

TABLE OF CONTENTS

<i>SUMMARY OVERVIEW.....</i>	<i>1</i>
<i>U.S. AND SOUTH DAKOTA ECONOMIC FORECAST.....</i>	<i>2</i>
<i>U.S. ECONOMY.....</i>	<i>2</i>
<i>SOUTH DAKOTA ECONOMY.....</i>	<i>6</i>
<i>REVENUE ESTIMATES.....</i>	<i>10</i>
<i>BUDGET RESERVE</i>	<i>13</i>
<i>COMPARISON BETWEEN LEGISLATIVE AND REVISED ESTIMATE FOR FY2010.....</i>	<i>14</i>
<i>COMPARISON BETWEEN FY2009 AND FY2010 REVENUE COLLECTIONS.....</i>	<i>15</i>
<i>COMPARISON BETWEEN FY2010 AND FY2011 REVENUE COLLECTIONS.....</i>	<i>16</i>
<i>GENERAL FUND RECEIPTS.....</i>	<i>17</i>
<i>RECOMMENDED EXPENDITURES</i>	<i>18</i>
<i>SUMMARY OF RECOMMENDED BUDGET ADJUSTMENTS</i>	<i>20</i>
<i>SPECIAL APPROPRIATION RECOMMENDATIONS</i>	<i>41</i>
<i>GOVERNOR'S RECOMMENDATION FOR STATE EMPLOYEE COMPENSATION</i>	<i>45</i>
<i>GOVERNOR'S FY2011 GENERAL FUND RECOMMENDATIONS</i>	<i>46</i>
<i>GENERAL FUND CONDITION STATEMENT</i>	<i>47</i>
<i>TOTAL STATE GOVERNMENT BUDGET (EXCLUDING INFORMATION BUDGETS)</i>	<i>48</i>
<i>INFORMATION BUDGETS CONTAINED IN THE GENERAL APPROPRIATIONS BILL</i>	<i>49</i>
<i>TOTAL STATE GOVERNMENT BUDGET (INCLUDING INFORMATION BUDGETS)</i>	<i>50</i>

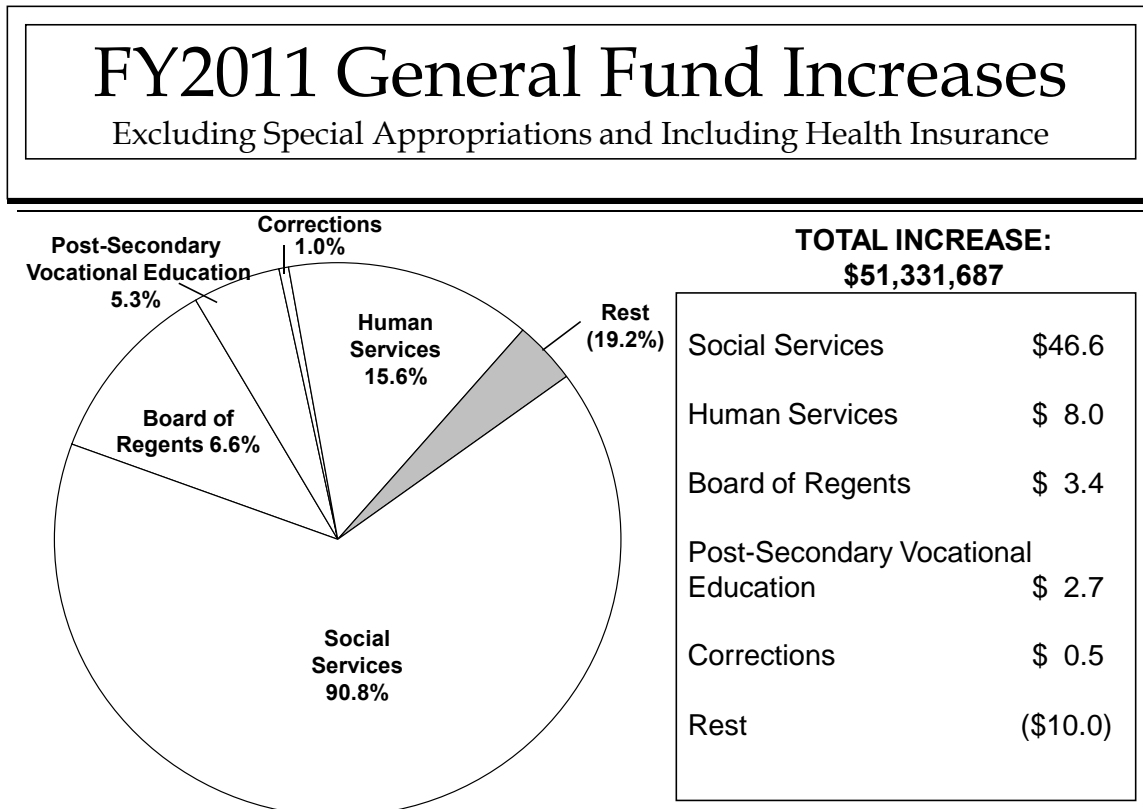
250 Copies printed by the Bureau of Finance and Management on recycled paper for \$2.35 each at Central Duplicating Services.

SUMMARY OVERVIEW

Governor Rounds is recommending a budget (including special appropriations) for FY2011 totaling \$4,067,125,355, and 14,367.9 FTE. This represents an overall increase of \$16,289,418 in total funds and a decrease of 113.7 FTE over FY2010. For FY2011, the Governor is proposing a general fund budget of \$1,182,411,658, which is an increase of \$50,302,077 million over the FY2010 budget. The proposed FY2011 general fund budget is distributed as follows:

- \$387.9 million, or 32.8% for Aid to Schools;
- \$412.7 million, or 35.0% for Health, Human, and Social Services;
- \$174.3 million, or 14.7% for Higher Education;
- \$ 76.4 million, or 6.5% for Corrections;
- \$ 59.4 million, or 5.0% for the Legislature, Unified Judicial System, Public Utilities Commission, and Elected Officials;
- \$ 17.1 million, or 1.4% for Agriculture; Environment and Natural Resources; and Game, Fish, and Parks; and,
- \$ 54.6 million, or 4.6% for the Remainder of State Government.

The graph below depicts the FY2011 recommended general fund increases, excluding special appropriations and including salary policy.



U.S. AND SOUTH DAKOTA ECONOMIC FORECASTS

U.S. ECONOMY

RECENT ECONOMIC ACTIVITY

The current U.S. recession officially started in December 2007 as determined by the National Bureau of Economic Research. Although the end of the recession has not officially been announced, many economists believe it ended in June or July 2009 as positive productivity growth and positive GDP growth were recorded in the third quarter of 2009. Assuming the recession ended in July 2009 would put the length of this recession at 19 months, the longest recession since the Great Depression. In terms of the severity of this recession, total U.S. payroll employment has declined by 5.3%, or 7.3 million jobs since December 2007, the largest decline in employment of any recession since 1948. Thus, by nearly all measures this has been the worst recession since the Great Depression. Some factors causing this recession include consumers and businesses becoming financially over-leveraged and a severe decline in the housing market which resulted in a financial crisis. Toxic sub-prime based assets nearly caused a collapse of the financial system resulting in sharp devaluation of many classes of assets. This loss of wealth caused businesses and consumers to retrench, resulting in job losses across many sectors.

In response to these factors, the Federal Reserve aggressively cut the federal funds target rate over the past year and now maintains a 0.0%-0.25% range; it is expected to stay at this level until late 2010. In addition to reducing the target rate, the Federal Reserve has taken other extraordinary steps to support the liquidity of financial institutions and foster improved conditions in financial markets which include direct support for specific institutions, creation of lending facilities such as the commercial paper funding facility and the term asset-backed securities loan facility, and purchases of longer-term mortgage-backed securities and Treasury securities. This has caused the Federal Reserve's balance sheet to grow from approximately \$900 billion prior to the crisis to approximately \$2.1 trillion a year after the crisis began.

In addition to the aggressive action from the Federal Reserve, the U.S. Government and U.S. Treasury have also been proactive in trying to prevent a collapse in financial markets and the U.S. economy. These actions included passing the \$787 billion American Recovery and Reinvestment Act and providing direct capital and liquidity to individual firms through the Troubled Asset Relief Program.

These actions may have resulted in getting the U.S. economy into the recovery phase. However, some economists are concerned about the strength of the economic recovery, especially when the economic government stimulus programs begin to phase out in late 2010 and into 2011.

The following are recent key national economic statistics:

- Preliminary estimates indicated that real GDP grew 3.5% in the third quarter of 2009, the first positive growth registered since the second quarter of 2008.
- The unemployment rate jumped from 9.8% in September to 10.2% in October. The October rate was 3.6% higher than a year earlier.
- The Institute of Supply Management's (ISM) purchasing managers' index for manufacturing was 55.7 in October, up from 52.6 in September. This was the third consecutive month the index has been above 50 and has increased since December 2008. A reading below 50 usually indicates the manufacturing sector is expanding.
- The ISM nonmanufacturing business activity index declined from 50.9 in September to 50.6 in October. A reading above 50 indicates the non-manufacturing sector is expanding.
- Nonfarm productivity grew 6.9% in the second quarter and accelerated to 9.5% growth in the third quarter of 2009. The 9.5% increase is the largest gain since the third quarter of 2003. The productivity gains were mostly due to a 5.2% decline in labor unit costs.
- U.S. personal income decreased at an annual rate of 2.2% in the first quarter and increased by 0.2% in the second quarter of 2009. Personal income grew 7.4% in 2006, 5.5% in 2007, and 2.9% in 2008.
- Real Personal Spending decreased 0.9% in the second quarter and increased 3.4% in the third quarter of 2009. The increase realized in the third quarter was led by a surge in auto sales due to the U.S. government's "cash-for-clunkers" program.
- Total construction spending was up 0.8% in September compared to August. Private construction grew 0.5%, while public construction grew 1.3%.

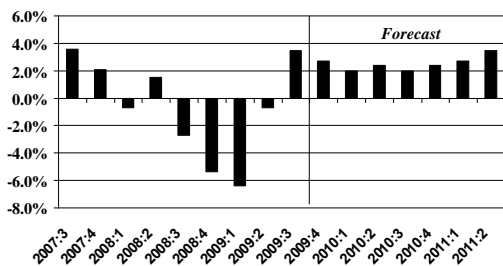
NATIONAL FORECAST HIGHLIGHTS

This section summarizes IHS Global Insight's forecast as of November 2009 for various categories of the U.S. economy. IHS Global Insight is one of the most respected economic forecasting firms in the world.

GDP: The U.S. economy has responded to fiscal and monetary stimulus in the third quarter as growth returned in terms of GDP. IHS Global Insight believes the recession ended in June or July 2009. Economic recovery is expected to be slow as credit conditions are expected to remain tight leading to sluggish consumer spending growth. GDP growth is expected to slow from the third quarter growth rate of 3.5% to just over 2.0% during the first half of 2010. Uncertainty remains on how strong the recovery will be in 2010 as the federal stimulus programs are phased out.

In the first three quarters of this year, GDP declined 6.4% and 0.7% in the first and second quarters, and returned to growth of 3.5% in the third quarter. In the fourth quarter, GDP growth is forecast to grow 2.7%. In the four quarters in 2010, IHS Global Insight is projecting GDP growth of 2.0%, 2.4%, 2.0%, and 2.4%. In 2011, GDP is forecast to increase 2.7% in the first quarter and 3.5% in the second quarter.

IHS Global Insight's Baseline
Forecast of Quarterly GDP



On an annual basis, GDP grew 3.6% in 2004, 3.1% in 2005, 2.7% in 2006, 2.1% in 2007, and 0.4% in 2008. Global Insight's latest forecast projects GDP declining 2.5% in 2009, then growing 2.2% and 2.9% in 2010 and 2011, respectively.

CONSUMERS: Consumer spending is a key component in supporting economic growth, as consumption accounts for over two-thirds of economic activity as measured by GDP. Real consumer spending rose 3.5% in 2004, 3.4% in 2005, 2.9% in 2006, 2.6% in 2007, and -0.2% in 2008. In 2009, real consumption growth has been 0.6%, -0.9%, and 3.4% the first three quarters, and is anticipated to be 1.1% in the fourth quarter of 2009. The growth of 3.4% realized in the third quarter was

led by an increase in spending on new automobiles in response to the government's "cash for clunkers" incentive program. Excluding new motor vehicle sales, real consumer spending increased 1.9% in the third quarter. Based on this, IHS Global Insight believes consumer markets are beginning to recover. Strong spending gains were realized on information and communications products, home furnishings, other durable goods, and transportation services and accommodations, while categories such as clothing, footwear, recreational services, and food services continued to show weakness. Consumer confidence continues to be tempered according to both the Reuters/University of Michigan's index of consumer confidence and the Conference Board's consumer confidence index which both declined in October. On an annual basis, real consumption is projected to decline by 0.6% this year and then grow 1.5% in 2010. As consumer confidence begins to recover and household net worth grows again, consumer spending growth is expected to increase 2.3% in 2011 and 2.6% in 2012.

The personal savings rate (% of disposable income) was 3.4% in the third quarter of 2009. The savings rate is expected to remain higher than what was experienced prior to this recession as consumers are expected to remain cautious. The savings rate is projected to be 3.7% in 2009, 3.1% in 2010, and 2.0% in 2011. In 2006, 2007, and 2008, the savings rate was 2.4%, 1.7%, and 2.6%, respectively.

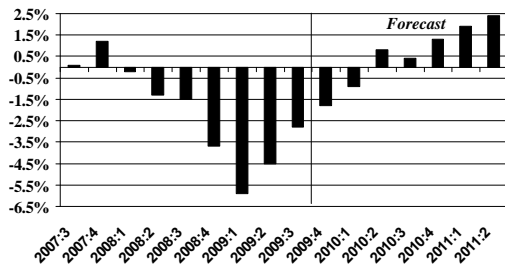
EMPLOYMENT: The latest employment report shows nonfarm employment fell by 190,000 jobs in the U.S. in October. Job losses are gradually growing smaller, compared to an average loss of over 312,000 jobs during the first six months of 2009. The sectors showing losses include manufacturing, construction, and many private service providing industries. The health care and mining sectors continue to add jobs. Job losses are expected to continue for about six more months before growth resumes in the second quarter of 2010. IHS Global Insight is forecasting employment not to return to the original peak (reached in December 2007) until the beginning of 2013. The current forecast shows employment to decline 5.1 million jobs in 2009 and 1.3 million jobs in 2010. In 2011, growth returns, adding 2.3 million jobs over the entire year.

The unemployment rate in October jumped to 10.2%, 0.4% higher than the unemployment rate reported in September and 3.6% higher than just one year ago. The unemployment rate is expected to rise over the coming months, reaching a peak of 10.4% in early 2010. On an annual basis the unemployment rate was 4.6% in 2006, 4.6% in 2007, and 5.8% in 2008. In 2009 and 2010, the unemployment rate is projected to be 9.2% and 10.0%, respectively. In 2011, the unemployment rate is projected to decline to 9.4% and gradually improve. However, the

unemployment rate is not expected to fall below 7% until 2017 according to the most recent forecast.

Nonfarm payroll employment realized negative growth in all three quarters of 2009 at -5.9%, -4.5%, and -2.8% on a seasonally adjusted annual rate. Payroll employment growth is projected to be negative at -1.8% in the fourth quarter of 2009 and -0.9%, +0.8%, +0.4%, and +1.3% in the four quarters of 2010. In the first two quarters of 2011, payroll employment growth is projected to accelerate with growth of 1.9% and 2.4%.

IHS Global Insight's Baseline Forecast of Employment Growth



On an annual basis, payroll employment in the U.S. increased 1.8% in 2006, 1.1% in 2007, and decreased 0.4% in 2008. Payroll employment is forecasted to decline 3.8% in 2009 and 0.9% in 2010, and increase 1.7% in 2011.

HOUSING: The housing market for single-family construction is beginning to recover, although multi-family residential construction activity is still falling. The first-time home buyer's tax credit has improved the existing home sales which posted a 9.4% increase in September. In addition, home prices stabilized as the Case-Shiller Home Price index has shown improvement over the past three months. The multi-family market still remains weak as multi-family starts fell 15.2% in September. IHS Global Insight's believes the tax credit alone will not fix the high surplus of unsold homes on the market. This will be corrected over time through falling prices and growth in demand when job growth and economic growth occurs. The homeowner vacancy rate (the proportion of home-owner inventory that is vacant and for sale) was 2.6% in the third quarter, compared to a normal rate of approximately 1.7%, resulting in an estimated 680,000 excess supply of homes. In the forecast, single family starts and new home sales will improve even when the tax credit expires. Multi-family starts will begin to improve after hitting a low during the second quarter of 2010.

Total housing starts are projected to be 0.57 million units in 2009, and 0.85 million units in 2010, then recovering further to 1.26 million units in 2011 as job growth returns. In 2006, 2007, and 2008, total

housing starts were 1.81, 1.34, and 0.9 million units, respectively. IHS Global Insight is forecasting the median price of existing homes to decline 11.3% in 2009 and then slowly increase by 0.4% in 2010 and 1.2% in 2011.

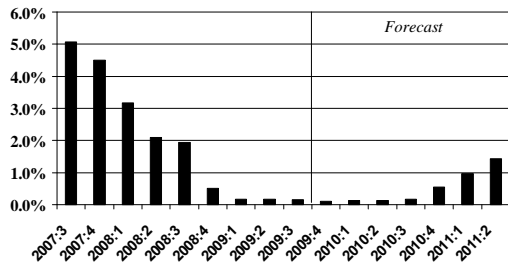
INFLATION: The recent increase in oil prices has raised the short-term inflation outlook. However, weak demand continues to keep core CPI (excludes food and energy prices) subdued. The year over year change in the core CPI was 1.5% compared to a 2.5% increase in 2008. Inflation is an area of concern as the U.S. economy begins to recover from this recession. The first major concern is whether the Federal Reserve will be able to phase out the liquidity programs in a timely manner to avoid high inflation once demand recovers. Another concern is the impact on the U.S. dollar from the massive amount of debt issuance to finance the national budget. If the dollar weakens it will increase oil prices, which could adversely impact consumer spending. Headline CPI inflation year-over-year in September was -1.3% and 2009 will likely be the first year it declines on an annual basis in 54 years.

The CPI increased 3.2% in 2006, 2.9% in 2007, and 3.8% in 2008. The CPI is forecasted to decrease 0.3% in 2009, and increase 1.5% in 2010 and 2.0% in 2011. The producer price index for finished goods rose 2.9%, 3.9%, and 6.4% in 2006, 2007, and 2008, respectively. It is expected to decline 2.6% in 2009, and grow 1.3% in 2010 and 2.1% in 2011.

MONETARY AND FISCAL POLICY: The monetary policy has been very aggressive during the economic downturn, as the Federal Reserve has tried to avoid a collapse of financial system by injecting liquidity and capital into the banking system. The Federal Reserve has cut the federal funds target rate to a range of 0%-0.25%, which is the lowest on record. In addition to cutting the target rate, the Federal Reserve's balance sheet has more than doubled in size over the past year in an effort to get financial markets stabilized. Although these aggressive actions may have prevented a much worse downturn, IHS Global Insights feels the banking system is still fragile as they estimate \$70-\$90 billion in loan losses will need to be absorbed per quarter over the next several quarters. This is expected to continue to limit recapitalization and profits in the banking sector. This, coupled with high risk aversion, has led to banks to retain cash. Excess reserve balances at the Federal Reserve have grown by \$985 billion since September 2008.

The Federal Reserve is expected to leave the federal funds rate at the current range until September 2010 when it will begin to gradually raise rates.

