Grant	\$ -	\$ 175,000	\$ -	\$ 175,000
Geological Survey Drill Rig	\$ -	\$ 480,000	\$ -	\$ 480,000
TOTAL FY2008 GENERAL BILL AMENDMENTS	\$ 4,514,859	\$ 655,000	\$ 2,491,000	\$ 7,660,859

NOTE: FY2008 general bill amendments are changes that need to be made to the FY2008 general appropriations act and are included in the FY2008 column of the General Fund Condition Statement.

Governor Rounds is recommending total general bill amendments of \$4,514,859 in general funds, \$655,000 in federal fund expenditure authority, and \$2,491,000 in other fund expenditure authority. The following paragraphs highlight each recommended FY2008 general bill amendment.

- ◆ **Cement Plant Earnings for Education Enhancement:** Due to the extra earnings from the Dakota Cement Trust fund, \$1,184,338 in earnings will be available to be spent for education enhancement. The Governor is recommending that these funds be used to help in funding the South Dakota Opportunity Scholarship.
- ◆ **BOR Critical M&R Bond Payment Shortfall:** The Governor is recommending \$427,948 in general funds for the payment of the critical deferred maintenance bond approved by the 2007 Legislature.
- ◆ **Risk Pool Shortfall:** The Governor is recommending \$50,000 in general funds and \$2,000,000 in other fund expenditure authority to address a shortfall in the Risk pool. Due to an increased number of participants in the Risk Pool, the amount of claims has also increased.
- ◆ **Custer State Park Bond Payment Shortfall:** The Governor is recommending \$483,363 in general funds to make the bond payment for Custer State Park improvements. This is the first payment on the \$12,000,000 bond that was appropriated in SB218 during the 2007 session.
- ◆ **Tobacco Funding Authority:** The Governor is recommending \$491,000 in other fund expenditure authority for the Department of Human Services to support and expand local tobacco coalitions to prevent tobacco use by minors.
- ◆ **State Aid to K-12 Education Shortfall:** The Governor is recommending \$2,369,210 in general funds to fund a shortfall in state aid to general education due to higher than anticipated enrollments.
- ◆ **Drug Court Grant:** The Governor is recommending \$175,000 in federal fund expenditure authority in order to expend funds the Unified Judicial System received from a federal Drug Court.
- ◆ **Geological Survey Drill Rig:** The Governor is recommending \$480,000 in federal fund expenditure authority in the Department of Environment and Natural Resources to replace an existing drill rig that is 28 years old.

GOVERNOR ROUNDS' RECOMMENDATION FOR STATE EMPLOYEE COMPENSATION PACKAGE

	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL FUNDS
<p>PACE ADJUSTMENT TO JOB WORTH: The Governor is recommending that the Performance and Compensation Equity (PACE) system established in FY1990 be continued to include 2.5% adjustments to employees who are paid under the job-worth of their pay range.</p>	\$ 1,696,653	\$ 1,047,647	\$ 1,278,394	\$ 4,022,694
<p>ACROSS-THE-BOARD INCREASE: The Governor is recommending that all permanent state employees receive a 2.5% pay increase.</p>				
Executive Branch	\$ 3,018,455	\$ 2,488,826	\$ 3,525,666	\$ 9,032,947
Board of Regents	3,672,674	880,967	3,173,549	7,727,190
Legislative Branch	328,034	39,384	105,966	473,384
Judicial Branch	657,765	1,797	27,225	686,787
Subtotal	\$ 7,676,928	\$ 3,410,974	\$ 6,832,406	\$ 17,920,308
<p>HEALTH INSURANCE INCREASE: The costs associated with the employer-paid portion of the state employee's health insurance plan for FY2009 is projected to increase by 4.5%.</p>	\$ 1,347,864	\$ 633,147	\$ 1,183,389	\$ 3,164,400
<p>GRAND TOTAL INCREASE FOR STATE EMPLOYEE COMPENSATION:</p>	\$ 10,721,445	\$ 5,091,768	\$ 9,294,189	\$ 25,107,402

For FY2009, the employee compensation package was distributed to agencies in the Governor's recommended budget.