IHS Global Insight's Baseline Forecast of the Federal Funds Rate



The unified federal deficit for fiscal year 2009 was \$1,417 billion which is more than triple the deficit of \$455 billion from federal fiscal year 2008. The large increase in the deficit is a result of both increased expenditures (defense and nondefense) and declining tax receipts. The \$1.4 trillion deficit represents approximately 9.9% of GDP which is the highest shortfall as a percentage of the economy since 1945. IHS Global Insight forecasts a slight decrease in the federal unified deficit to \$1,364 billion in 2010 as revenue growth begins to recover and expenditure growth decelerates. After growing 1.3% in 2005, 2.1% in 2006, 1.3% in 2007, and 7.7% in 2008, real federal government purchases are expected to increase 5.3% in 2009 and 3.2% in 2010, and decrease 3.7% in 2011.

INTERNATIONAL: The world economy began a recovery in the second quarter of 2009 as industrial production and trade started rising from low levels. World GDP is projected to decline by -2.0% in 2009, but will return with growth of 2.8% in 2010. Although much of the expansion has been supported by government stimulus programs, emerging markets in Asia are leading the expansion as regional manufacturing industries are beginning to improve. Although China's economy continued to grow strongly in the third quarter, IHS Global Insight considers the recovery in China fragile as government investment has been the sole means of growth. China's real GDP grew 9.0% in 2008, and is expected to slow to 8.5% in 2009, and then increase to 9.8% in 2010. The forecasts for real GDP growth for 2010 for the United States, Eurozone, Japan, and Canada are 2.2%, 0.9%, 1.4%, and 2.2%, respectively.

The U.S. trade deficit surged in September to \$36.5 billion compared to \$30.8 billion in August; demand for imports is beginning to recover as domestic inventories are being depleted. The trade gap is expected to continually widen over the next year since international recovery will not be strong enough to increase U.S. exports versus imports. Overall, IHS Global Insight forecasts the real deficit to be \$361.3 billion in 2009, then widen to \$416.8 billion in 2010 and \$435.8 billion in 2011.

RISKS TO THE FORECAST

The economy is responding to economic stimulus programs since third quarter GDP grew at an encouraging 3.5% pace. Consumers are starting to spend, the housing market has stabilized, and trade is recovering. There is a 20% probability a V-shaped recovery occurs and economic growth recovers quicker than the baseline forecast. In IHS Global Insight's optimistic scenario, GDP is projected to decline 2.3% in 2009, then return with robust growth of 4.1% in 2010 and 3.7% in 2011. The optimistic scenario assumes the rapid response of the Federal Reserve to the financial crisis combined with the stimulus programs will get the U.S. economy back on track quicker than in the baseline forecast. The optimistic scenario assumes stronger total factor productivity growth enhanced by innovation in the technology sector. Secondly, it assumes credit markets begin functioning normally and strong growth occurs in business fixed investments and residential housing starts in 2010. Overall, the optimistic assumptions anticipate a much better economic outlook than the baseline scenario and assume that the economy will return to strong growth in 2010 and 2011.

Although there are some signs of improvement, concerns still remain including continued job losses and problems in the commercial real estate market. IHS Global Insight's pessimistic scenario has a 20% probability of occurring. The pessimistic scenario forecasts a deeper recession occurring, with the financial crisis becoming worse leading to a longer recession which lasts 11 quarters. Oil prices will be lower in the short run as world demand falls, which causes inflation and core inflation to be lower. The low inflation allows the Federal Reserve to leave rates in the 0.0%-0.25% range until the end of 2010. Housing starts are lower in the pessimistic scenario and the median price of existing homes will fall nearly 10% below the baseline forecast in 2010. The drop in wealth from falling home prices and a decline in job growth causes consumers to retrench sharply. In the pessimistic scenario, real GDP contracts 2.6% in 2009 and rebounds with only 0.3% growth in 2010. After a brief recovery in late 2009, the economy falls back into recession with 3 quarters of negative GDP growth in 2010. In addition, employment drops for 11 straight quarters, with a total job loss of 8.9 million over the course of the downturn. In the pessimistic scenario, peak to trough, real GDP drops 3.8%, much deeper and longer than the 1973-1975 and 1981-1982 recessions.

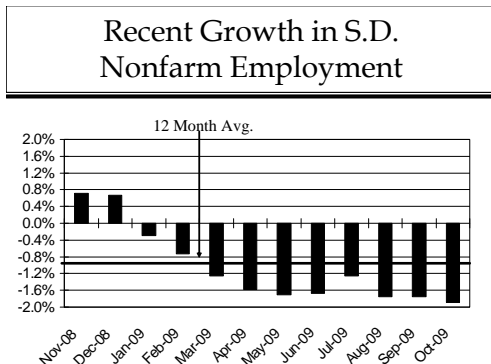
SOUTH DAKOTA ECONOMY

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.

Nonfarm employment growth in South Dakota grew at an average rate of 1.4% from 2002 through 2008, approximately 0.6% higher than the U.S. nonfarm employment growth rate of 0.8% over the same time period. Although the South Dakota economy continues to outperform the national economy and many other states, the current U.S. recession has severely impacted South Dakota. In terms of non-farm employment, South Dakota's economic growth has been negative over the past 12 months as the national recession has intensified.

South Dakota had relatively strong growth in 2006, 2007, and 2008, adding 8,500, 7,900 and 4,900 jobs, respectively, in those years. However, the national recession has led to job losses across most sectors during 2009. In October 2009, nonfarm employment was down 1.89% over October 2008. The current forecast indicates 6,190 jobs will be lost in South Dakota in 2009 compared to 2008 on an annual basis which is a reduction of 1.5%.



The following are some recent key South Dakota economic statistics:

- In the last twelve months (November 2008 through October 2009), nonfarm employment (seasonally adjusted) in South Dakota declined by 1.05% over the same period a year ago. Sectors still experiencing growth in the last twelve months were education and health services (2.69%) and government (1.65%). Sectors which have experienced significant losses over the past 12 months include manufacturing

(-7.99%), construction (-5.05%), and professional and business services (-4.80%).

- The unemployment rate in South Dakota was the third lowest in the U.S. in October at 5.0%. This was 5.2% below the national rate of 10.2% in October, but 1.8% higher than South Dakota's unemployment rate from October of 2008.
- During the twelve-month period from November 2008 through October 2009, the number of titles issued for new noncommercial vehicles was 25,588, which is a decrease of 9,730 vehicles titled over the prior twelve-month period.
- The total number of residential units authorized by building permits issued January through September of 2009 was 2,631, which was down 883 units from the same months in 2008. The value of residential building permits issued year-to-date in 2009 was \$344.3 million. This is a decrease of \$143.8 million from the first 9 months of 2008.

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 \$967.0 million in 2008. This was a 2.8% increase in visitor spending over 2007, and the highest level of spending ever achieved in South Dakota. The Great Lakes region experienced the largest percentage increase in visitor spending in 2008 over 2007 at 28.8%.

Even during a national recession, tourism attendance has been relatively strong at many attractions so far in 2009. Visitation at Mount Rushmore, Badlands National Park, and Custer State Park registered increases of 26.6%, 10.3%, and 7.5%, respectively, through the first 10 months of calendar year 2009 compared to 2008. Excluding the 0.5% increase that took effect on July 1, the tourism promotion tax revenue registered a 1.4% year-to-date increase (January through October) in 2009 compared to 2008 even in the wake of a national recession. Gas prices in 2009 have been lower than 2008 which continues to help the tourism industry compared to a year ago. Based on the strong attendance that has occurred so far during 2009, the outlook for the South Dakota tourism industry is cautiously optimistic as the economy begins to recover from a national recession.

AGRICULTURE: In 2008, the agricultural economy in South Dakota produced cash receipts of \$8.05 billion, which was an increase of \$2.0 billion from 2007 (excluding government payments). Crops generated \$5.37 billion and livestock generated \$2.68 billion in 2008. The abnormally large increase realized in 2008 cash receipts is due to much higher prices received for all types of crops.

Last year was a good year for overall crop production due to favorable growing conditions across much of South Dakota. In 2008, corn for grain production totaled 585.2 million bushels with an average yield of 133 bushels, an increase of 12 bushels from the 2007 yield. Soybean production was 138.0 million bushels, a 1.4% increase over 2007. Wheat yields were up over 7 bushels over 2007, with total wheat production of 172.5 million bushels, a 20.2% increase in production over 2007. Cattle production in 2008 was at similar levels as in 2007. The 2008 calf crop totaled 1.65 million head, equal to 2007's production. The pig crop in 2008 was 3.30 million head, which was up 10.2% from 2007.

Production levels look to be strong for South Dakota producers in 2009 as most areas received timely moisture to help increase crop yields over 2008 levels. According to the National Agricultural Statistics Service as of November 1, corn for grain production is projected to be 690.0 million bushels, which is up 18% from last year's production. Corn yield is forecasted at 150 bushels per acre, which is up 17 bushels from last year's production. If realized, the 2009 corn crop would set records for harvested acreage, production and yield for the state. Soybean production is expected to be up 25% from 2008, at 172.2 million bushels. Soybean yield is projected to be 41 bushels per acre, up 7 bushels from last year. However, farm income is expected to be lower than a year ago as strong production is being offset by lower prices in 2009 for crops. Conditions are improving for cattle producers as lower input costs have improved margins in 2009. As of November 1, South Dakota's 1,000+ capacity feedlots reported 205,000 cattle on feed for the slaughter market, which is up 5,000 from a year earlier and up 10,000 from a month earlier.

The Council's outlook for the agricultural economy is cautiously optimistic looking forward to 2010. Strong production levels during 2009 have been offset by lower prices for crops and cattle. One possible threat to the agriculture economy is the possibility of declining farm real estate values. Although a sharp decline in value is not expected, any decline in farm real estate value would adversely impact the agriculture economy in the short term.

CONSTRUCTION: Although South Dakota has fared better than many other areas of the United States in terms of construction and housing activity,

the state has been impacted by this recession. Over the past 12 months (November 2008 through October 2009), South Dakota's mining, logging, and construction employment sector (of which a majority is construction employment) is averaging a 5.05% decrease over the prior 12 months. In comparison, the U.S. construction employment has averaged a decline of 12.68% over the same time period. The financial crisis put a great deal of stress on capital within the financial sector and, as a result, credit standards have tightened significantly over the past year. The most recent Senior Loan Officer Opinion Survey conducted by the Federal Reserve reported 35% of domestic banks tightening standards on commercial real estate loans with no banks easing standards. Also, approximately 25% of domestic banks reported tightening standards on prime residential real estate loans over the past three months. As a result of tighter credit and a national recession, the residential construction sector has shown weakness. Year-to-date from January to September of 2009, the total number of building permits issued for family units in South Dakota was 2,631, which was 883 fewer than the total number of permits issued during the same time period in 2008. The value of permits issued for family units during the first nine months of 2009 compared to 2008 was down \$143.8 million. Although recent statistics indicate weakness in residential construction, additional highway construction funding provided through the American Recovery and Reinvestment Act of 2009 has increased highway construction activity over the past several months and will continue into next year.

Although the residential construction market has been impacted by tighter credit availability, mortgage rates continue to be very attractive which should increase housing activity as the economy begins to recover. This, combined with increased highway construction funding, will help stabilize construction activity over the next year. The Council believes construction activity should improve as the economy begins to recover in 2010.

SOUTH DAKOTA FORECAST HIGHLIGHTS

IHS 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.

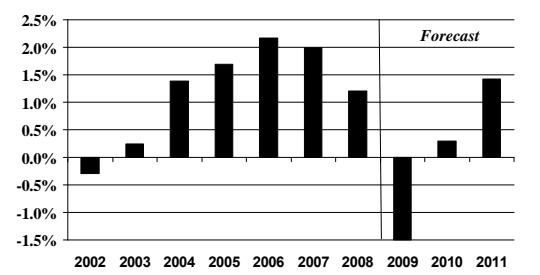
The economic expansion that spanned approximately 7 years in South Dakota came to an abrupt end in late 2008 as the national recession and financial crisis pulled South Dakota's economy into a recession. Starting towards the end of 2008 and throughout the first 10 months of 2009, economic activity declined by many measures. Job losses and

continued economic uncertainty have had a negative impact on consumer spending and confidence, which are key components in economic activity. Overall, the South Dakota economy is expected to recover slowly into 2010 and 2011 as consumers and businesses recover from one of the longest and deepest recessions since the Great Depression.

EMPLOYMENT: Traditionally, South Dakota has several advantages over other states which accounts for its ability to grow employment. Some of these advantages include a pro-business environment, a central geographic location, a low cost of doing business, and a high quality of life. These competitive advantages are expected to help boost employment growth during the economic recovery phase.

Between 1990 and 2000, nonfarm employment in South Dakota grew at an average annual rate of 2.7%, which was significantly higher than the national average annual growth rate of 1.9% over the 10 year period. The majority of additional jobs in South Dakota during this period occurred in the manufacturing, construction, and service sectors. During and after the 2001 national recession, South Dakota nonfarm employment growth slowed to 0.2% in 2001, declined 0.3% in 2002, and rose 0.2% in 2003. Over the next four years, employment growth accelerated to 1.4% in 2004, 1.7% in 2005, 2.2% in 2006, and 2.0% in 2007. In 2008, when the U.S. economy was officially in a recession, South Dakota still obtained a 1.2% growth in employment. However, in late 2008 and into 2009 employment losses were realized as the national recession intensified. Job losses have been spread across most sectors, but the most severe declines have been in manufacturing, construction, and professional and business service sectors. For 2009, a 1.5% decline in nonfarm employment is projected. In 2010 and 2011 nonfarm employment growth is projected to slowly recover, growing 0.3% and 1.4%, respectively, as economic activity begins to improve. In 2009, the only two sectors projected to post gains are health and education services and government. The heaviest employment losses projected in 2009 are in manufacturing; logging, mining, and construction; and professional and business services. In 2010, annual employment increases are projected in health and education services, professional and business services, leisure and hospitality, and government. These increases will be partially offset by small declines in trade; logging, mining, and construction; manufacturing; and financial services. In 2011, the recovery is projected to improve with growth expected to return in all sectors with the exception of government, which is expected to decline as stimulus funding ends.

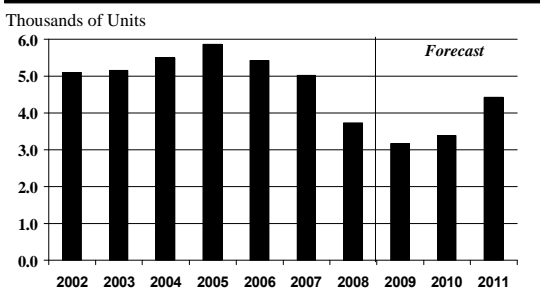
Growth in Nonfarm Employment



HOUSING: Favorable interest rates and changing demographics in the state contributed to a strong housing sector from 1998 through 2005 since the number of housing starts in South Dakota increased each year. Since 2005, the number of housing starts in South Dakota has declined each year. Housing starts remain weak so far in 2009 as evidenced from residential housing permits.

The housing market is expected to slowly recover in 2010 and 2011 as demand becomes more balanced with supply. Mortgage rates are projected to remain attractive as the economy improves. When job growth begins to rise again in 2010, housing starts are expected to show marginal gains. Housing starts were 3,740 in 2008 and are projected to be 3,170 in 2009, 3,380 in 2010, and 4,430 in 2011.

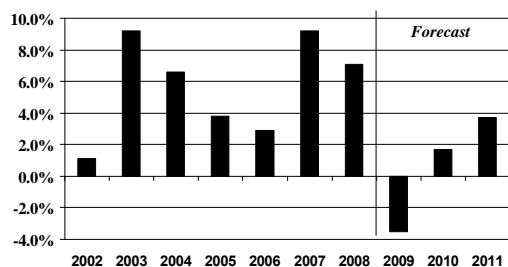
Housing Starts



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 over the same time period (5.9%). However, due to the 2001 recession and declines in nonfarm employment, income growth slowed both in South Dakota and in the U.S. Total personal income in South Dakota grew 5.9% in 2001 and 1.1% in 2002. The 1.1% 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 and 2004, total personal income rebounded significantly, growing 9.2% and 6.6%, respectively, due to rising nonfarm employment and higher crop

and livestock prices. Total personal income softened to 3.8% and 2.9% growth in 2005 and 2006, respectively. The low growth in 2006 was largely due to a decrease in farm income from the 2006 drought. In 2007 and 2008, due to increases in employment and a booming agriculture sector, personal income grew 9.2% and 7.1%, respectively. Personal income growth is forecasted to decline by 3.4% in 2009, due to employment losses and lower prices in the agriculture sector. If realized, this would be the first annual decline in personal income in South Dakota since 1976. In 2010 and 2011, the forecast is for below average growth of 1.7% and 3.7%, reflecting a sluggish economic recovery.

Growth in Total Personal Income



Nonfarm personal income growth averaged 5.4% from 2000 through 2008. Growth rates for 2009, 2010, and 2011 are projected to be -0.5%, 2.4%, and 3.9%, respectively.

RISKS TO THE FORECAST

The Council of Economic Advisors sees some key risks to this forecast. The biggest risk to South Dakota's economy would be a national economy sliding back into a recession during 2010. The national economy remains fragile and the possibility exists of a "double-dip" recession occurring, meaning the U.S. economy could slip back into an economic recession during 2010 after briefly recovering during the second half of 2009. Another key risk to our state's economy is the potential impact of national credit card legislation taking effect in early 2010. This could have a negative impact on financial services employment in South Dakota over the forecast period. Also, a risk in the agriculture economy is the possibility of declining farm real estate values which could negatively impact the agriculture sector.

If any of the above perceived risks were to occur, employment levels could see additional declines in the short term. If employment were to decline, it would negatively impact income growth and consumer spending in the economy.

REVENUE ESTIMATES

SUMMARY

General fund receipts for FY2010 are forecasted at \$1,132.1 million. Ongoing revenues comprise \$1,110.3 million of the total, and one-time revenues compose \$21.8 million of the total. The ongoing estimate for FY2010 is a decrease of \$30.3 million from actual FY2009 ongoing receipts. Categories forecasted to show major increases in FY2010 include net transfers in (+\$11.2M), contractor's excise tax (+\$2.0M), and investment income (+\$1.3M). Major decreases between actual FY2009 and estimated FY2010 ongoing revenue are forecasted from trust funds (-\$20.9M), sales and use tax (-\$11.0M), property tax reduction fund (-\$5.4M), bank franchise tax (-\$5.0M), and charges for goods and services (-\$1.5M).

The revised ongoing estimate for FY2010 is \$19.8 million less than the ongoing estimate adopted during the 2009 legislative session. Major positive adjustments for the revised FY2010 estimate are for investment income and interest (+\$5.7M), severance taxes (+\$1.4M), and license, permits, and fees (+\$1.0M). The most significant downward revisions are from the sales and use tax (-\$11.7M), the property tax reduction fund (-\$7.0M), the contractor's excise tax (-\$3.8M), the insurance company tax (-\$3.3M), the bank franchise tax (-\$1.7M), and lottery (-\$4.1M).

General fund receipts for FY2011 are projected to be \$1,150.6 million, excluding projected reserve transfers. Ongoing revenues are forecasted to be \$1,145.9 million, and one-time receipts (excluding reserves) are expected to be \$4.7 million. The forecast for ongoing receipts in FY2011 is an increase of \$35.7 million from the revised FY2010 projection of ongoing receipts. The most significant sources of growth between the revised FY2010 estimate and the FY2011 forecast are the sales and use tax (+\$20.6M), the transfer from the trust funds (+\$17.7M), and the contractor's excise tax (+\$1.4M). The sources forecasted to have the most significant decrease in collections between FY2010 and FY2011 are the investment income and interest earnings (-\$4.2M) and the property tax reduction fund receipts (-\$1.5M).

CURRENT REVENUE FORECAST (Dollars in Millions)

	<u>FY2010</u>	<u>FY2011</u>
Sales and Use Tax	647.7	668.4
Contractor's Excise Tax	73.4	74.7
Bank Franchise Tax	28.4	28.9
Insurance Company Tax	62.6	63.5
Property Tax Reduction Fund	120.0	118.5
Other Ongoing Revenues	178.2	191.9
One-Time Receipts	21.8	4.7
Property Tax Reserves	0.0	31.8
Total Revenue	<u>1,132.1</u>	<u>1,182.4</u>

SALES AND USE TAX

The sales and use tax is the single largest revenue source for the state's general fund and accounts for approximately 58% of ongoing general fund revenues. Between FY1980 and FY2009, the sales and use tax grew from \$140.6 million to \$658.7 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 a national recession and drought conditions which impacted the agriculture sector. 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. In FY2007, growth was below average (4.6%) due to drought conditions throughout much of the state. In FY2008, growth in the sales and use tax was above average (6.9%) due to increased employment and a strong farm economy. In FY2009, growth was below average (2.2%) due to a severe national recession causing declines in employment.

Net collections from the sales and use tax in FY2009 were \$658.7 million, which was an increase of \$14.1 million, or 2.2%, over FY2008. Through the first four months of FY2010, net sales and use tax collections to the general fund were \$228.3 million, which is a decrease of 5.2% from the first four months of FY2009 as the national recession continues to have a negative impact on collections. For the revised FY2010 estimate, the sales and use tax is forecasted at \$647.7 million, which is a decrease of \$11.0 million, or 1.7%, compared to FY2009. For FY2011, the sales and use tax is forecasted at \$668.4 million, which is an increase of \$20.6 million, or 3.2%, over the revised FY2010 estimate.

CONTRACTOR'S EXCISE TAX

Collections from the contractor's excise tax account for approximately 6.5% of ongoing general fund revenues. Construction activity has a direct impact on the growth in the contractor's excise tax collections. This expansion in activity contributed to

the increase in contractor's excise tax collections from \$16.2 million in FY1988 to \$71.4 million in FY2009. In FY2009, net collections to the general fund from the contractor's excise tax declined \$7.6 million, or 9.6%, from FY2008 after accounting for large construction project refunds. The decline in FY2009 is attributed to a decline in both residential and commercial construction activity. Through the first four months of FY2010, net contractor's excise tax collections were \$30.9 million, an increase of 1.4% compared to the first four months of FY2009 after adjusting for large project refunds. Contractor's excise tax collections for FY2010 are forecasted to be \$73.4 million, which is an increase of \$2.0 million, or 2.8%, over FY2009 collections. FY2011 collections are forecasted at \$74.7 million, which is an increase of \$1.4 million, or 1.9% over the revised FY2010 estimate.

BANK FRANCHISE TAX

Collections from the bank franchise tax account for approximately 2.5% of ongoing general fund revenues. The bank franchise tax is one of the 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 80% 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 grew. At the beginning of this decade, collections decreased due to the 2001 national recession. However, from FY2003 to FY2007 collections experienced solid growth. In FY2008 and FY2009, collections decreased as a severe national recession adversely impacted bank franchise tax collections.

Collections from the bank franchise tax were \$33.4 million in FY2009, which was a decrease of \$12.0 million, or 26.5%, from FY2008. Collections declined in FY2009 due to a national recession putting pressure on bank income. Through the first four months of FY2010, collections were \$13.4 million, which was a decrease of 20.7% compared to the same time period last year. FY2010 collections are projected to be \$28.4 million, which is a decrease of \$5.0 million, or 14.9%, over FY2009 collections. Collections are expected to

be \$28.9 million in FY2011, which is an increase of \$0.5 million, or 1.5%, over the revised FY2010 estimate.

INSURANCE COMPANY TAX

Collections from the insurance company tax account for approximately 5.5% of ongoing general fund revenues. Between FY1985 and FY2009, insurance company tax collections grew from \$17.2 million to \$61.8 million, which was an average annual increase of 5.5%. In FY2009, insurance company tax collections were \$61.8 million, which was an increase of \$1.4 million, or 2.4%, over FY2008 collections. During the first four months of FY2010, insurance company tax collections were \$25.0 million, which is a decrease of 8.1% over the same period in FY2009. For FY2010, insurance company tax collections are forecasted at \$62.6 million, which is an increase of \$0.8 million, or 1.2%, over FY2009 collections. For FY2011, insurance company tax collections are forecasted to be \$63.5 million, which is an increase of \$0.9 million, or 1.5%, over the revised FY2010 estimate.

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 10.5% 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 money in the PTRF be transferred to the state general fund for property tax relief. Additional approved legislation stated 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, imposes 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 increased 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 increased the wholesale tax on other tobacco products from 10% to 35% beginning January 1, 2007. The PTRF 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 totaled \$125.5 million in FY2009. In FY2010 and FY2011, ongoing receipts of \$120.0 million and \$118.5 million, respectively, are expected to be transferred from the PTRF to the general fund. The decline in receipts is mainly due to lower estimated video lottery receipts as the economic recession continues to have a negative impact on collections. Included in the FY2010 and FY2011 PTRF estimates are \$7.7 million and \$8.4 million from the telecommunications tax as well as \$7.8 million and \$7.9 million from the 33% share of the excess tobacco tax. Video lottery receipts to the PTRF in FY2010 and FY2011 are projected to be \$104.5 million and \$102.2 million, respectively.

OTHER ONGOING 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 and the education enhancement 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 FY2010, collections from other ongoing revenues are projected to be \$178.2 million, approximately 16.0% of total ongoing general fund revenues.

In FY2011, collections from other ongoing revenues are expected to increase as compared to FY2010. In FY2011, transfers are anticipated to be available from both the Education Enhancement Trust Fund and the Health Care Trust Fund as both funds are currently above their principle value. Also included in the recommended budget is the elimination of the 2% cigarette stamp discount provided to cigarette distributors which is expected to generate an additional \$1.0 million between the PTRF, the Health Care Tobacco Tax Fund, and the Education Enhancement Tobacco Tax Fund. For FY2011, collections from other ongoing revenue are projected at \$191.9 million, approximately 16.8% of total ongoing general fund revenues.

ONE-TIME RECEIPTS

In FY2010, collections from one-time receipts are projected to be \$21.8 million which includes \$9.6 million from the Tax Refund Construction Liability Fund, \$3.5 million from the Tax Relief Fund, \$2.4 million from the Custer State Park Improvement Fund, \$2.2 million for refund of prior year's expense, \$2.0 million from the Budgetary Accounting Fund, and \$2.0 million from the Aeronautics Fund. In FY2011, collections from one-time receipts are projected to be \$4.7 million which includes \$4.4 million from the Custer State Park Improvement Fund and \$0.3 million from the Other Disease Fund.

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 PTRF to the general fund to provide property tax relief through state aid to education. For FY2010, no transfer is anticipated because it is not needed to balance the budget. In FY2011, a transfer of \$31.8 million from the PTRF to the general fund is projected to be needed to balance the budget.

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 a 2/3 vote by the South Dakota Legislature. The ending cash balance for FY2011 does not assume that surplus funds will be available. If there is a surplus in FY2010, the ending balance in the Budget Reserve Fund will be adjusted accordingly.

BUDGET RESERVE FUND CONDITION STATEMENT

	ACTUAL FY2008	ACTUAL FY2009	ESTIMATED FY2010	ESTIMATED FY2011
Beginning Balance	\$ 43,000,275	\$ 43,247,488	\$ 43,398,446	\$ 43,398,446
Calculations for Maximum Balance in the Fund:				
General Bill Appropriation for Prior Year	\$ 1,059,223,960	\$ 1,146,522,479	\$ 1,137,710,565	\$ 1,122,304,350
Budget Reserve Fund Percentage	10%	10%	10%	10%
Statutory Maximum Balance Allowed	<u>\$ 105,922,396</u>	<u>\$ 114,652,248</u>	<u>\$ 113,771,057</u>	<u>\$ 112,230,435</u>
Maximum Transferable Amount	<u>\$ 62,922,121</u>	<u>\$ 71,404,760</u>	<u>\$ 70,372,611</u>	<u>\$ 68,831,989</u>
Amount of General Funds Available				
End of Prior Year	\$ 247,214	\$ 150,957	\$ 0	\$ 0
Transferred in from General Fund	<u>\$ 247,214</u>	<u>\$ 150,957</u>	<u>\$ 0</u>	<u>\$ 0</u>
Ending Balance	<u>\$ 43,247,488</u>	<u>\$ 43,398,446</u>	<u>\$ 43,398,446</u>	<u>\$ 43,398,446</u>

NOTE: The totals may not add due to rounding.

**COMPARISON BETWEEN LEGISLATIVE ADOPTED AND
REVISED ESTIMATE FOR FY2010**

	LEGISLATIVE ADOPTED FY2010	REVISED FY2010	DOLLAR CHANGE	PERCENT CHANGE
CONTINUING RECEIPTS				
Sales and Use Tax	\$ 659,392,169	\$ 647,738,298	\$ (11,653,871)	(1.77)
Contractor's Excise Tax	77,197,527	73,375,756	(3,821,771)	(4.95)
Alcohol Beverage Tax	10,150,778	9,819,764	(331,014)	(3.26)
Alcohol Beverage 2% Wholesale Tax	1,387,858	1,383,587	(4,271)	(0.31)
Cigarette Tax	30,000,000	30,000,000	0	0.00
Bank Franchise Tax	30,130,638	28,439,272	(1,691,366)	(5.61)
Insurance Company Tax	65,874,470	62,580,140	(3,294,330)	(5.00)
Licenses, Permits, and Fees	41,468,347	42,494,231	1,025,884	2.47
Investment Income and Interest	11,843,613	17,583,154	5,739,541	48.46
Charges for Goods and Services	14,897,301	15,102,207	204,906	1.38
Net Transfers In	29,620,713	30,493,438	872,725	2.95
Trust Funds	12,000,000	12,000,000	0	0.00
Severance Taxes	3,576,375	4,932,180	1,355,805	37.91
Unexpended Carryovers	0	0	0	0.00
Lottery	7,055,230	5,795,746	(1,259,484)	(17.85)
Property Tax Reduction Fund	127,013,026	120,040,104	(6,972,922)	(5.49)
Sale-Leaseback	8,457,825	8,457,825	0	0.00
CRP Program	35,609	35,609	0	0.00
SUBTOTAL (CONTINUING RECEIPTS)	\$ 1,130,101,479	\$ 1,110,271,311	\$ (19,830,168)	(1.75)
ONE-TIME RECEIPTS				
Transfer from Custer State Park Impr. Fund	\$ 2,374,160	\$ 2,433,637	\$ 59,477	2.51
Transfer from Tax Relief Fund	1,500,000	3,533,582	2,033,582	135.57
Transfer from Budgetary Accounting Fund	0	2,020,021	2,020,021	100.00
Transfer from Aeronautics Fund	0	2,033,581	2,033,581	100.00
Refund of Prior Year's Expense	0	2,200,307	2,200,307	100.00
Transfer from Tax Refund Const. Liability Fund	0	9,617,142	9,617,142	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 3,874,160	\$ 21,838,270	\$ 17,964,110	463.69
GRAND TOTAL	\$ 1,133,975,639	\$ 1,132,109,581	\$ (1,866,058)	(0.16)

NOTE: The totals may not add due to rounding.

**COMPARISON BETWEEN FY2009 AND FY2010
REVENUE COLLECTIONS**

	<u>ACTUAL FY2009</u>	<u>REVISED FY2010</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
CONTINUING RECEIPTS				
Sales and Use Tax	\$ 658,724,471	\$ 647,738,298	\$ (10,986,173)	(1.67)
Contractor's Excise Tax	71,384,919	73,375,756	1,990,837	2.79
Alcohol Beverage Tax	9,537,513	9,819,764	282,251	2.96
Alcohol Beverage 2% Wholesale Tax	1,284,896	1,383,587	98,691	7.68
Cigarette Tax	30,000,000	30,000,000	0	0.00
Bank Franchise Tax	33,409,213	28,439,272	(4,969,941)	(14.88)
Insurance Company Tax	61,823,150	62,580,140	756,990	1.22
Licenses, Permits, and Fees	42,248,341	42,494,231	245,890	0.58
Investment Income and Interest	16,315,214	17,583,154	1,267,940	7.77
Charges for Goods and Services	16,570,377	15,102,207	(1,468,170)	(8.86)
Net Transfers In	19,327,158	30,493,438	11,166,280	57.78
Trust Funds	32,872,694	12,000,000	(20,872,694)	(63.50)
Severance Taxes	4,868,142	4,932,180	64,038	1.32
Unexpended Carryovers	1,695,722	0	(1,695,722)	(100.00)
Lottery	5,588,568	5,795,746	207,178	3.71
Property Tax Reduction Fund	125,463,350	120,040,104	(5,423,246)	(4.32)
Sale-Leaseback	9,141,450	8,457,825	(683,625)	(7.48)
CRP Program	341,988	35,609	(306,379)	(89.59)
SUBTOTAL (CONTINUING RECEIPTS)	<u>\$ 1,140,597,167</u>	<u>\$ 1,110,271,311</u>	<u>\$ (30,325,856)</u>	<u>(2.66)</u>
ONE-TIME RECEIPTS				
Transfer from Telecommunications Relay Service	\$ 1,000,000	\$ 0	\$ (1,000,000)	(100.00)
Transfer from Custer State Park Impr. Fund	6,325,898	2,433,637	(3,892,261)	(61.53)
Transfer from Private Activity Bond Fee Fund	1,500,000	0	(1,500,000)	(100.00)
Transfer from Pheasantland Industries Fund	1,000,000	0	(1,000,000)	(100.00)
Transfer from Tobacco Prev. & Red. Trust Fund	2,500,000	0	(2,500,000)	(100.00)
Refinancing Gains	475,000	0	(475,000)	(100.00)
Transfer from Tax Relief Fund	0	3,533,582	3,533,582	100.00
Transfer from Budgetary Accounting Fund	0	2,020,021	2,020,021	100.00
Transfer from Aeronautics Fund	0	2,033,581	2,033,581	100.00
Refund of Prior Year's Expense	0	2,200,307	2,200,307	100.00
Transfer from Tax Refund Const. Liability Fund	0	9,617,142	9,617,142	100.00
Obligated Cash Carried Forward	150,957	0	(150,957)	(100.00)
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 12,951,855</u>	<u>\$ 21,838,270</u>	<u>\$ 8,886,415</u>	<u>68.61</u>
 GRAND TOTAL	 <u><u>\$ 1,153,549,022</u></u>	 <u><u>\$ 1,132,109,581</u></u>	 <u><u>\$ (21,439,441)</u></u>	 <u><u>(1.86)</u></u>

NOTE: The totals may not add due to rounding.

**COMPARISON BETWEEN FY2010 AND FY2011
REVENUE COLLECTIONS**

	REVISED FY2010	PROJECTED FY2011	DOLLAR CHANGE	PERCENT CHANGE
CONTINUING RECEIPTS				
Sales and Use Tax	\$ 647,738,298	\$ 668,353,398	\$ 20,615,100	3.18
Contractor's Excise Tax	73,375,756	74,739,517	1,363,761	1.86
Alcohol Beverage Tax	9,819,764	10,090,993	271,229	2.76
Alcohol Beverage 2% Wholesale Tax	1,383,587	1,473,896	90,309	6.53
Cigarette Tax	30,000,000	30,000,000	0	0.00
Bank Franchise Tax	28,439,272	28,866,836	427,564	1.50
Insurance Company Tax	62,580,140	63,508,640	928,500	1.48
Licenses, Permits, and Fees	42,494,231	42,650,322	156,091	0.37
Investment Income and Interest	17,583,154	13,359,977	(4,223,177)	(24.02)
Charges for Goods and Services	15,102,207	15,283,638	181,431	1.20
Net Transfers In	30,493,438	30,218,797	(274,641)	(0.90)
Trust Funds	12,000,000	29,725,897	17,725,897	147.72
Severance Taxes	4,932,180	5,322,728	390,548	7.92
Unexpended Carryovers	0	0	0	0.00
Lottery	5,795,746	6,013,284	217,538	3.75
Property Tax Reduction Fund	120,040,104	118,547,934	(1,492,170)	(1.24)
Sale-Leaseback	8,457,825	7,782,263	(675,562)	(7.99)
CRP Program	35,609	0	(35,609)	(100.00)
SUBTOTAL (CONTINUING RECEIPTS)	\$ 1,110,271,311	\$ 1,145,938,120	\$ 35,666,809	3.21
ONE-TIME RECEIPTS				
Transfer from Custer State Park Impr. Fund	\$ 2,433,637	\$ 4,403,286	\$ 1,969,649	80.93
Transfer from Tax Relief Fund	3,533,582	0	(3,533,582)	(100.00)
Transfer from Budgetary Accounting Fund	2,020,021	0	(2,020,021)	(100.00)
Transfer from Aeronautics Fund	2,033,581	0	(2,033,581)	(100.00)
Refund of Prior Year's Expense	2,200,307	0	(2,200,307)	(100.00)
Transfer from Tax Refund Const. Liability Fund	9,617,142	0	(9,617,142)	(100.00)
Transfer from Other Disease Fund	0	292,861	292,861	100.00
Transfer from Property Tax Reserves	0	31,777,391	31,777,391	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 21,838,270	\$ 36,473,538	\$ 14,635,268	67.02
GRAND TOTAL	\$ 1,132,109,581	\$ 1,182,411,658	\$ 50,302,077	4.44

NOTE: The totals may not add due to rounding.

GENERAL FUND RECEIPTS

	ACTUAL FY2008	ACTUAL FY2009	REVISED FY2010	PROJECTED FY2011
CONTINUING RECEIPTS				
Sales and Use Tax	\$ 644,596,998	\$ 658,724,471	\$ 647,738,298	\$ 668,353,398
Contractor's Excise Tax	78,978,429	71,384,919	73,375,756	74,739,517
Alcohol Beverage Tax	9,288,562	9,537,513	9,819,764	10,090,993
Alcohol Beverage 2% Wholesale Tax	1,212,155	1,284,896	1,383,587	1,473,896
Cigarette Tax	30,000,000	30,000,000	30,000,000	30,000,000
Bank Franchise Tax	45,433,113	33,409,213	28,439,272	28,866,836
Insurance Company Tax	60,393,960	61,823,150	62,580,140	63,508,640
Inheritance and Estate Tax	104,711	0	0	0
Licenses, Permits, and Fees	40,791,607	42,248,341	42,494,231	42,650,322
Investment Income and Interest	16,299,255	16,315,214	17,583,154	13,359,977
Charges for Goods and Services	16,726,952	16,570,377	15,102,207	15,283,638
Net Transfers In	20,119,164	19,327,158	30,493,438	30,218,797
Trust Funds	31,607,343	32,872,694	12,000,000	29,725,897
Severance Taxes	4,074,627	4,868,142	4,932,180	5,322,728
Unexpended Carryovers	352,827	1,695,722	0	0
Lottery	6,533,644	5,588,568	5,795,746	6,013,284
Property Tax Reduction Fund	126,605,981	125,463,350	120,040,104	118,547,934
Sale-Leaseback	9,827,175	9,141,450	8,457,825	7,782,263
CRP Program	1,154,547	341,988	35,609	0
SUBTOTAL (CONTINUING RECEIPTS)	\$ 1,144,101,050	\$ 1,140,597,167	\$ 1,110,271,311	\$ 1,145,938,120
ONE-TIME RECEIPTS				
Transfer from Telecommunications Relay Service	\$ 1,000,000	\$ 1,000,000	\$ 0	\$ 0
Transfer from Custer State Park Impr. Fund	0	6,325,898	2,433,637	4,403,286
Transfer from Private Activity Bond Fee Fund	0	1,500,000	0	0
Transfer from Prison Industries Revolving Fund	0	1,000,000	0	0
Transfer from Tobacco Prev. and Red. Trust Fund	0	2,500,000	0	0
Transfer from Budgetary Accounting Fund	4,008,132	0	2,020,021	0
Transfer from Petroleum Release Fund	1,000,000	0	0	0
Transfer from Aeronautics Fund	0	0	2,033,581	0
Refinancing Gains	0	475,000	0	0
Transfer from Video Lottery Fund	500,000	0	0	0
Transfer from Tax Relief Fund	0	0	3,533,582	0
Refund of Prior Year's Expense	0	0	2,200,307	0
Transfer from Tax Refund Const. Liability Fund	0	0	9,617,142	0
Transfer from Other Disease Fund	0	0	0	292,861
Transfer from Property Tax Reserves	25,650,000	0	0	31,777,391
Obligated Cash Carried Forward	247,214	150,957	0	0
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 32,405,346	\$ 12,951,855	\$ 21,838,270	\$ 36,473,538
GRAND TOTAL	\$ 1,176,506,396	\$ 1,153,549,022	\$ 1,132,109,581	\$ 1,182,411,658

NOTE: The totals may not add due to rounding.