GOVERNOR'S FY2009 GENERAL FUND RECOMMENDATIONS

GENERAL BILL	FTE EXPANSION/ (REDUCTION)	GENERAL FUND EXPANSION/ (REDUCTION)	TOTAL GENERAL FUND RECOMMENDATION
Administration (Excluding Sale-Leaseback)	(2.0)	1,100,201	4,495,212
Agriculture	0.0	808,602	6,864,513
Attorney General	2.0	28,496	9,714,137
Corrections	13.0	2,652,839	83,403,757
Education (Excluding State Aid and Postsecondary Education)	1.0	1,486,001	10,132,896
State Aid to Education		22,705,720	382,283,950
Postsecondary Vocational Education		360,000	19,487,140
Environment and Natural Resources	0.0	158,723	6,422,430
Finance and Management (Excluding Sale-Leaseback)	5.0	20,524	874,744
Game, Fish, and Parks (Excluding CRP)	(4.0)	588,416	5,286,482
Gubernatorial Division	0.0	62,736	2,378,375
Health	1.0	120,201	7,800,105
Human Services	6.0	5,247,942	109,974,326
Information and Telecommunications	11.0	506,780	5,917,859
Labor and Regulation (Includes SD Retirement System)	(3.0)	21,815	869,263
Legislature (Includes Employee Compensation)	0.0	252,256	7,765,892
Military and Veteran's Affairs	1.5	395,321	6,333,561
Personnel (does not include Employee Compensation)	1.0	59,248	967,831
Public Safety	3.0	117,712	3,999,780
Public Utilities Commission	0.0	8,912	586,214
Regents (Includes Employee Compensation)	83.5	11,329,923	185,759,211
Revenue	4.0	218,384	1,325,628
School and Public Lands	0.0	10,938	542,835
Secretary of State	0.0	17,550	974,260
Social Services	11.0	13,290,565	276,787,145
State Auditor	0.0	46,969	1,209,553
State Treasurer (Including Investment Council)	0.0	7,979	505,547
Tourism & State Development	0.0	(373,122)	11,782,321
Transportation	(14.0)	7,862	518,660
Unified Judicial System (Includes Employee Compensation)	19.2	2,965,682	35,334,448
Sale-Leaseback		(680,021)	9,793,273
Conservation Reserve Program		(822,345)	346,335
TOTAL FY2008 GENERAL BILL RECOMMENDATIONS	139.2	62,722,809	1,200,437,683
BREAKDOWN			
Executive Branch	34.5	24,925,648	553,896,121
Unified Judicial System, Legislature, and Constitutional Offices	21.2	3,401,518	59,011,261
State Aid		22,705,720	382,283,950
Postsecondary Vocational Education		360,000	19,487,140
Board of Regents	83.5	11,329,923	185,759,211
TOTAL FY2008 GENERAL BILL RECOMMENDATIONS	139.2	62,722,809	1,200,437,683

GENERAL FUND CONDITION STATEMENT

	ACTUAL FY2006	ACTUAL FY2007	REVISED FY2008	PROJECTED FY2009
RECEIPTS				
Sales and Use Tax	\$ 576,899,817	\$ 603,185,287	\$ 645,992,263	\$ 677,773,884
Contractor's Excise Tax	75,103,983	78,790,924	86,943,321	93,480,521
Property Tax Reduction Fund	114,701,037	120,265,382	126,244,151	126,268,457
Bank Franchise Tax	40,447,083	50,473,895	44,929,496	43,993,343
Insurance Company Tax	55,671,326	57,282,670	60,221,920	62,667,830
Other	155,464,102	169,760,821	184,435,152	188,617,349
One-Time Receipts	2,105,219	6,550,000	6,508,132	10,224,370
Transfer from Property Tax Reserves	35,387,630	4,913,211	28,195,002	4,638,439
Obligated Cash Carried Forward	819,857	317,535	247,214	0
TOTAL RECEIPTS	\$1,056,600,054	\$1,091,539,724	\$1,183,716,651	\$1,207,664,193
EXPENDITURES				
General Bill Excl. State Aid to Educ.	\$ 675,863,041	\$ 729,081,925	\$ 780,282,293	\$ 818,153,733
State Aid to Education	330,104,895	328,738,055	361,947,440	382,283,950
Special Appropriations	8,433,364	12,178,439	14,667,236	4,930,362
Emergency Special Appropriations	39,109,900	18,800,781	24,384,461	0
Continuing Appropriations	1,951,462	2,175,776	2,188,007	2,296,148
TOTAL EXPENDITURES	\$1,055,462,662	\$1,090,974,976	\$1,183,469,437	\$1,207,664,193
TRANSFERS				
Budget Reserve Fund	\$ 819,857	\$ 317,535	\$ 247,214	\$ 0
Property Tax Reduction Fund	0	0	0	0
TOTAL TRANSFERS	\$ 819,857	\$ 317,535	\$ 247,214	\$ 0
Beginning Unobligated Cash Balance	\$ 0	\$ 0	\$ 0	\$ 0
Net (Receipts less Expend./Transfers)	317,535	247,214	0	0
OBLIGATIONS AGAINST CASH				
Budget Reserve Fund	(317,535)	(247,214)	0	0
Property Tax Reduction Fund	0	0	0	0
Total Obligations Against Cash	(317,535)	(247,214)	0	0
Ending Unobligated Cash Balance	\$ 0	\$ 0	\$ 0	\$ 0

SOURCE: State of South Dakota Bureau of Finance and Management

NOTE: This document was prepared on a cash basis for budgeting purposes and reflects obligations against cash. The totals may not add due to rounding.

TOTAL STATE GOVERNMENT BUDGET (Excluding Information Budgets)

GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2006	ACTUAL FY 2007	BUDGETED FY 2008	REQUESTED FY 2009	GOVERNOR'S RECOMMENDED FY 2009	RECOMMENDED INC/(DEC) FY 2009
FUNDING SOURCE:						
General Funds	\$ 1,005,967,940	\$ 1,057,819,980	\$ 1,137,714,874	\$ 1,243,238,664	\$ 1,200,437,683	\$ 62,722,809
Federal Funds	923,820,595	916,501,674	1,047,465,004	1,118,217,663	1,115,176,364	67,711,360
Other Funds	521,850,101	544,358,318	632,184,092	662,323,172	686,265,925	54,081,833
Total	\$ 2,451,638,635	\$ 2,518,679,972	\$ 2,817,363,970	\$ 3,023,779,499	\$ 3,001,879,972	\$ 184,516,002
EXPENDITURE DETAIL:						
Personal Services	\$ 607,206,308	\$ 631,244,769	\$ 692,763,746	\$ 710,700,409	\$ 725,675,336	\$ 32,911,590
Operating Expenses	1,844,432,328	1,887,435,203	2,124,600,224	2,313,079,090	2,276,204,636	151,604,412
Total	\$ 2,451,638,635	\$ 2,518,679,972	\$ 2,817,363,970	\$ 3,023,779,499	\$ 3,001,879,972	\$ 184,516,002
Staffing Level FTE:	12,302.5	12,457.9	12,993.7	13,182.9	13,130.4	136.7

SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2008	GOVERNOR'S RECOMMENDED FY 2009	RECOMMENDED INC/(DEC) FY 2009
General Funds	\$ 45,754,563	\$ 7,226,510	(\$ 38,528,053)
Federal Funds	1,408,777	500,000	(908,777)
Other Funds	34,382,515	108,387	(34,274,128)
Total	\$ 81,545,855	\$ 7,834,897	(\$ 73,710,958)

TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2008	GOVERNOR'S RECOMMENDED FY 2009	RECOMMENDED INC/(DEC) FY 2009
General Funds	\$ 1,183,469,437	\$ 1,207,664,193	\$ 24,194,756
Federal Funds	1,048,873,781	1,115,676,364	66,802,583
Other Funds	666,566,607	686,374,312	19,807,705
Total	\$ 2,898,909,825	\$ 3,009,714,869	\$ 110,805,044
Staffing Level FTE:	12,993.7	13,130.4	136.7

INFORMATION BUDGETS CONTAINED IN THE GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2006	ACTUAL FY 2007	BUDGETED FY 2008	REQUESTED FY 2009	GOVERNOR'S RECOMMENDED FY 2009	RECOMMENDED INC/(DEC) FY 2009
FUNDING SOURCE:						
General Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal Funds	252,919,737	283,643,450	312,693,516	311,898,795	312,237,349	(456,167)
Other Funds	254,691,642	246,913,573	252,688,876	250,860,401	227,820,351	(24,868,525)
Total	\$ 507,611,379	\$ 530,557,023	\$ 565,382,392	\$ 562,759,196	\$ 540,057,700	(\$ 25,324,692)
EXPENDITURE DETAIL:						
Personal Services	\$ 69,529,340	\$ 73,038,695	\$ 80,280,947	\$ 80,412,156	\$ 82,848,931	\$ 2,567,984
Operating Expenses	438,082,039	457,518,328	485,101,445	482,347,040	457,208,769	(27,892,676)
Total	\$ 507,611,379	\$ 530,557,023	\$ 565,382,392	\$ 562,759,196	\$ 540,057,700	(\$ 25,324,692)
Staffing Level FTE:	1,340.0	1,258.0	1,233.2	1,235.7	1,235.7	2.5