RECOMMENDED EXPENDITURES

OVERVIEW

Governor Rounds' FY2011 budget reflects a continuing commitment to three key segments: providing a quality education for our children; helping those who cannot take care of themselves including the very young and the very old; and protecting society from those who would do us harm.

In an effort to uphold quality education in South Dakota, the Governor recommends that we maintain the current per student allocation for state aid to general education at \$4,804.60, and also maintain total available funding state aid to special education in FY2011. Due to record enrollment growth at the technical institutes, an increase of \$2,696,804 in general funds is recommended. Also included in the ongoing general fund budget for the Department of Education is \$1,836,328 for sparse school districts and \$785,446 for consolidation incentives. In addition, the Governor is recommending the Birth to Three program continue its current level of funding by utilizing additional American Recovery and Reinvestment (ARRA) dollars.

The ongoing budget for the Board of Regents contains an increases of \$3.4 million in general funds, \$34.8 million in federal fund expenditure authority, and \$30.0 million in other fund expenditure authority, for a total increase of \$68.1 million, with a reduction of 25.2 FTE. Included in the general fund increases are \$1,995,510 to fund the South Dakota Opportunity Scholarship and \$970,000 to establish a Physics PhD program.

The Departments of Social Services, Human Services, and Health are responsible for the majority of the programs which help those who cannot take care of themselves, including the very young and the very old. On the general fund side, the Departments of Health, Human, and Social Services account for \$54.7 million of the \$51.3 million of ongoing increases, which is 107% of the total ongoing general fund increase. Social Services will see ongoing increases of \$46.6 million in general funds and \$40.8 million in federal fund expenditure authority, along with decreases of \$1.9 million in other fund expenditure authority and 3.0 FTE. Four major components influencing this budget are: 1) consumer expansion, which amounts to \$22.0 million in general funds and \$41.5 million in federal fund expenditure authority and includes

increased utilization of services and additional clients; 2) the loss of funds previously received from the ARRA which results in a \$15.5 million general funds increase; 3) a \$5.8 million increase in general funds due to the FMAP rate change; and 4) mandatory inflation, which amounts to \$1.9 million in general funds and \$2.6 million in federal fund expenditure authority. This portion of the budget comprises \$98.8 million of the \$128.9 million in ongoing total fund increases for FY2011.

The Human Services ongoing budget is increasing by \$8.0 million in general funds and \$7,438 in other fund expenditure authority along with a decrease of \$0.4 million in federal fund expenditure authority. A reduction of 15.0 FTE is also recommended. Increases of \$1.8 million in general funds and \$2.5 million in federal fund expenditure authority are for additional clients served. An increase of \$4.0 million in general funds and a corresponding decrease in federal fund expenditure authority is due to the loss of funds previously received from the ARRA for Medicaid.

The ongoing budget for the Department of Health includes increases of \$19,409 in general funds, \$5.3 million in federal fund expenditure authority, and \$0.3 million in other fund expenditure authority, along with a reduction of 4.0 FTE. An increase of \$2.8 million in federal fund expenditure authority is to administer the H1N1 vaccine in South Dakota.

To address the safety of our State's citizens, a progressive criminal justice system is in place. The ongoing budget for Corrections will increase by \$0.5 million in general funds and \$0.6 million in federal fund expenditure authority, and decrease by \$0.4 million in other fund expenditure authority and 4.0 FTE. Changes in this budget include funding for juvenile group residential placement services along with reductions to utilities and food services.

The Department of Public Safety and the Office of the Attorney General are also engaged in providing for the safety of the public. The Department of Public Safety's ongoing budget includes increases of \$14,458 in general funds, \$11,210 in federal fund expenditure authority, and \$387,784 in other fund expenditure authority along with a decrease of 6.0 FTE. The Office of the Attorney General's ongoing general fund budget is decreasing by \$158,833 million. A reduction of \$298,365 million is due to budgeted FTE being paid with consumer settlement funds rather than general funds.

The safety of South Dakota's citizens is also addressed within the ongoing budget for the Unified Judicial System. This budget is increasing by \$2.5 million which includes an increase of \$0.4 million in general funds, \$770 in federal fund expenditure authority, and \$2.2 million in other fund expenditure authority. This budget recommendation includes a general fund increase for capital assets and an other fund expenditure authority increase to fund a Case Management System from the Court Automation Fund.

The Governor is not recommending an increase in salary policy or an adjustment towards job worth for state employees. A 6.3% increase for employer paid health insurance is recommended to cover the projected expenses for FY2011.

<u>Description</u>	<u>Inc/ (Dec)</u>	<u>FTE</u>
Executive Branch	\$ 54,038,526	(75.8)
Board of Regents	3,370,855	(25.2)
State Aid	(9,081,473)	
UJS/Legislature/Elected	306,975	2.3
Technical Institutes	2,696,804	
Special/Contin. Approp.	953,467	
	<u>\$ 52,285,154</u>	<u>(98.7)</u>

The Executive Branch, which is under direct control of the Governor, has the following funding changes for FY2011:

General Funds	\$54,038,526
Federal Funds	\$22,228,921
Other Funds	(\$12,891,957)
FTE	(75.8)

SUMMARY OF RECOMMENDED BUDGET ADJUSTMENTS

STATE AID, HIGHER EDUCATION, EDUCATION

The budgets included in this category are State Aid to Education, Higher Education, and the Department of Education. General funds in this budget account for a \$3.4 million decrease out of the \$51.3 million in ongoing changes. This budget comprises of \$53.5 million of the \$128.9 million in ongoing total fund increases for FY2011. In terms of the total ongoing budget, the education category is 48.7% of the general funds and 34.1% of the total ongoing funds, which amounts to \$1.4 billion in total ongoing funding for education.

STATE AID

This category includes state aid to K-12 education, postsecondary vocational education institutes, and technology in the schools. Also for FY2011, the Governor is recommending that payments to sparse schools and consolidation incentive payments be included in the budget. In the past these payments were funded by special appropriations.

Due to extreme economic conditions that are severely impacting revenue growth, the Governor is recommending a 0.0% increase in the per student allocation for state aid to general education and for state aid to special education. This leaves the per-student allocation for state aid to general education at \$4,804.60 for FY2011 which is the same funding per student as in FY2010.

In addition, the Governor is recommending a change to the state aid to general education formula. The first recommendation is to suspend provisions of SDCL 13-13-71, SDCL 13-13-72, and SDCL 13-13-72.1 for FY2011 which will decrease the FY2011 state's portion of local need to an estimated 55.2%, as the general fund school district levies for taxes payable in 2011 will remain at the same level as taxes payable in 2010. This change does not affect total funding for schools. The FY2011 fall enrollment estimate of 122,742 was used for calculating the FY2011 budget. The total recommended budgeted amount for state aid to general education is \$313,431,221 in general funds and \$24,442,647 in federal fund ARRA expenditure authority which represents the remainder of education State Fiscal Stabilization Funds through ARRA that are dedicated to K-12 education.

The budgeted amount for state aid to special education is recommended to decrease by \$4,063,352 in general funds, bringing the total

budget for this program to \$42,732,190 in general funds for FY2011. The formula for FY2011 is based on 0.0% increase in each disability level. Due to additional ARRA funds allocated to special education, it is expected that fewer expenses will be needed through the Extraordinary Cost fund in both FY2010 and FY2011 which is a contributing factor to the budget decrease in FY2011.

In accordance with SDCL 13-13-78 and SDCL 13-13-79, the Governor is recommending that \$1,836,328 of general funds be included in the FY2011 base budget for payments to sparse school districts. An estimated 23 schools will be eligible for sparse payments in FY2011.

Payments to school districts that have consolidated per SDCL 13-6-92 and 13-6-92.1 are also recommended to be included in the FY2011 budget. The estimated consolidation payments are \$785,446 in general funds for FY2011.

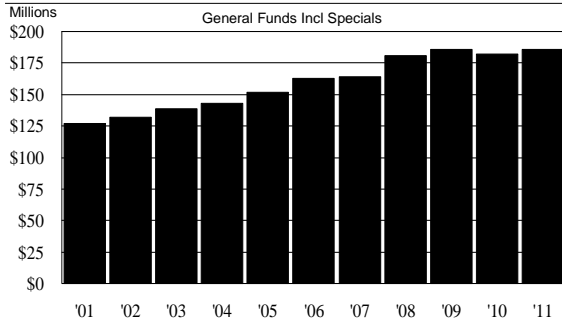
The Governor is recommending a decrease of \$88,392 in other fund expenditure authority for the technology in schools budget in FY2011. The total recommended budget includes \$6,680,022 in general funds and \$2,520,755 in other fund expenditure authority. The technology in schools budget is used to support ongoing costs of the technology infrastructure for the school districts.

The Governor is recommending an increase of \$2,696,804 in general funds over the FY2010 base budget for the postsecondary technical institutes. The increase includes a 0.0% adjustment in the per student funding which will remain at \$3,619.87 for FY2011. The funding increase is being driven by record enrollment growth being experienced by the postsecondary technical institutes. The estimated number of students for the FY2011 budget is an increase of 745 which is a 14.9% increase over the FY2010 budgeted level. The total recommended FY2011 budget for postsecondary institutes is \$22,464,229 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, which is located in Sioux Falls. The state's two special schools, the South Dakota School for the Deaf and the South Dakota School for the Blind and Visually Impaired, are also included in the regental system.

Board of Regents



The budget for the Board of Regents contains a net increase of \$68,090,168 in total funds and a reduction of 25.2 FTE over the FY2010 budget. The increase consists of \$3,370,855 in general funds, \$34,755,015 in federal fund expenditure authority, and \$29,964,298 in other fund expenditure authority. The total FY2011 recommended budget for the Board of Regents consists of \$174,272,956 in general funds, \$193,516,012 in federal fund expenditure authority, and \$353,064,326 in other fund expenditure authority, for a total FY2011 budget of \$720,853,294 and 5,600.8 FTE.

The FY2011 recommendation includes \$970,000 in general funds and \$614,700 in other fund expenditure authority and 17.0 FTE to support the establishment of a PhD program in Physics. The Governor is recommending \$106,241 in general funds to fully fund the research, education, and economic development network (REED). This recommendation also includes a reduction of \$500,000 in general funds due to the elimination of performance funds for the campuses and 42.2 FTE due to underutilization. An increase of \$705,297 in general funds, \$228,042 in federal fund expenditure authority, and \$695,278 in other fund expenditure authority for health insurance is also recommended.

The South Dakota Opportunity Scholarship continues to grow and is projected to have 3,294 students receiving scholarship funds in FY2011. There will not be any available cement plant trust fund earnings so the Governor is recommending a general fund increase of \$1,995,510 to continue funding the program.

The Board of Regents continues to grow in federal grant and contract activity, along with student support and support staff increases. The recommended budget includes the addition \$34,636,040 in federal fund expenditure authority, and \$28,381,871 in other fund expenditure authority related to federal grant and contract activity and increased lease payments. Instead of recommending additional FTE the Governor is recommending realignment between the campuses,

the central office, and the special schools to cover the increased need.

EDUCATION

The Governor's recommendation for the Department of Education, including the State Aid to Education formula, reflects a decrease of \$6,802,463 in general funds, \$7,903,826 in federal fund expenditure authority, and an increase of \$141,961 in other fund expenditure authority. The total recommended budget for FY2011 is \$399,518,299 in general funds, \$257,017,346 in federal fund expenditure authority, \$4,149,756 in other fund expenditure authority, and 138.0 FTE.

GENERAL ADMINISTRATION

The total recommended FY2011 budget for this division is \$2,068,118 in general funds, \$7,897,394 in federal fund expenditure authority, \$13,716 in other fund expenditure authority, and 36.5 FTE. Increases in the division include 2.0 FTE and \$88,909 of federal fund expenditure ARRA authority to operate a statewide longitudinal data system. The Department is applying for a federal ARRA grant to establish this system in South Dakota which is a requirement to receive the remaining Education State Fiscal Stabilization Funds. This system will connect K-12 and higher education student data allowing longitudinal analysis of student/teacher performance. Other increases within General Administration include an increase of \$167,109 in general funds, \$444 in federal fund expenditure authority and \$42 in other fund expenditure authority related to a re-alignment of budget for space billing and other miscellaneous rate changes. These increases are offset by decreases in other areas in the Department's budget.

CURRICULUM, CAREER, AND TECHNICAL EDUCATION

The total recommended FY2011 budget for this division is \$1,293,199 in general funds, \$9,441,362 in federal fund expenditure authority, \$204,352 in other fund expenditure authority, and 15.0 FTE. Changes in this division include a reduction of 2.0 FTE, \$11,159 in general funds, and \$65,089 in federal fund expenditure authority for a vacant secretary position that is no longer needed and a position related to the Reading First Grant that will be complete at the end of FY2010. Additional recommended FY2011 changes include an increase of \$9,464 in general funds and a decrease of \$9,099 in federal fund expenditure authority related to a re-alignment of budget for space billing and other miscellaneous rate changes.

EDUCATION SERVICES AND RESOURCES

This division includes the Office of Assessment and Technology Systems; the Office of Accreditation and Teacher Quality; and the Office of Education Services and Support. The recommendation for this division includes a decrease of 2.0 FTE, a decrease of \$365,292 in general funds, a decrease of \$7,693,619 in federal fund expenditure authority, and an increase of \$230,311 in other fund expenditure authority. A decrease of 2.0 FTE and decreases of \$23,156 in general funds, \$29,008 in federal fund expenditure authority, and \$23,160 in other fund expenditure authority are recommended as a vacant position is no longer needed within the Office of Accreditation and Teacher Quality as well as to align the division's budget closer to actual FTE utilization. A decrease of \$341,219 in general funds and an increase of \$341,219 in federal fund expenditure authority is recommended as the ARRA IDEA part C grant is able to supplement the Birth to Three program during FY2011, reducing the general fund expenses to the maintenance of effort level. An increase in federal fund authority totaling \$1,110,089 is recommended for increases in flow through funds for title programs and the 21st Century Community learning center grant from the U.S. Department of Education. An increase in other fund expenditure authority in the amount of \$250,000 is recommended for a possible partnership between Coordinated School Health and the Wellmark Foundation to expand school health programming in South Dakota. A decrease of \$9,128,285 of ARRA federal fund expenditure authority is recommended based on the remaining ARRA federal fund expenditure authority needed in FY2011. The remaining recommended budget changes include a decrease of \$2,171 in general funds, a decrease of \$6,134 in federal fund expenditure authority, and an increase of \$2,155 in other fund expenditure authority related to a re-alignment of budget for space billing and other miscellaneous rate changes. The total recommended FY2011 budget for this division is \$5,863,943 in general funds, \$214,043,173 in federal fund expenditure authority, \$1,224,850 in other fund expenditure authority, and 55.0 FTE.

EDUCATION SERVICES AGENCIES

The Governor is recommending no changes for this budget. The FY2011 recommended budget for this program is \$500,000 in general funds.

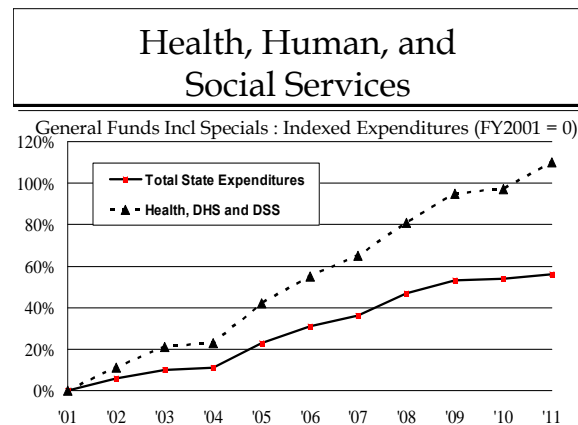
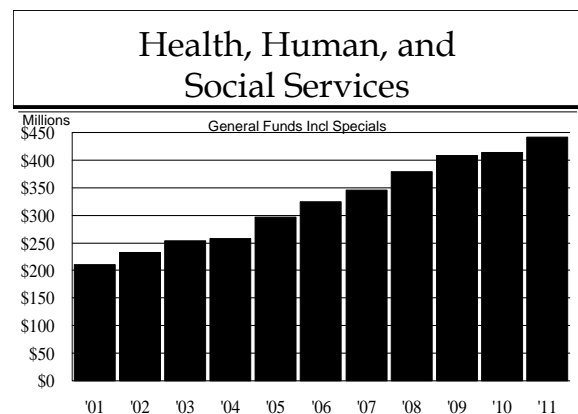
STATE LIBRARY

The total recommended FY2011 budget for this division is \$1,863,603 in general funds, \$1,192,770 in federal fund expenditure authority, and \$186,083 in other fund expenditure authority. Changes in this division includes a decrease of \$228,490 in general funds and an increase of \$258 in federal fund

expenditure authority related to a department wide re-alignment of budget for space billing and other miscellaneous rate changes.

HEALTH, HUMAN, AND SOCIAL SERVICES

The budgets included in this category are the Department of Health, Department of Human Services, and Department of Social Services. General funds account for a \$54.7 million increase out of the \$51.3 million in total ongoing changes. This budget comprises of \$98.7 million of the \$128.9 million in total ongoing fund increases for FY2011. In terms of the total ongoing budget, this category is 34.9% of the general funds and 32.0% of the total ongoing funds and, which amounts to \$1.3 billion in total ongoing funding.



HEALTH

The FY2011 Governor's recommended budget for the Department of Health includes increases of \$19,409 in general funds, \$5,333,152 in federal fund expenditure authority, and \$275,383 in other fund expenditure authority, with a decrease of 4.0 FTE. This budget includes increases of \$23,530 in general funds, \$72,593 in federal fund expenditure authority, and \$54,452 in other fund expenditure authority for health insurance. The total FY2011 budget is \$7,782,285 in general funds, \$45,272,377

in federal fund expenditure authority, and \$32,009,365 in other fund expenditure authority, for a total of \$85,064,027 and 401.2 FTE.

ADMINISTRATION

The FY2011 recommendation for Administration includes an increase of \$3,781 in general funds, and decreases of \$12,308 in federal fund expenditure authority, \$16,201 in other fund expenditure authority, and 1.0 FTE. Decreases of 1.0 FTE, \$18,044 in federal fund expenditure authority, and \$18,044 in other fund expenditure authority are for a Policy Analyst II. The total recommended budget is \$1,175,956 in general funds, \$6,060,165 in federal fund expenditure authority, and \$1,894,345 in other fund expenditure authority, and 31.0 FTE.

HEALTH SYSTEMS DEVELOPMENT AND REGULATION

The recommendation for this division includes increases of \$8,299 in general funds and \$2,768,988 in federal fund expenditure authority, and a decrease of 1.0 FTE. An increase of \$2,800,000 in federal fund expenditure authority is to spend H1N1 grant funds on administering the H1N1 vaccine throughout the state. Decreases of 1.0 FTE and \$46,858 in federal fund expenditure authority are for a Public Health Advisor I. The total recommended budget is \$2,431,312 in general funds, \$15,044,834 in federal fund expenditure authority, \$96,301 in other fund expenditure authority, and 63.5 FTE.

HEALTH AND MEDICAL SERVICES

The changes recommended in the budget for this division include increases of \$7,329 in general funds, \$2,113,903 in federal fund expenditure authority, \$2,907 in other fund expenditure authority, and a decrease of 1.0 FTE. An increase of \$600,000 in federal fund expenditure authority is for implementing a colorectal cancer screening program. The American Recovery and Reinvestment Act (ARRA) is providing funds to upgrade the WIC information system, resulting in a federal fund expenditure authority increase of \$1,500,000. Decreases of 1.0 FTE, \$4,121 in general fund, \$34,539 in federal fund expenditure authority, and \$5,751 in other fund expenditure authority are for a Program Specialist. The total recommended budget is \$4,175,017 in general funds, \$20,527,159 in federal fund expenditure authority, \$3,769,837 in other fund expenditure authority, and 177.5 FTE.

LABORATORY SERVICES

The recommendation for Laboratory Services is an increase of \$1,923 in federal fund expenditure

authority and decreases of \$32,021 in other fund expenditure authority and 1.0 FTE. Decreases of 1.0 FTE and \$39,971 in other fund expenditure authority are for Technical Staff reduction. The total recommended budget is \$2,074,758 in federal fund expenditure authority, \$3,185,381 in other fund expenditure authority, and 28.0 FTE.

CORRECTIONAL HEALTH

This division has a recommended increase of \$205,599 in other fund expenditure authority. An increase of \$176,327 in other fund expenditure authority is due to prescription drug and medical supplies inflation. The total FY2011 budget for this division is \$14,782,809 in other fund expenditure authority and 76.0 FTE.

TOBACCO PREVENTION

The recommendation for Tobacco Prevention includes an increase of \$460,646 in federal fund expenditure authority. This increase is for federal funds received from the ARRA for tobacco prevention activities. The total recommended budget is \$1,565,461 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 FY2011 for the Boards is \$3,280,692 in other fund expenditure authority and 22.2 FTE. This represents an increase of \$115,099 in other fund expenditure authority.

HUMAN SERVICES

The Governor is recommending an increase of \$8,019,025 in general funds, a decrease of \$391,439 in federal fund expenditure authority, and an increase of \$7,438 in other fund expenditure authority, for a total increase of \$7,635,024 and a decrease of 15.0 FTE. The recommendation includes an increase of \$5,522,909 in general funds and a corresponding decrease in federal fund expenditure authority due to the change in the Federal Medical Assistance Percentage (FMAP) for Title XIX and Title XXI programs. The Governor recommends increases of \$242,417 in general

funds, \$196,422 in federal fund expenditure authority, and \$7,444 in other fund expenditure authority for health insurance. For FY2011, a total budget of \$256,283,849 is recommended, consisting of \$109,396,791 in general funds, \$140,651,501 in federal fund expenditure authority, \$6,235,557 in other fund expenditure authority, and 1,205.2 FTE.

SECRETARIAT

The Governor's recommendation includes increases of \$4,035 in general funds and \$4,018 in federal fund expenditure authority, for a total increase of \$8,053.

DEVELOPMENTAL DISABILITIES

The recommendation for the Division of Developmental Disabilities is an increase in general funds of \$4,432,742 and a decrease of \$1,550,243 in federal fund expenditure authority. The Governor's recommendation includes increases of \$1,003,958 in general funds and \$1,871,890 in federal fund expenditure authority to address consumer expansion for individuals with developmental disabilities.

SOUTH DAKOTA DEVELOPMENTAL CENTER

The recommendation for the South Dakota Developmental Center includes an increase of \$781,825 in general funds, a decrease of \$915,198 in federal fund expenditure authority, and a decrease of 12.0 FTE. The Governor's recommendation includes decreases of \$47,500 in general funds and \$88,568 in federal fund expenditure authority within personal services and 12.0 FTE. The total recommended budget is \$8,407,790 in general funds, \$15,285,326 in federal fund expenditure authority, \$992,145 in other fund expenditure authority, and 395.6 FTE.

ALCOHOL AND DRUG ABUSE

The Governor recommends increases of \$359,885 in general funds and \$2,254,182 in federal fund expenditure authority, and a reduction of 1.0 FTE, for a total increase of \$2,614,067 in this division. Increases within this division include \$2,135,724 in federal fund expenditure authority for a State Prevention/State Incentive Grant, along with \$174,645 in general funds and \$325,627 in federal fund expenditure authority to meet the increased demand for alcohol dependency treatment for pregnant women and women with dependent children. The Governor's recommendation also includes decreases of \$14,136 in general funds and \$26,356 in federal fund expenditure authority within personal services and 1.0 FTE.

REHABILITATION SERVICES

The Governor's recommended budget for Rehabilitation Services includes increases of \$263,505 in general funds and \$315,224 in federal fund expenditure authority, for a total increase of \$578,729. Increases within this division include \$70,362 in federal fund expenditure authority for additional Social Security Administration staff and \$78,470 in general funds and \$289,934 in federal fund expenditure authority to address consumer expansion for individuals receiving vocational rehabilitation services.

TELECOMMUNICATION DEVICES FOR THE DEAF

The Governor is recommending no change to the Telecommunication Devices for the Deaf budget. The total FY2011 budget is \$1,251,680 in other fund expenditure authority.

BOARD OF COUNSELOR EXAMINERS - INFORMATIONAL

The Governor is recommending an increase of \$6,849 in other fund expenditure authority. The total FY2011 budget is \$84,239 in other fund expenditure authority.

BOARD OF PSYCHOLOGY EXAMINERS - INFORMATIONAL

The Governor is recommending no change to the Board of Psychology Examiners informational budget. The total FY2011 budget is \$76,329 in other fund expenditure authority.

BOARD OF SOCIAL WORK EXAMINERS - INFORMATIONAL

The Governor is recommending no change to the Board of Social Work Examiners information budget. The total FY2011 budget is \$93,260 in other fund expenditure authority.

CERTIFICATION BOARD FOR ALCOHOL AND DRUG PROFESSIONALS - INFORMATIONAL

The Governor is recommending a decrease of \$6,072 in other fund expenditure authority. The total FY2011 budget is \$138,216 in other fund expenditure authority and 1.3 FTE.

SERVICE TO THE BLIND AND VISUALLY IMPAIRED

The Governor is recommending increases of \$22,445 in general funds, \$80,014 in federal fund expenditure authority, and \$910 in other fund expenditure authority, for a total increase of \$103,369. Increases within this division include

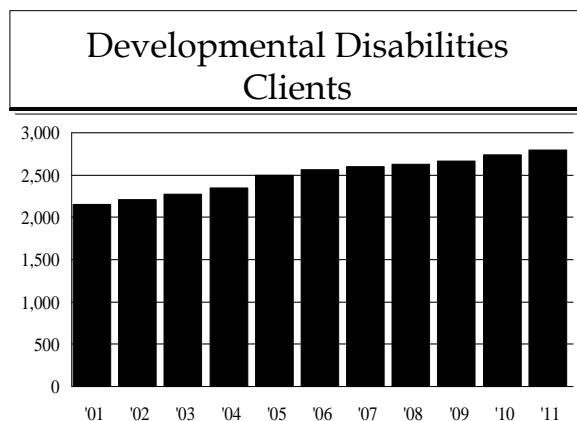
\$19,618 in general funds and \$72,484 in federal fund expenditure authority to address consumer expansion for individuals receiving vocational rehabilitation services. The total recommended budget is \$909,945 in general funds, \$2,357,090 in federal fund expenditure authority, \$252,356 in other fund expenditure authority, and 29.2 FTE.

HUMAN SERVICES CENTER

The Governor recommends an increase of \$1,002,819 in general funds, a decrease of \$321,654 in federal fund expenditure authority, an increase of \$1,086 in other fund expenditure authority, and a decrease of 2.0 FTE. This recommendation includes an increase of \$394,000 in general funds for an annual bond payment for a new dietary building. Decreases within this budget include \$12,527 in general funds and \$16,605 in federal fund expenditure authority within personal services and 2.0 FTE.

COMMUNITY MENTAL HEALTH

The Governor's recommendation for the Division of Community Mental Health reflects an increase of \$1,151,769 in general funds, a decrease of \$257,782 in federal fund expenditure authority, and an increase of \$4,665 in other fund expenditure authority, for a total increase of \$898,652. Additional funding is recommended for Mental Health consumer expansion at a total cost of \$588,947 in general funds and \$301,190 in federal fund expenditure authority.



SOCIAL SERVICES

The Governor's recommended budget for the Department of Social Services is \$294,589,175 in general funds, \$655,282,347 in federal fund expenditure authority, and \$8,062,044 in other fund expenditure authority, for a total FY2011 budget of \$957,933,566 and 995.5 FTE. This recommendation includes increases of \$46,624,472 in general funds and \$40,764,972 in federal fund expenditure authority, and decreases of \$1,891,330 in other fund expenditure authority and 3.0 FTE.

This budget includes increases of \$150,938 in general funds, \$196,973 in federal fund expenditure authority, and \$11,168 in other fund expenditure authority for health insurance.

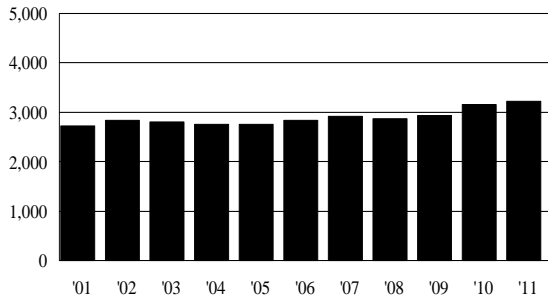
ADMINISTRATION

The recommended budget for Administration includes decreases of \$13,625 in general funds, \$20,474 in federal fund expenditure authority, and 2.5 FTE. A funding switch of \$4,904 from federal fund expenditure authority to general funds is due to the change in the Federal Medical Assistance Percentage (FMAP). Decreases of \$48,249 in general funds, \$50,661 in federal fund expenditure authority, and 2.5 FTE are due to finding efficiencies through restructuring duties of clerical staff throughout the state. The total recommended budget is \$7,130,823 in general funds, \$19,213,952 in federal fund expenditure authority, \$219,117 in other fund expenditure authority, and 177.2 FTE.

ECONOMIC ASSISTANCE

The Governor's recommended budget for Economic Assistance includes increases of \$77,865 in general funds, \$2,569,815 in federal fund expenditure authority, and \$143,803 in other fund expenditure authority. A funding switch of \$5,662 from federal fund expenditure authority to general funds is due to the change in the FMAP. Increases in this budget include: \$143,803 in other fund expenditure authority for additional Auxiliary Placement cases, \$16,740 in general funds for additional Supplemental Security Income cases, \$1,457,174 in federal fund expenditure authority for additional Temporary Assistance to Needy Families (TANF) cases, \$12,000,000 in federal fund authority due to an increase in the Low Income Energy Assistance Program grant, and \$58,773 in federal fund expenditure authority in the Nutrition Education Program. Reductions in federal fund expenditure authority of \$8,000,000 in the Weatherization Program and \$3,000,000 in the Community Services Block Grant are to align the budget with anticipated American Recovery and Reinvestment Act (ARRA) expenditures. The total recommended budget is \$21,279,286 in general funds, \$71,205,177 in federal fund expenditure authority, \$443,803 in other fund expenditure authority, and 320.5 FTE.

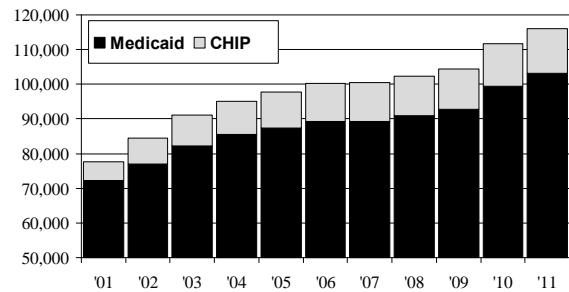
TANF Case Load in South Dakota



MEDICAL AND ADULT SERVICES

The recommended budget for Medical and Adult Services includes increases of \$44,257,576 in general funds and \$44,843,908 in federal fund expenditure authority, and decreases of \$2,052,808 in other fund expenditure authority and 0.5 FTE. The FY2011 recommended budget is \$233,657,854 in general funds, \$512,031,914 in federal fund expenditure authority, \$2,991,730 in other fund expenditure authority, and 145.0 FTE. Increases of \$1,894,011 in general funds and \$2,638,069 in federal fund expenditure authority are for inflation. A funding switch of \$19,098,261 from federal fund expenditure authority to general funds is due to the change in the FMAP. Increases of \$7,012,410 in general funds and \$13,179,743 in federal fund expenditure authority are due to the growth in the number of Medicaid and Children's Health Insurance Program (CHIP) clients and the increased utilization of Medical Services. Increases of \$14,191,627 in general funds and \$27,882,431 in federal fund expenditure authority are due to projected increased costs in the Medical Services budget. A funding switch of \$2,153,526 from other fund expenditure authority to general funds is due to other funds no longer being available for the Medicare Part D program. A temporary funding swap of \$100,000 from general funds to other fund expenditure authority is to spend Homemaker Fees funds. Decreases of \$8,321 in general funds, \$6,934 in federal fund expenditure authority, and 0.5 FTE are due to restructuring of duties allowing a reduction for data encoding. An increase of \$20,160,575 in federal fund expenditure authority is for reimbursement changes to Indian Health Services. An increase of \$103,145 in federal fund expenditure authority is for the Aging and Disability Resource Center grant, and an increase of \$900,000 in federal fund expenditure authority is due to higher claims in the School-Based Administrative Claiming program. Reductions in federal fund expenditure authority of \$500,000 in the Elderly Nutrition program and \$448,286 in the Victims' Services program are to align the budget with anticipated ARRA expenditures.

Medical Assistance Case Loads in South Dakota



CHILDREN'S SERVICES

The Governor's recommended FY2011 budget for Children's Services includes an increase of \$2,302,656 in general funds, a decrease of \$6,628,277 in federal fund expenditure authority, and an increase of \$17,675 in other fund expenditure authority. Adjustments to this budget include: a funding switch of \$1,073,986 of federal fund expenditure authority to general funds due to the change in the FMAP; an increase of \$729,802 in general funds and \$408,183 in federal fund expenditure authority for additional subsidized adoptions; increases of \$21,675 in general funds, \$56,100 in federal fund expenditure authority, and \$7,225 in other fund expenditure authority for child support referee hearings; and a decrease of \$5,000,000 in federal fund expenditure authority since the ARRA Child Care funds are no longer available. A funding switch of \$1,087,500 in federal fund expenditure authority to general funds is due to provisions of the ARRA ending. The total recommended budget is \$32,521,212 in general funds, \$52,831,304 in federal fund expenditure authority, \$4,407,394 in other fund expenditure authority, and 352.8 FTE.

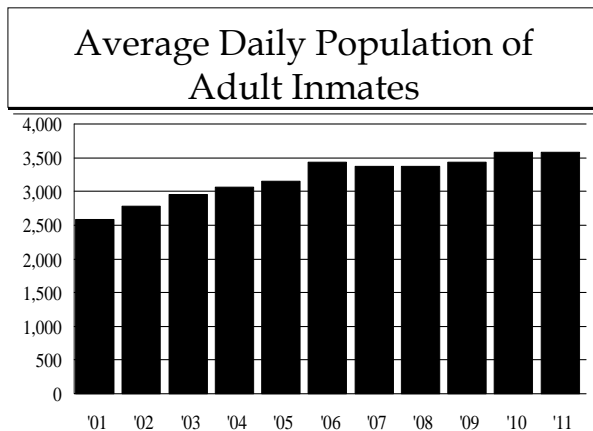
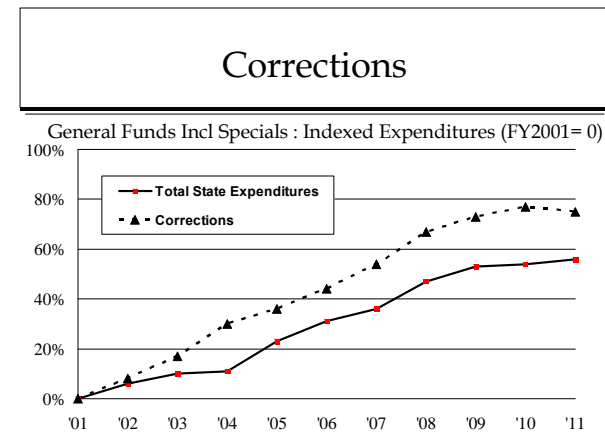
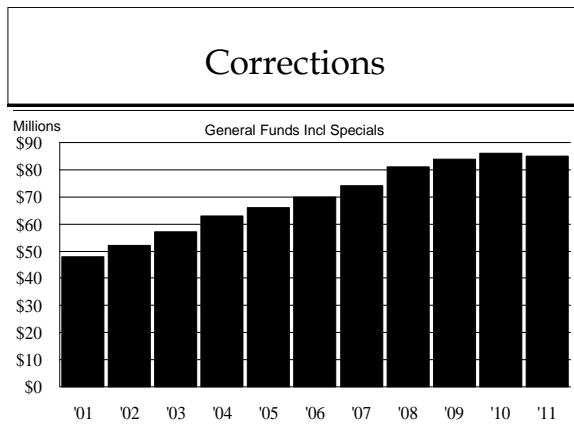
CORRECTIONS

The Governor's recommended budget for the Department of Corrections is \$76,362,538 in general funds, \$21,014,940 in federal fund expenditure authority, and \$9,605,000 in other fund expenditure authority, for a total FY2011 budget of \$106,982,478 and 885.0 FTE. The distribution of health insurance for the Department of Corrections accounts for increases of \$321,998 in general funds, \$2,645 in federal fund expenditure authority, and \$21,396 in other fund expenditure authority. The overall FY2011 budget recommendation includes increases of \$501,086 in general funds and \$626,841 in federal fund expenditure authority, and a decrease of \$358,369 in other fund expenditure authority, for a net increase of \$769,558 and a reduction of 4.0 FTE.

The Average Daily Count (ADC) of adult inmates is projected to reach 3,585 in FY2011. This represents an increase of 157 inmates over the actual FY2009 ADC of 3,428 inmates, or a 4.6% increase over two years. The average daily population of juveniles in institutional settings within the Department of Corrections is projected at 149 for FY2011, which is a 3.4% increase over two years. The implementation of programs beginning in FY2010 resulting from federal grant awards and the Governor's Reentry Council are targeting recidivism rates and focused on slowing the growth of the inmate population in South Dakota.

ADMINISTRATION

The Governor is recommending increases of \$294,157 in general funds and \$581,865 in federal fund expenditure authority, a decrease of \$843,622 in other fund expenditure authority, and an increase of 1.0 FTE. The general fund increase represents the projected expenses of correctional health care agreements with the Department of Health and a funding switch due to the American Recovery and Reinvestment Act (ARRA) Stabilization funding. Increases of \$711,623 in federal fund expenditure authority, \$355,912 in other fund expenditure authority, and 1.0 FTE are the result of the Department of Corrections receiving a Second Chance/Reentry grant award to assist in activities to reduce adult inmate recidivism rates in South Dakota. A reduction of \$1,200,000 in other fund expenditure authority is recommended due to the completion of the Offender Management System installation. The total recommended budget in Administration includes \$9,876,449 in general funds, \$10,625,652 in federal fund expenditure authority, \$490,314 in other fund expenditure authority, and 35.5 FTE.