INFORMATION BUDGETS

South Dakota Building Authority
 South Dakota Health and Educational
 Facilities Authority
 Public Entity Pool for Liability (PEPL)
 Administration
 PEPL Fund Claims
 Insurance Fraud Unit
 Petroleum Release Fund
 Petroleum Release Fund Payments
 Lottery Instant and On-Line Operations
 Real Estate Commission
 Abstractors Board of Examiners
 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
 South Dakota Housing Development Authority
 Science and Technology Authority
 SD Energy Infrastructure Authority
 Division of Wildlife
 Wildlife Development and Improvement
 Snowmobile Trails Program
 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 Accountancy
 Board of Barber Examiners
 Cosmetology Commission
 Plumbing Commission
 Board of Technical Professions
 Electrical Commission
 Highway Construction Contracts
 Tuition and Fee Fund
 Army/Air National Guard
 Board of Counselor Examiners
 Board of Psychology
 Board of Social Work Examiners
 Certification Board for Alcohol and Drug Professionals
 Regulated Response Fund
 Livestock Cleanup
 Transportation Warehouse
 Fixed Utilities
 PUC Rate Case/Utility Investigation Fund
 Pipeline Safety
 One-Call Notification Board
 Do Not Call List
 State Bar Association
 Unclaimed Property Fund

TOTAL STATE GOVERNMENT BUDGET (Including Information Budgets)

GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2006	ACTUAL FY 2007	BUDGETED FY 2008	REQUESTED FY 2009	GOVERNOR'S RECOMMENDED FY 2009	RECOMMENDED INC/(DEC) FY 2009
FUNDING SOURCE:						
General Funds	\$ 1,005,967,940	\$ 1,057,819,980	\$ 1,137,714,874	\$ 1,243,238,664	\$ 1,200,437,683	\$ 62,722,809
Federal Funds	1,176,740,332	1,200,145,123	1,360,158,520	1,430,116,458	1,427,413,713	67,255,193
Other Funds	776,541,743	791,271,891	884,872,968	913,183,573	914,086,276	29,213,308
Total	\$ 2,959,250,015	\$ 3,049,236,995	\$ 3,382,746,362	\$ 3,586,538,695	\$ 3,541,937,672	\$ 159,191,310
EXPENDITURE DETAIL:						
Personal Services	\$ 676,735,648	\$ 704,283,464	\$ 773,044,693	\$ 791,112,565	\$ 808,524,267	\$ 35,479,574
Operating Expenses	2,282,514,366	2,344,953,531	2,609,701,669	2,795,426,130	2,733,413,405	123,711,736
Total	\$ 2,959,250,015	\$ 3,049,236,995	\$ 3,382,746,362	\$ 3,586,538,695	\$ 3,541,937,672	\$ 159,191,310
Staffing Level FTE:	13,642.5	13,715.9	14,226.9	14,418.6	14,366.1	139.2

SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2008	GOVERNOR'S RECOMMENDED FY 2009	RECOMMENDED INC/(DEC) FY 2009
General Funds	\$ 45,754,563	\$ 7,226,510	(\$ 38,528,053)
Federal Funds	1,408,777	500,000	(908,777)
Other Funds	34,382,515	108,387	(34,274,128)
Total	\$ 81,545,855	\$ 7,834,897	(\$ 73,710,958)

TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2008	GOVERNOR'S RECOMMENDED FY 2009	RECOMMENDED INC/(DEC) FY 2009
General Funds	\$ 1,183,469,437	\$ 1,207,664,193	\$ 24,194,756
Federal Funds	1,361,567,297	1,427,913,713	66,346,416
Other Funds	919,255,483	914,194,663	(5,060,820)
Total	\$ 3,464,292,217	\$ 3,549,772,569	\$ 85,480,352
Staffing Level FTE:	14,226.9	14,366.1	139.2