MIKE DURFEE STATE PRISON

The recommendation for the Mike Durfee State Prison (MDSP) includes decreases of \$645,152 in general funds, \$18,231 in federal fund expenditure authority, \$6,274 in other fund expenditure authority, and 1.0 FTE, for a total decrease of \$669,657. The general fund decrease is a result of lower projected utility costs, the renegotiated food services agreement, and personal services adjustments to help offset operational expense increases throughout the Department of Corrections. The federal and other fund expenditure authority reductions are due to the food services agreement and reductions in Adult Education grants. The overall budget for MDSP is \$12,436,936 in general funds, \$154,588 in federal fund expenditure authority, \$409,114 in other fund expenditure authority, and 179.5 FTE.

STATE PENITENTIARY

The recommendation for the South Dakota State Penitentiary (SDSP) includes a decrease of \$214,835 in general funds, increases of \$706 in federal fund expenditure authority and \$914 in other fund expenditure authority, and a reduction of 3.0 FTE. The general fund reductions are the result of projected utility costs, the revised food services contract, and personal services adjustments to help offset projected operating expense increases throughout the Department of Corrections. The overall budget for SDSP is \$18,248,413 in general funds, \$502,704 in federal fund expenditure authority, \$229,662 in other fund expenditure authority, and 286.5 FTE.

WOMEN'S PRISON

The South Dakota Women's Prison (SDWP) budget is recommended to decrease by \$58,399 in general funds. The reduction reflects the projected costs of utilities and the current food services agreement. In addition, the distribution of health insurance accounts for an increase of \$15,119 in general funds. The budget for the SDWP is \$3,126,460 in general funds, \$275,951 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 \$307,269 in other fund expenditure authority and decrease by 1.0 FTE. Of the budgeted increase, \$300,000 in other fund expenditure authority is for the purchase of raw materials due to production of the new state vehicle license plates, which is expected to be completed in FY2011. The reduction of 1.0 FTE is recommended to offset the 1.0 FTE increase in Administration due to the Second Chance/Reentry grant. The total budget for Pheasantland Industries is \$3,988,768 in other fund expenditure authority and 14.0 FTE.

COMMUNITY SERVICES

The Community Services budget is recommended to increase by \$117,615 in general funds, \$45,500 in federal fund expenditure authority, and \$9,896 in other fund expenditure authority. A transfer of 1.0 FTE to Parole Services for the Second Chance/Reentry grant is also recommended. The recommended budget increases are largely due to additional inmates participating in the Work Release program, food services contract revisions, and the development of educational and career training services provided at the Rapid City Minimum Unit. The total budget for Community Services is \$3,849,610 in general funds, \$169,713 in federal fund expenditure authority, \$3,195,517 in other fund expenditure authority, and 75.5 FTE.

PAROLE SERVICES

The Governor's budget recommendation for Parole Services includes increases of \$88,445 in general funds, \$35,762 in federal fund expenditure authority, \$18,455 in other fund expenditure authority, and 1.0 FTE. The recommended general fund increase is the result of rising local jailing costs and additional travel required by the Parole Board members. Increases of \$35,439 in federal fund expenditure authority, \$17,724 in other fund expenditure authority, and 1.0 FTE are due to the Second Chance/Reentry grant award. The total budget recommendation for Parole Services is \$3,701,737 in general funds, \$35,762 in federal

fund expenditure authority, \$274,859 in other fund expenditure authority, and 59.0 FTE.

JUVENILE COMMUNITY CORRECTIONS

The Juvenile Community Corrections budget is recommended to increase by \$791,430 in general funds, decrease by \$18,859 in federal fund expenditure authority, and increase by \$154,993 in other fund expenditure authority, for a total increase of \$927,564. The majority of the general fund increase is due to Group and Residential Placement services provided to juvenile offenders. Additional reductions in budgeted personal services are also recommended to offset operational expense increases throughout juvenile corrections. Changes to the Federal Medical Assistance Percentages (FMAP) account for \$431,623 of the general fund increase and federal fund expenditure authority decrease. Increases of \$297,896 in federal fund expenditure authority and \$148,993 in other fund expenditure authority are due to the Juvenile Second Chance Act Initiative grant award directed to reduce recidivism rates of juveniles in the correctional system. The overall budget for Juvenile Community Corrections is \$15,372,689 in general funds, \$8,715,221 in federal fund expenditure authority, \$635,080 in other fund expenditure authority, and 48.5 FTE.

YOUTH CHALLENGE CENTER

The Governor is recommending an increase of \$9,288 in general funds for the Youth Challenge Center (YCC) budget for the distribution of health insurance. The total budget for YCC is \$1,467,207 in general funds, \$14,942 in other fund expenditure authority, and 26.0 FTE.

PATRICK HENRY BRADY ACADEMY

The Governor is recommending an increase of \$9,044 in general funds for the Patrick Henry Brady Academy budget due to the distribution of health insurance. The total budget for the Brady Academy is \$1,439,389 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 FY2011 is recommended to increase by \$99,783 in general funds and \$98 in federal fund expenditure authority. The general fund increase is primarily due to rising costs of the food services agreements and advancing educational opportunities. The total budget for STAR is \$5,270,440 in general funds, \$535,349 in

federal fund expenditure authority, \$188,000 in other fund expenditure authority, and 56.5 FTE.

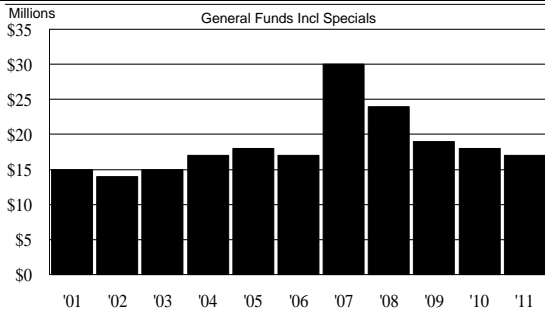
QUEST/EXCEL

The Governor is recommending a budget increase of \$9,710 in general funds in Quest/ExCEL for health insurance. The total budget for Quest/ExCel is \$1,573,208 in general funds, \$12,650 in other fund expenditure authority, and 28.0 FTE.

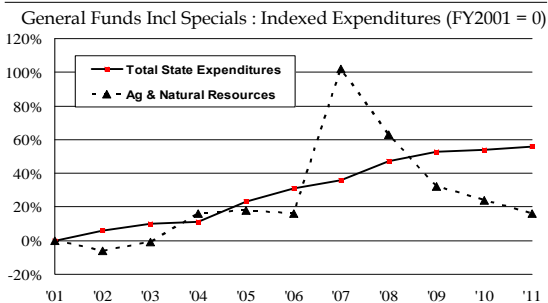
AGRICULTURE; ENVIRONMENT AND NATURAL RESOURCES; AND, GAME, FISH, AND PARKS

The budgets included in this category are the Department of Agriculture, Department of Environment and Natural Resources, and Department of Game, Fish, and Parks. General funds account for a decrease by \$0.01 million out of the \$51.3 million in total ongoing changes. This budget represents a decrease of \$8.4 million out of the \$128.9 million in total ongoing fund increases for FY2011. In terms of the total ongoing state budget, this category is 1.5% of the general funds and 4.4% of the total ongoing funds, which amounts to \$178.8 million in total ongoing funding.

Agriculture, Natural Resources and Game, Fish, and Parks



Agriculture, Natural Resources and Game, Fish, and Parks



AGRICULTURE

The Governor's FY2011 recommended budget for the Department of Agriculture is \$40,601,485, and consists of \$6,245,020 in general funds, \$10,417,661 in federal fund expenditure authority, \$23,938,804 in other fund expenditure authority, and 226.5 FTE. The Governor is recommending an increase of \$22,818 in general funds, \$15,698 in federal fund expenditure authority, and \$21,901 in other fund expenditure authority for health insurance.

OFFICE OF THE SECRETARY

The Governor is recommending an increase of \$32,121 in general funds for the Office of the Secretary, which is being offset by a decrease in Agricultural Development and Promotion. These general funds will provide for additional staffing within the consolidated Department of Game, Fish, and Parks and South Dakota Department of Agriculture finance office. The Office of the Secretary's total recommended budget for FY2011 is \$1,006,796 and consists of \$841,865 in general funds, \$52,592 in federal fund expenditure authority, and \$112,339 in other fund expenditure authority, and 9.5 FTE.

AGRICULTURAL SERVICES AND ASSISTANCE

The recommended FY2011 budget for Agricultural Services and Assistance includes \$1,975,388 in general funds, \$6,389,658 in federal fund expenditure authority, and \$2,988,528 in other fund expenditure authority, for a total budget of \$11,353,574 and 81.8 FTE. This recommendation reflects a total decrease of \$4,046,070 for FY2011. This general bill center is composed of Agriculture Services and Fire Suppression.

The total FY2011 recommended budget for Agriculture Services is \$4,258,413 and 32.2 FTE. This budget is comprised of \$912,221 in general funds, \$812,693 in federal fund expenditure authority, and \$2,533,499 in other fund expenditure authority. The Governor is recommending a decrease of 1.8 unutilized FTE and \$65,869 in other fund expenditure authority.

The total recommended budget for Fire Suppression includes \$1,063,167 in general funds, \$5,576,965 in federal fund expenditure authority, \$455,029 in other fund expenditure authority, and 49.6 FTE for a total budget of \$7,095,161. Included in this budget is a decrease of \$4,000,000 in American Recovery and Reinvestment Act federal fund expenditure authority that is not needed in FY2011.

AGRICULTURAL DEVELOPMENT AND PROMOTION

The Governor is recommending a total decrease of \$27,328 for Agricultural Development and Promotion. The total recommended FY2011 budget consists of \$1,121,651 in general funds, \$2,053,070 in federal fund expenditure authority, and \$1,867,267 in other fund expenditure authority, for a total of \$5,041,988 and 27.8 FTE. This general bill center is composed of Agriculture Development and Resource Conservation and Forestry.

The total FY2011 recommended budget for Agriculture Development is \$1,520,956 and 9.0 FTE. The Governor is recommending no significant changes for this division's budget.

The total FY2011 recommended budget for Resource Conservation and Forestry is \$3,521,032 and 18.8 FTE. The Governor is recommending decreases of 0.2 unutilized FTE, \$2,553 in general funds, and \$2,552 in other fund expenditure authority in personal services. Also included in this budget is a decrease of \$32,121 in general funds, which offsets the increase for additional finance office staffing in the Office of the Secretary.

ANIMAL INDUSTRY BOARD

The total FY2011 recommended budget for the Animal Industry Board is \$4,085,424 and 44.9 FTE. This budget is comprised of \$1,906,116 in general funds, \$1,922,341 in federal fund expenditure authority, and \$256,967 in other fund expenditure authority. The Governor is recommending a funding switch of \$15,000 from general funds to federal fund expenditure authority, as more personal services are eligible to be charged to federal funds. The Governor is also recommending a decrease of \$25,000 in federal fund expenditure authority, since it is no longer necessary to test for pseudorabies in swine.

BOARDS AND COMMISSIONS

The total recommended FY2011 budget for the Agricultural Boards and Commissions is \$16,707,616 in other fund expenditure authority. The Agricultural Boards and Commissions are as follows: the American Dairy Association, the Wheat Commission, the Oilseeds Council, the Soybean Research and Promotion Council, the Brand Board, the Corn Utilization Council, the Board of Veterinary and Medical Examiners, and the Pulse Crops Council. For FY2011, the Governor is recommending an increase of \$300,254 in other fund expenditure authority and a decrease of 5.0 FTE within the boards and commissions. The decrease of 5.0 FTE are unutilized FTE in the Brand Board.

STATE FAIR

The total FY2011 Governor's recommended budget for the State Fair is \$400,000 in general funds and \$2,006,087 in other fund expenditure authority for a total budget of \$2,406,087 and 19.5 FTE. No changes are recommended for this budget in FY2011.

ENVIRONMENT AND NATURAL RESOURCES

The Governor's FY2011 recommended budget for the Department of Environment and Natural Resources totals \$60,335,794, and consists of \$5,807,108 in general funds, \$48,671,279 in federal fund expenditure authority, \$5,857,407 in other fund expenditure authority, and 174.7 FTE. The Governor is recommending an increase of \$25,342 in general funds, \$23,697 in federal fund expenditure authority, and \$12,498 in other fund expenditure authority for health insurance.

FINANCIAL AND TECHNICAL ASSISTANCE

The Financial and Technical Assistance budget consists of \$2,186,616 in general funds, \$40,541,563 in federal fund expenditure authority, and \$819,032 in other fund expenditure authority, for a total budget of \$43,547,211 and 56.5 FTE. The Governor is recommending decreases of 1.5 unutilized seasonal FTE, \$9,365 in general funds, and \$21,824 in federal fund expenditure authority.

ENVIRONMENTAL SERVICES

The Governor recommends a total FY2011 budget for Environmental Services of \$14,273,583 and 118.2 FTE. Environmental Services consists of \$3,620,492 in general funds, \$8,129,716 in federal fund expenditure authority, and \$2,523,375 in other fund expenditure authority. The Governor is recommending decreases of 0.3 unutilized seasonal FTE which includes \$4,230 in general funds and \$1,620 in federal fund expenditure authority.

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 FY2011 recommended budget for the Department of Game, Fish, and Parks totals \$77,850,280, including \$5,087,556 in general funds, \$21,379,151 in federal fund expenditure authority, \$51,383,573 in other fund expenditure authority, and 563.6 FTE. This budget reflects an overall decrease of \$4,675,388. The Governor is recommending increases of \$17,063 in general funds, \$25,132 in federal fund expenditure authority, and \$108,308 in other fund expenditure authority for health insurance.

CONSERVATION RESERVE ENHANCEMENT PROGRAM

The Governor is recommending a decrease of \$31,975 in general funds in the Conservation Reserve Enhancement Program due to a decrease in the bond payment per the bond amortization schedule. The total recommended budget for FY2011 is \$75,000 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 total recommended budget for Administration includes \$1,150,254 in general funds, \$3,122,717 in other fund expenditure authority, and 25.1 FTE, for a total budget of \$4,272,971. The Governor is recommending no significant changes in this budget for FY2011.

WILDLIFE – INFORMATIONAL

The Governor is recommending a total budget for the Division of Wildlife of \$40,012,204. This budget is composed of \$14,331,894 in federal fund expenditure authority and \$25,680,310 in other fund expenditure authority. Included in this budget is an increase of \$1,200,000 in federal fund expenditure authority for payments to private landowners for habitat and hunting access projects through the James River Valley Conservation Reserve Enhancement Program. The Governor is recommending an increase of \$483,279 in federal fund expenditure authority for increased landowner incentive payments associated with the Walk-In Program and for state wildlife grant funding. Also included in this budget is an increase of \$244,550 in other fund expenditure authority for operating expenses due to the construction of the Outdoor Campus West in Rapid City. The Governor is also recommending decreases of 2.0 unutilized seasonal FTE, \$11,550 in federal fund expenditure

authority, and \$27,931 in other fund expenditure authority.

The Governor is recommending an overall decrease of \$3,750,875 in the Wildlife Development and Improvement Program. The total budget for the Wildlife Development and Improvement Program is \$6,156,000, of which \$1,005,000 is federal fund expenditure authority and \$5,151,000 is other fund expenditure authority.

STATE PARKS AND RECREATION

The Division of State Parks and Recreation's recommended total FY2011 budget is \$17,932,944 and 240.2 FTE. The Governor is recommending increases of \$7,860 in general funds, \$114,467 in federal fund expenditure authority, and \$226,351 in other fund expenditure authority. This budget includes increases of \$111,746 in federal fund expenditure authority and \$83,545 in other fund expenditure authority for increases in operating costs due to campground expansion at Hartford Beach State Park and Lake Vermillion Recreation Area, and projected expansion in visitation throughout the statewide park system. This budget also includes an increase of \$115,700 in other fund expenditure authority to pay an additional 0.5% in sales taxes on camping sales, due to the passage of HB1072 during the 2009 Legislative Session.

The Division of State Parks and Recreation's Development and Improvement Program has a total recommended decrease of \$3,511,120. The total recommended budget includes a decrease of \$4,883,620 in federal fund expenditure authority and an increase of \$1,372,500 in other fund expenditure authority, for a total budget of \$7,782,150. The Governor is recommending a decrease of \$4,309,000 in American Recovery and Reinvestment Act federal fund expenditure authority, since it is not needed in FY2011. Within this budget, the Governor is also recommending an increase of \$1,070,000 in other fund expenditure authority to add sixty additional campsites to the Lake Vermillion Recreation Area.

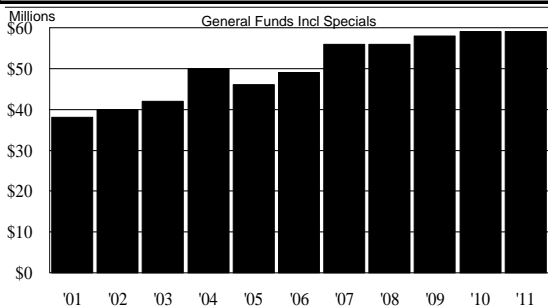
SNOWMOBILE TRAILS – INFORMATIONAL

The total recommended budget for the Snowmobile Trails Program is \$235,000 in federal fund expenditure authority, \$1,384,011 in other fund expenditure authority, and 9.1 FTE. Included in this budget is an increase of \$135,000 in federal fund expenditure authority and \$90,500 in other fund expenditure authority to construct a new shop at the Hardy Camp.

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

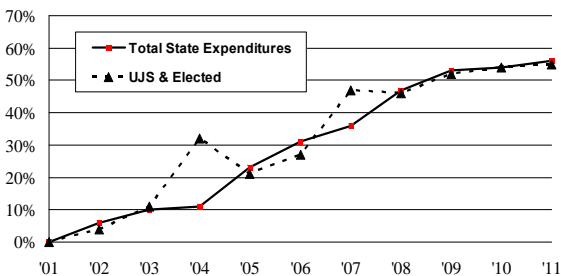
The budgets included in this category are the Legislature, Unified Judicial System, Public Utilities Commission, Office of the Attorney General, Secretary of State, School and Public Lands, Office of the State Auditor, and Office of the State Treasurer. General funds account for an increase of \$0.3 million out of the \$51.3 million in total ongoing changes. This budget represents a \$4.1 million increase out of the \$128.9 million in total ongoing fund increases for FY2011. In terms of the total ongoing state budget, this category is 4.8% of the general funds and 2.4% of the total ongoing funds, which amounts to \$96.9 million in total ongoing funding.

UJS, Legislature, and Elected Officials



UJS, Legislature, and Elected Officials

General Funds Incl Specials : Indexed Expenditures (FY2001 = 0)



LEGISLATURE

The total FY2011 recommended budget for the South Dakota Legislature is \$7,652,736 in general funds, \$35,000 in other fund expenditure authority, and 67.3 FTE. Changes to the budget for the Legislative Research Council include an increase of \$26,692 in general funds for dues and registration fees, space billing, and health insurance. The

Governor is also recommending a total increase of \$40,170 within Legislative Audit for their compensation program and health insurance. The net change for the South Dakota Legislature is an increase of \$66,862 in general funds.

UNIFIED JUDICIAL SYSTEM

The Governor's recommendation for the Unified Judicial System includes increases of \$362,504 in general funds, \$770 in federal fund expenditure authority, and \$2,164,553 in other fund expenditure authority for FY2011.

The recommended budget for the Unified Judicial System is increasing by \$179,615 in general funds for capital asset improvements throughout the Fourth Circuit due to courthouse renovations. The recommended increases in other fund expenditures authority include \$70,530 for UJS staff and judicial training, \$240,000 for child referee services due to the projected caseload increase in child support hearings, and \$1,845,474 for the initial purchase and implementation of the new Case Management System. In addition, recommended increases of \$182,889 in general funds, \$770 in federal fund expenditure authority, and \$8,549 in other fund expenditure authority for the distribution of health insurance.

The total FY2011 recommended budget for the Unified Judicial System is \$35,681,213 in general funds, \$393,539 in federal fund expenditure authority, and \$9,328,633 in other fund expenditure authority, for a total budget of \$45,403,385 and 527.4 FTE.

PUBLIC UTILITIES COMMISSION

The Governor recommends increases of \$1,843 in general funds, \$255,509 in federal fund expenditure authority, \$1,870 in other fund expenditure authority, and 3.0 FTE. Increases of 3.0 FTE and \$256,833 in federal fund expenditure authority are for an American Recovery and Reinvestment Act grant requiring the hiring of utilities analysts for analyzing electricity dockets. Increases of \$1,843 in general funds, \$1,176 in federal fund expenditure authority, and \$7,474 in other fund expenditure authority are for health insurance. The total FY2011 recommended budget is \$514,199 in general funds, \$351,905 in federal fund expenditure authority, \$3,275,430 in other fund expenditure authority, and 33.2 FTE.

ATTORNEY GENERAL

The Governor's FY2011 budget recommendation for the Office of the Attorney General includes \$9,886,879 in general funds, \$4,327,481 in federal

fund expenditure authority, \$6,447,149 in other fund expenditure authority, and 157.0 FTE. The budget recommendation consists of a decrease of \$158,833 in general funds and increases of \$30,025 in federal fund expenditure authority and \$695,957 in other fund expenditure authority. The distribution of health insurance accounts for increases of \$31,544 in general funds, \$8,195 in federal fund expenditure authority, and \$14,553 in other fund expenditure authority. The total recommended FY2011 budget for the Office of the Attorney General is \$20,661,509.

LEGAL SERVICES

The recommended budget for Legal Services includes a decrease of \$277,200 in general funds and increases of \$5,153 in federal fund expenditure authority and \$303,368 in other fund expenditure authority. The majority of the recommended budget adjustments are a result of supporting all Legal Services Consumer Settlement personal services through the Consumer Settlement Fund. The total FY2011 recommended budget for the Legal Services division is \$5,203,058 in general funds, \$1,848,021 in federal fund expenditure authority, and \$1,376,325 in other fund expenditure authority, for a total of \$8,427,404 and 76.0 FTE.

CRIMINAL INVESTIGATION

The Governor is recommending budget increases of \$118,367 in general funds, \$24,872 in federal fund expenditure authority, and \$392,452 in other fund expenditure authority for the Division of Criminal Investigation (DCI). The general fund increase is primarily due to required travel of DCI staff and DCI Agent reclassifications and probationary increases. The majority of the recommended increase in other fund expenditure authority is dedicated to the implementation of Prescription Monitoring Program software, which will be funded by Consumer Settlement funds. The distribution of health insurance reflects increases of \$12,416 in general funds, \$3,826 in federal fund expenditure authority, and \$7,680 in other fund expenditure authority. The overall recommended budget for the Division of Criminal Investigation is \$4,301,419 in general funds, \$2,479,460 in federal fund expenditure authority, and \$3,207,638 in other fund expenditure authority, for a total of \$9,988,517 and 68.5 FTE.

LAW ENFORCEMENT TRAINING

The Governor's recommendation for Law Enforcement Training is a decrease of \$526 in other fund expenditure authority. Recommended budget adjustments to the central services space billing rate is reflected in the reduction. The distribution of health insurance accounts for an increase of \$3,058 in other fund expenditure authority. The total

budget for this division is \$382,402 in general funds and \$1,658,219 in other fund expenditure authority, for a total of \$2,040,621 and 10.5 FTE.

911 TRAINING

The Governor is recommending an increase of \$663 in other fund expenditure authority for the 911 Training division. The recommendation includes an increase of \$686 for the distribution of health insurance and a reduction of \$23 for central services space billing rate adjustments. The total recommended budget for 911 Training is \$204,967 in other fund expenditure authority and 2.0 FTE.

SECRETARY OF STATE

The Governor's recommendation for the Secretary of State's FY2011 budget is \$1,007,237 in general funds, \$3,130,575 in federal fund expenditure authority, \$453,940 in other fund expenditure authority, and 15.6 FTE. This budget includes an increase of \$35,730 in general funds due to increases in contractual services and the cost of printing the Legislative Manual (Blue Book). Also included in this budget is a funding movement of \$17,928 in federal fund expenditure authority from operating expenses to personal services. The Office of the Secretary of State will be able to code more of its staff time to federal funds in FY2011. Due to the recoding of personal services to federal funds in FY2011, a corresponding decrease of \$10,702 in general funds is being recommended within personal services. The remaining \$7,226 in general funds are for a recommended increase of 0.3 FTE for a Part Time Elections Clerk. The Governor is recommending an increase of \$5,430 in general funds for health insurance.

SCHOOL AND PUBLIC LANDS

The Governor's recommendation for the FY2011 School and Public Lands' budget is \$547,047 in general funds and \$225,000 in other fund expenditure authority, for a total budget of \$772,047 and 7.0 FTE. The Governor is recommending an increase of \$2,534 in general funds for health insurance.

STATE AUDITOR

The Governor's recommendation includes a decrease of \$6,058 in general funds. The recommended budget includes miscellaneous decreases in operating expenses. An increase of \$6,516 in general funds accounts is recommended for health insurance. The total FY2011 recommended budget is \$1,205,943 in general funds, \$100,000 in other fund expenditure authority, and 18.0 FTE.

STATE TREASURER

The Governor's recommended budget includes increases of \$1,697 in general funds and \$646,044 in other fund expenditure authority. The total FY2011 recommended budget consists of \$508,556 in general funds, \$11,813,433 in other fund expenditure authority, and 37.0 FTE.

TREASURY MANAGEMENT

The Governor's recommendation includes an increase of \$1,697 in general funds for the distribution of health insurance. The total recommended FY2011 budget for Treasury Management includes \$508,556 in general funds and 5.5 FTE.

UNCLAIMED PROPERTY - INFORMATIONAL

The Governor's recommendation includes an increase of \$1,199 in general funds for the distribution of health insurance. The total recommended FY2011 budget for Unclaimed Property is \$2,895,551 in other fund expenditure authority and 3.5 FTE.

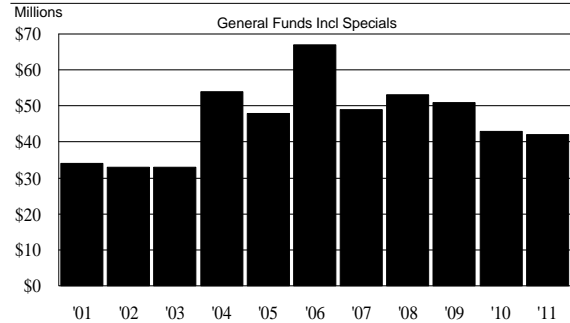
INVESTMENT COUNCIL

The Governor is recommending an increase of \$644,845 in other fund expenditure authority for the Investment Council. The recommendation includes an increase of \$610,075 for personal services promotional development of intermediate and entry level Investment Council staff. The recommended budget also includes increases in other fund expenditure authority for contractual services of \$24,634 and the distribution of health insurance of \$10,136. The total recommended FY2011 budget for the Investment Council is \$8,917,882 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. General funds account for a decrease of \$0.7 million out of the \$51.3 million in total ongoing changes. This budget represents a decrease of \$19.9 million out of the \$128.9 million in total ongoing fund increases for FY2011. In terms of the total ongoing state budget, this category is 3.7% of the general funds and 24.5% of the total ongoing funds, which amounts to \$992.5 million in total ongoing funding.

Remainder of State Government



EXECUTIVE MANAGEMENT

The Governor's recommendation for the Department of Executive Management includes a decrease of \$651,800 in general funds, an increase of \$778 in federal fund expenditure authority, a decrease of \$1,088,339 in other fund expenditure authority, and a decrease of 11.0 FTE. The Governor recommends increases of \$32,349 in general funds, \$778 in federal fund expenditure authority, and \$205,046 in other fund expenditure authority for health insurance. The total FY2011 budget includes \$21,871,150 in general funds, \$12,414,112 in federal fund expenditure authority, and \$95,400,001 in other fund expenditure authority, for a total of \$129,685,163 and 678.3 FTE.

GUBERNATORIAL DIVISION

The total recommended budget for this division is \$2,464,465 in general funds, \$253,296 in federal fund expenditure authority, and 22.0 FTE, for a total of \$2,717,761. The Governor's recommendation includes a decrease of 1.0 FTE for FY2011.

BUREAU OF FINANCE AND MANAGEMENT

The Governor recommends a general fund decrease of \$626,903 and an increase in other fund expenditure authority of \$52,273. The general fund decrease is attributable to the Bureau of Finance and Management's sale/leaseback agreement schedule. This recommendation also includes decreases of \$34,986 in other fund expenditure authority within personal services and 1.0 FTE. The recommended FY2011 budget is \$8,134,630 in general funds, \$6,000,000 in federal fund expenditure authority, and \$7,065,660 in other fund expenditure authority, for a total FY2011 recommended budget of \$21,200,290 and 36.0 FTE.

BUREAU OF ADMINISTRATION

The Governor recommends decreases of \$51,794 in general funds, \$93,679 in other fund expenditure authority, and 4.0 FTE. This recommendation includes decreases of \$148,641 in other fund expenditure authority within personal services and 4.0 FTE. The FY2011 recommended budget for this division is \$4,532,420 in general funds, \$500,000 in federal fund expenditure authority, and \$31,859,679 in other fund expenditure authority, for a total FY2011 budget of \$36,892,099 and 173.5 FTE.

BUREAU OF INFORMATION AND TELECOMMUNICATIONS

The Governor recommends an increase of \$18,432 in general funds, and decreases of \$1,045,468 in other fund expenditure authority, and 4.0 FTE. This recommendation includes decreases of \$162,416 in other fund expenditure authority within personal services, 4.0 FTE, and \$1,000,000 in unneeded other fund expenditure authority. The Governor's total recommended FY2011 budget for the Bureau of Information and Telecommunications is \$5,768,686 in general funds, \$5,160,816 in federal fund expenditure authority, and \$42,335,014 in other fund expenditure authority, for a total FY2011 recommended budget of \$53,264,516 and 376.3 FTE.

BUREAU OF PERSONNEL

The Governor's recommended changes for the Bureau of Personnel are for an overall increase of \$1,848 in general funds and decreases of \$1,465 in other fund expenditure authority and 1.0 FTE. This recommendation includes decreases of \$26,038 in other fund expenditure authority within personal services and 1.0 FTE. The total FY2011 budget consists of \$970,949 in general funds, \$500,000 in federal fund expenditure authority, and \$14,139,648 in other fund expenditure authority, for a total of \$15,610,597 and 70.5 FTE.

MILITARY AND VETERANS' AFFAIRS

The Governor's recommendation for the Department of Military and Veterans' Affairs includes a decrease of \$43,692 in general funds, an increase of \$16,453,115 in federal fund expenditure authority, and a decrease of \$552,024 in other fund expenditure authority. The total recommended FY2011 budget is \$6,270,811 in general funds, \$37,260,722 in federal fund expenditure authority, and \$4,192,906 in other fund expenditure authority, for a total of \$47,724,439 and 196.1 FTE. The Governor is recommending increases of \$26,892 in general funds, \$26,943 in federal fund expenditure

authority, and \$16,745 in other fund expenditure authority for health insurance.

OFFICE OF THE ADJUTANT GENERAL

The Governor's FY2011 total budget recommendation for the Office of the Adjutant General is \$782,416 in general funds, \$11,300 in federal fund expenditure authority, \$26,168 in other fund expenditure authority, and 6.3 FTE.

ARMY AND AIR GUARD

The Governor's recommendation for the Guard includes a decrease of \$17,193 in general funds and an increase of \$16,451,870 in federal fund expenditure authority. Included in this recommendation is an increase of \$17,000,000 in federal fund expenditure authority for Military Construction projects at Camp Rapid, a decrease of \$439,905 in American Recovery and Reinvestment Act federal fund expenditure authority, and decreases of \$26,739 in general funds and \$133,923 in federal fund expenditure authority, due to anticipated decreases in utility costs. The total FY2011 recommended budget for the Army Guard is \$33,675,115 and 48.1 FTE. The total FY2011 recommendation for the Air Guard is \$4,914,714 and 41.0 FTE.

VETERANS' BENEFITS AND SERVICES

The total recommended FY2011 budget for Veterans' Benefits and Services is \$1,116,403 in general funds, \$274,765 in federal fund expenditure authority, and \$61,000 in other fund expenditure authority, for a total of \$1,452,168 and 18.0 FTE. The Governor is recommending no significant changes in this budget for FY2011.

STATE VETERANS' HOME

The Governor's recommendation for the State Veterans' Home includes increases of \$23,728 in general funds and \$35,592 in other fund expenditure authority for food services, a decrease of \$69,573 in general funds and \$104,361 in other fund expenditure authority due to anticipated decreases in utility costs, and, a decrease of \$500,000 of unutilized other fund expenditure authority. The total recommended FY2011 budget is \$2,269,320 in general funds, \$487,500 in federal fund expenditure authority, and \$4,105,738 in other fund expenditure authority, for a total budget of \$6,862,558 and 82.7 FTE.

REVENUE AND REGULATION

The Governor's recommended budget for the Department of Revenue and Regulation totals \$70,258,509, and consists of \$1,142,611 in general

funds, \$69,115,898 in other fund expenditure authority, and 322.1 FTE. The Governor is recommending an increase of \$5,883 in general funds, and decreases of \$1,072,240 in other fund expenditure authority and 4.0 FTE. Included in the recommended budget is an increase of \$5,883 in general funds, and \$108,860 in other fund expenditure authority for employee health insurance.

SECRETARIAT

The Governor's recommendation includes an increase of \$721 in general funds and \$14,195 in other fund expenditure authority for health insurance. The total FY2011 recommended budget consists of \$165,371 in general funds, \$3,657,842 in other fund expenditure authority and 39.5 FTE.

BUSINESS TAX

The Governor's recommendation includes decreases of 1.0 unutilized FTE and \$10,185 in other fund expenditure authority. The total FY2011 recommended budget consists of \$3,633,759 in other fund expenditure authority and 50.0 FTE.

MOTOR VEHICLES

The Governor's recommendation includes a decrease of \$1,132,642 in other fund expenditure authority. This includes a decrease of \$1,150,000 of other fund expenditure authority related to the new license plate issue. A total of \$1,055,540 in other fund expenditure authority is being retained in the FY2011 base budget for the plate issue costs that are expected during FY2011. The total FY2011 recommended budget consists of \$6,910,273 in other fund expenditure authority and 49.1 FTE.

PROPERTY AND SPECIAL TAXES

The Governor's recommendation includes an increase of \$5,162 in general funds for health insurance. The recommended FY2011 budget consists of \$977,240 in general funds and 14.0 FTE.

AUDITS

The recommended FY2011 budget consists of an increase of \$19,853 in other fund expenditure authority for health insurance. The total FY2011 budget consists of \$3,643,988 in other fund expenditure authority, and 56.0 FTE.

BANKING

The Governor's recommendation for FY2011 is an overall decrease of \$3,771 in other fund

expenditure authority as the health insurance increase was offset by decreases in capital expenses. The recommended FY2011 budget is \$1,912,253 in other fund expenditure authority and 21.5 FTE.

SECURITIES

The Governor's recommendation includes an increase of \$1,772 in other fund expenditure authority for health insurance. The total FY2011 recommended budget consists of \$410,695 in other fund expenditure authority and 5.0 FTE.

INSURANCE

The Governor's recommendation includes an increase of \$9,992 in other fund expenditure authority for health insurance. The total recommended FY2011 budget consists of \$1,826,578 in other fund expenditure authority and 28.0 FTE.

INSURANCE FRAUD UNIT - INFORMATIONAL

The Governor is recommending decreases of \$55,180 in other fund expenditure authority and 1.0 unutilized FTE. The total recommended FY2011 budget is \$267,046 in other fund expenditure authority and 3.0 FTE.

PETROLEUM RELEASE COMPENSATION

The Governor's recommendation includes an increase of \$1,772 in other fund expenditure authority for health insurance. The total recommended FY2011 budget for Petroleum Release Compensation is \$2,553,132 in other fund expenditure authority and 5.0 FTE.

LOTTERY

The Governor's recommendation includes decreases of 1.0 unutilized FTE and \$33,674 in other fund expenditure authority. Also included is an increase of \$9,968 in other fund expenditure authority for health insurance. The total recommended FY2011 budget for Lottery is \$33,136,568 of other fund expenditure authority and 30.0 FTE.

REVENUE BOARDS AND COMMISSIONS – INFORMATIONAL

This includes the informational budgets of the Real Estate Commission, the Abstracters Board of Examiners, and the Commission on Gaming. The Governor is recommending an overall decrease of 1.0 FTE and an increase of \$105,660 in other fund expenditure authority within the three informational boards. This includes a 138,750 increase in other

fund expenditure authority for Real Estate Commission for the development of on-line services and to align the budget with actual expenditures. In addition, the Governor is recommending decreases of 1.0 unutilized FTE and \$40,534 in other fund expenditure authority within the Commission on Gaming. The total FY2011 recommended budget for the Boards and Commissions is \$11,163,764 in other fund expenditure authority and 21.0 FTE.

TOURISM AND STATE DEVELOPMENT

The Governor's recommended budget for the Department of Tourism and State Development totals \$72,809,561, and consists of \$8,733,424 in general funds, \$14,714,453 in federal fund expenditure authority, \$49,361,684 in other fund expenditure authority, and 253.1 FTE. The recommended changes include decreases of \$23,082 in general funds, \$411,540 in federal fund expenditure authority, \$13,258,015 in other fund expenditure authority, and 2.0 FTE. The Governor recommends increases of \$6,683 in general funds, \$4,212 in federal fund expenditure authority, and \$28,917 in other fund expenditure authority for health insurance.

ECONOMIC DEVELOPMENT

The Governor's recommended budget for Economic Development consists of \$2,441,871 in general funds, \$11,268,805 in federal fund expenditure authority, and \$11,625,626 in other fund expenditure authority, for a total budget of \$25,336,302 and 40.8 FTE. This recommendation includes increases of \$3,398 in general funds, \$1,826 in federal fund expenditure authority, and \$3,897 in other fund expenditure authority.

TOURISM

The Tourism budget is funded by revenues generated from Deadwood Gaming, a 1.5% gross receipts tax on hotel rooms and other tourist activities, and the Co-op Revolving Fund. For FY2011, the Governor is recommending an increase of \$494,367 in other fund expenditure authority for additional advertising, promotions, and industry co-ops. This number is based on a projected 5.0% growth in gaming revenues, 3.8% growth in promotion tax revenues, and an additional \$50,000 available for industry co-ops. The recommendation includes a decrease of \$48,216 in other fund expenditure authority and 1.0 FTE within personal services. The total FY2011 recommended budget consists of \$11,834,564 in other fund expenditure authority and 22.8 FTE.

RESEARCH COMMERCE

The Governor is recommending \$4,042,579 in general funds and 2.0 FTE for the Division of Research Commerce.

TRIBAL GOVERNMENT RELATIONS

The Governor's recommendation for the FY2011 Tribal Government Relations budget is \$225,317 in general funds and 3.0 FTE.

CULTURAL AFFAIRS

The total recommended FY2011 Cultural Affairs budget consists of \$2,023,657 in general funds, \$1,614,452 in federal fund expenditure authority, and \$3,140,481 in other fund expenditure authority, for a total budget of \$6,778,590 and 47.0 FTE. This recommendation includes decreases of \$27,937 in general funds within personal services and 1.0 FTE.

SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY - INFORMATIONAL

The total recommended FY2011 South Dakota Housing Development Authority budget is \$9,961,306, and consists of \$1,656,196 in federal fund expenditure authority, \$8,305,110 in other fund expenditure authority, and 65.0 FTE.

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY - INFORMATIONAL

The total recommended FY2011 budget for the South Dakota Science and Technology Authority is \$14,199,023 in other fund expenditure authority and 70.0 FTE. A decrease of \$13,422,835 in other fund expenditure authority is being recommended for FY2011 in order to align available funding with expenditure authority.

SOUTH DAKOTA ELLSWORTH DEVELOPMENT AUTHORITY - INFORMATIONAL

The total recommended FY2011 budget for the South Dakota Ellsworth Development Authority is \$175,000 in federal fund expenditure authority, \$200,000 in other fund expenditure authority, and 2.5 FTE.

TRANSPORTATION

The recommended FY2011 budget for the Department of Transportation contains \$522,399 in general funds, \$387,687,989 in federal fund expenditure authority, \$189,059,569 in other fund expenditure authority, and 1,026.3 FTE, for a total budget of \$577,269,957. The FY2011 budget reflects an increase of \$2,574 in general funds, a decrease of \$26,791,213 in federal fund

expenditure authority, an increase of \$6,973,065 in other fund expenditure authority, and a decrease of 14.0 FTE. The Governor is recommending increases of \$2,574 in general funds, \$58,830 in federal fund expenditure authority, and \$291,143 in other fund expenditure authority for health insurance.

GENERAL OPERATIONS

The Governor's total FY2011 recommended budget for General Operations includes \$522,399 in general funds, \$37,969,955 in federal fund expenditure authority, and \$132,416,187 in other fund expenditure authority, for a total budget of \$170,908,541 and 1,026.3 FTE. This budget includes: a decrease of \$1,496,311 in other fund expenditure authority due to anticipated decreases in the cost of motor fuels and utilities, decreases of \$628,307 in other fund expenditure authority and 14.0 unutilized FTE, a decrease of \$554,565 in other fund expenditure authority within the Aviation Services program, and increases of \$90,000 of other fund expenditure authority and \$400,000 in American Recovery and Reinvestment Act federal fund expenditure authority to be passed through to transit and metropolitan planning organizations. The Governor is recommending that the General Operations budget decrease by \$1,952,439 in FY2011.

CONSTRUCTION CONTRACTS

The recommended budget for Construction Contracts includes a decrease of \$26,079,069 in federal fund expenditure authority and an increase of \$8,215,934 in other fund expenditure authority.

Within the budget for Roads and Bridges, the Governor is recommending a decrease of \$33,020,000 in American Recovery and Reinvestment Act federal fund expenditure authority since it is not needed in FY2011. The Governor is recommending an increase of \$6,930,744 in other fund expenditure authority for statewide Road and Bridge construction projects.

The budget for Airport Construction is recommended to increase by \$6,940,931 in federal fund expenditure authority and \$1,285,190 in other fund expenditure authority. Within the budget for Airport Construction \$2,546,520 of the federal fund expenditure authority increase is for American Recovery and Reinvestment Act eligible projects. The remainder will be for enhancements to statewide airports.

The total budget for Construction Contracts is \$406,361,416, and makes up 70% of the Department of Transportation's budget. The Construction Contracts budget is Informational.

LABOR

The Governor's recommendation for the Department of Labor is \$876,167 in general funds, \$34,827,066 in federal fund expenditure authority, \$6,984,215 in other fund expenditure authority, and 427.5 FTE. This recommendation includes increases of \$4,164 in general funds, \$96,378 in federal fund expenditure authority, and \$50,057 in other fund expenditure authority, and a decrease of 1.0 FTE. Decreases of 1.0 FTE and \$20,253 in federal fund expenditure authority are to adjust the budget to reflect actual usage of FTE hours. Increases of \$4,164 in general funds, \$116,631 in federal fund expenditure authority, and \$27,257 in other fund expenditure authority is for health insurance. For reporting purposes, the budgets for six professional and occupational licensing boards and the South Dakota Retirement System 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 FY2011 of \$2,813,622 in other fund expenditure authority, which is a total increase of \$12,094 in other fund expenditure authority. 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 \$3,735,876 in other fund expenditure authority and 33.0 FTE. The recommendation includes an increase of \$35,622 in other fund expenditure authority.

PUBLIC SAFETY

The Department of Public Safety FY2011 Governor's recommendation includes \$3,669,056 in general funds, \$21,892,382 in federal fund expenditure authority, \$26,508,899 in other fund expenditure authority, for a total of \$52,070,337 and 411.5 FTE.

ADMINISTRATION

The Governor is recommending increases of \$167 in general funds and \$2,374 in other fund expenditure authority. The distribution of health insurance accounts for increases of \$167 in general funds and \$2,537 in other fund expenditure

authority increases. Additionally, a minor reduction in other fund expenditure authority is also recommended due to a space billing rate adjustment. The Division of Administration's total recommended budget is \$105,808 in general funds, \$123,044 in federal fund expenditure authority, and \$628,461 in other fund expenditure authority, for a total of \$857,313 and 8.5 FTE.

HIGHWAY PATROL

The Division of Highway Patrol includes the South Dakota Highway Patrol, Accident Records, Highway Safety, and State Radio. The Governor is recommending increases of \$8,091 in general funds and \$3,902 in federal fund expenditure authority and decreases of \$111,912 in other fund expenditure authority and 5.0 FTE. The recommended decrease is primarily due to the reduction of 5.0 FTE in Motor Carrier Inspections. The distribution of health insurance reflects increases of \$8,091 in general funds, \$4,076 in federal fund expenditure authority, and \$84,181 in other fund expenditure authority. The total FY2011 recommendation includes \$1,388,642 in general funds, \$5,538,263 in federal fund expenditure authority, and \$18,944,984 in other fund expenditure authority, for a total of \$25,871,889 and 277.0 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 is recommending increases of \$5,652 in general funds and \$7,308 in federal fund expenditure authority and decreases of \$21,767 in other fund expenditure authority and 1.0 FTE. Recommended budget decreases are due to the elimination of 1.0 FTE in Emergency Management and central services space billing rate adjustments. The distribution of health insurance accounts for increases of \$6,311 in general funds, \$8,986 in federal fund expenditure authority, and \$338 in other fund expenditure authority. The FY2011 budget recommendation for the Emergency Services and Homeland Security division includes \$1,509,027 in general funds, \$16,231,075 in federal fund expenditure authority, and \$286,999 in other fund expenditure authority, for a total of \$18,027,101 and 35.5 FTE.

INSPECTION AND LICENSING

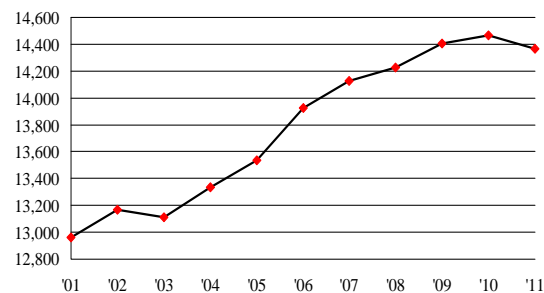
The Division of Inspection and Licensing includes Weights and Measures, Driver Licensing, and Inspections. The Governor is recommending increases of \$548 in general funds and \$519,089 in other fund expenditure authority. An increase of

\$488,193 in other fund expenditure authority in Driver Licensing is due to the contract agreement for the production and issuance of driver licenses and identification cards. The distribution of health insurance accounts for increases of \$574 in general funds and \$31,340 in other fund expenditure authority. The FY2011 recommended budget includes \$665,579 in general funds and \$6,648,455 in other fund expenditure authority, for a total of \$7,314,034 and 90.5 FTE.

FTE CHANGE

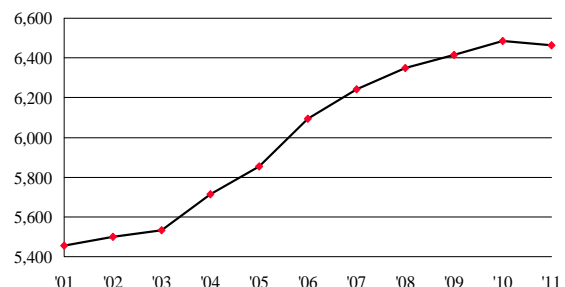
The total appropriated FTE increased from 12,964.0 in FY2001 to a recommended level of 14,367.9 for FY2011. This is a difference of 1,403.9 FTE over a ten-year period. The recommended change in ongoing FTE is a reduction of 102.0 across state government.

FTE History
All of State Government



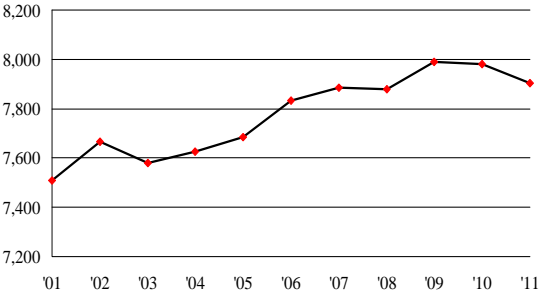
For offices outside the control of the Governor, total appropriated FTE grew from 5,455.5 in FY2001 to a recommended level of 6,463.3 for FY2011. This is an increase of 1,007.8 FTE, or 18.5%. The changes recommended for these offices in the FY2011 budget are a net decrease of 21.9 FTE. This includes an increase of 3.0 FTE in the Public Utilities Commission for electrical utilities analysts funded with ARRA federal authority, an increase of 0.3 FTE in the Secretary of State's office to handle additional administrative workloads, and a decrease of 25.2 FTE in the regental system.

FTE History for Offices
Outside Control of Governor



The agencies under direct control of the Governor had total appropriated FTE of 7,508.5 in FY2001. The FY2011 budget recommendation brings the FTE to a level of 7,904.6. This is an increase of 396.1 FTE, or 5.3%, during the decade. The recommended decrease of 76.8 FTE in FY2011 is to bring agency FTE budgets in line with their historical utilization and eliminate FTE hours that have gone unused. This is the second consecutive year of a recommended FTE reduction in the agencies under the control of the Governor.

FTE History for Offices Under Control of Governor



SPECIAL APPROPRIATION RECOMMENDATIONS

FY2011 SPECIAL APPROPRIATIONS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
Tax Refunds for Elderly and Disabled		\$ 650,000	\$ -	\$ -	\$ 650,000
Physician Tuition Reimbursement		\$ 236,656	\$ -	\$ -	\$ 236,656
Conservation Grant		\$ -	\$ -	\$ 500,000	\$ 500,000
TOTAL FY2011 SPECIAL APPROPRIATIONS	0.0	\$ 886,656	\$ -	\$ 500,000	\$ 1,386,656

NOTE: FY2011 special appropriations become available for expenditure on July 1, 2010, and are included in the FY2011 column of the General Fund Condition Statement.

Governor Rounds is recommending total special appropriations of \$886,656 in general funds and \$500,000 in other fund expenditure authority. The following paragraphs highlight each recommended special appropriation.

- ◆ **Tax Refunds for the Elderly and Disabled:** The Governor is recommending \$650,000 in general funds for tax refunds for elderly and disabled individuals who meet income guidelines.

- ◆ **Physician Tuition Reimbursement Program:** The Governor is recommending \$236,656 in general funds to reimburse four 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-73.20.

- ◆ **Conservation Grant:** The Governor is recommending \$500,000 in other fund expenditure authority to be used to fund the conservation districts and address soil and water conservation in South Dakota.

<u>FY2010 EMERGENCY SPECIAL APPROPRIATIONS</u>	<u>FTE</u>	<u>GENERAL FUNDS</u>	<u>FEDERAL FUNDS</u>	<u>OTHER FUNDS</u>	<u>TOTAL</u>
Development of Rapid City Community Corrections Site		\$ 1,800,000	\$ 1,175,000	\$ 825,000	\$ 3,800,000
Fire Suppression Fund		\$ 1,230,349	\$ -	\$ -	\$ 1,230,349
Extraordinary Litigation Fund		\$ 944,610	\$ -	\$ -	\$ 944,610
Water Omnibus Bill			\$ 275,000	\$ 13,950,000	\$ 14,225,000
TOTAL FY2010 EMERGENCY SPECIAL APPROPRIATIONS	<u>0.0</u>	<u>\$ 3,974,959</u>	<u>\$ 1,450,000</u>	<u>\$ 14,775,000</u>	<u>\$ 20,199,959</u>

NOTE: FY2010 emergency special appropriations become available for expenditure upon passage of the bill and are included in the FY2010 column of the General Fund Condition Statement.

Governor Rounds is recommending total emergency special appropriations of \$3,974,959 in general funds, \$1,450,000 in federal fund expenditure authority, and \$14,775,000 in other fund expenditure authority. The following paragraphs highlight each recommended emergency special appropriation.

- ◆ **Development of Rapid City Community Corrections Site:** The Governor is recommending \$1,800,000 in general funds, \$1,175,000 in federal fund expenditure authority, and \$825,000 in other fund expenditure authority. The funding will be utilized for an architectural and engineering design, structural custom-fit remodeling, and construction costs. The current anticipated opening date is planned for the beginning of FY2012.
- ◆ **Fire Suppression Fund:** The Governor is recommending \$1,230,349 in general funds to be deposited into the Fire Suppression Fund for costs related to the suppression of wildfires in South Dakota.
- ◆ **Extraordinary Litigation Fund:** The Governor is recommending \$944,610 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.
- ◆ **Water Omnibus Bill:** The Governor is recommending \$275,000 in federal fund expenditure authority and \$13,950,000 in other fund expenditure authority for water development, solid waste, and water quality improvement projects throughout the state. The portion of the Governor's omnibus bill that will go to the Lewis & Clark Rural Water System is \$6,300,000 in other fund expenditure authority.

FY2010 GENERAL BILL AMENDMENTS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
Indian Health Services		\$ -	\$ 20,160,575	\$ -	\$ 20,160,575
H1N1 Grant	15.0	\$ -	\$ 5,000,000	\$ -	\$ 5,000,000
Second Chance Prisoner Reentry Grant		\$ -	\$ 850,568	\$ 425,410	\$ 1,275,978
State Veterans' Home Food Services		\$ 23,728	\$ -	\$ 35,592	\$ 59,320
Low Income Energy Assistance Program		\$ -	\$ 12,000,000	\$ -	\$ 12,000,000
Airport Construction Projects (ARRA)		\$ -	\$ 11,486,080	\$ -	\$ 11,486,080
DSS Alternate Non-Emergency Services		\$ -	\$ 5,500,000	\$ -	\$ 5,500,000
DSS Medical Services		\$ -	\$ 29,439,698	\$ -	\$ 29,439,698
DHS 1.89% bonus FMAP (ARRA)		\$ (3,260,660)	\$ -	\$ -	\$ (3,260,660)
DOC 1.89% bonus FMAP (ARRA)		\$ (325,140)	\$ -	\$ -	\$ (325,140)
DOE 1.89% bonus FMAP (ARRA)		\$ (5,880)	\$ -	\$ -	\$ (5,880)
DOE Birth to Three (ARRA)		\$ (335,339)	\$ 335,339	\$ -	\$ -
BOR Revised Utility Projections		\$ (694,471)	\$ -	\$ -	\$ (694,471)
DOC Revised Utility Projections		\$ (684,608)	\$ -	\$ -	\$ (684,608)
MVA Revised Utility Projections		\$ (149,813)	\$ (301,992)	\$ (128,652)	\$ (580,457)
DHS Revised Utility Projections		\$ (82,936)	\$ (148,269)	\$ -	\$ (231,205)
DOT Revised Utility Projections		\$ -	\$ -	\$ (315,540)	\$ (315,540)
TOTAL FY2010 GENERAL BILL AMENDMENTS	15.0	\$ (5,515,119)	\$ 84,321,999	\$ 16,810	\$ 78,823,690

NOTE: FY2010 general bill amendments are changes needing to be made to the FY2010 General Appropriations Act and are included in the FY2010 column of the General Fund Condition Statement.

Governor Rounds is recommending total general bill amendments of (\$5,515,119) in general funds, \$84,321,999 in federal fund expenditure authority, and \$16,810 in other fund expenditure authority. The following paragraphs highlight each recommended FY2010 general bill amendment.

- ◆ **Indian Health Services:** The Governor is recommending \$20,160,575 in federal fund expenditure authority. The billing methodology is being changed to allow billing for different services provided the same day which is consistent with how Medical Services providers are reimbursed.
- ◆ **H1N1 Grant:** The Governor is recommending \$5,000,000 in federal fund expenditure authority and 15.0 FTE due to receiving federal H1N1 funds which are being spent on planning and responding to H1N1 throughout the state.
- ◆ **Second Chance Prisoner Reentry Grant:** The Governor is recommending \$850,568 in federal fund expenditure authority and \$425,410 in other fund expenditure authority. The funds will be used to support one Community Case Manager position in Pierre, one Project Manager in Parole Services, and the implementation of programs, policies, and procedures to assist in the reduction of recidivism among adult and juvenile offenders in the state.
- ◆ **State Veterans' Home Food Services:** The Governor is recommending \$23,728 in general funds and \$35,592 in other fund expenditure authority due to increased food services rates and a higher average daily census of residents.
- ◆ **Low Income Energy Assistance Program:** The Governor is recommending \$12,000,000 in federal fund expenditure authority due to an increase in energy assistance benefits to low income individuals as a result of an increase in the federal grant.
- ◆ **Airport Construction Projects (ARRA):** The Governor is recommending \$11,486,080 in American Recovery and Reinvestment Act federal fund expenditure authority for airport construction projects.
- ◆ **DSS Alternate Non-Emergency Services:** The Governor is recommending \$5,500,000 in federal fund expenditure authority for programs which help divert Medicaid recipients from more costly non-emergency room medical services.
- ◆ **DSS Medical Services:** The Governor is recommending \$29,439,698 in federal fund expenditure authority due to additional clients and claims in Medical Services. These funds will be matched with general funds made available by the 1.89% bonus FMAP made available by American Recovery and Reinvestment Act.
- ◆ **DHS 1.89% bonus FMAP (ARRA):** The Governor is recommending (\$3,260,660) in general funds due to the state receiving additional American Recovery and Reinvestment Act for the state Medicaid program.
- ◆ **DOC 1.89% bonus FMAP (ARRA):** The Governor is recommending (\$325,140) in general funds due to the state receiving additional American Recovery and Reinvestment Act funds for the state Medicaid program.
- ◆ **DOE 1.89% bonus FMAP (ARRA):** The Governor is recommending (\$5,880) in general funds due to the state receiving additional American Recovery and Reinvestment Act funds for the state Medicaid program.
- ◆ **DOE Birth to Three (ARRA):** The Governor is recommending (\$335,339) in general funds and \$335,339 in American Recovery and Reinvestment Act federal fund expenditure authority as the state can maintain current funding for the program using available ARRA funding.

- ◆ ***BOR Revised Utility Projections:*** The Governor is recommending (\$694,471) in general funds due to revised FY2010 energy projections.
- ◆ ***DOC Revised Utility Projections:*** The Governor is recommending (\$684,608) in general funds due to revised FY2010 energy projections.
- ◆ ***MVA Revised Utility Projections:*** The Governor is recommending (\$149,813) in general funds, (\$301,992) in federal fund expenditure authority, and (\$128,652) in other fund expenditure authority due to revised FY2010 energy projections.
- ◆ ***DHS Revised Utility Projections:*** The Governor is recommending (\$82,936) in general funds and (\$148,269) in federal fund expenditure authority due to revised FY2010 energy projections.
- ◆ ***DOT Revised Utility Projections:*** The Governor is recommending (\$315,540) in other fund expenditure authority due to revised FY2010 energy projections.

GOVERNOR ROUNDS' RECOMMENDATION FOR STATE EMPLOYEE COMPENSATION PACKAGE

	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL FUNDS
PACE ADJUSTMENT TO JOB WORTH: The Governor is not recommending an increase for PACE adjustment to job worth.	\$ -	\$ -	\$ -	\$ -
ACROSS-THE-BOARD INCREASE: The Governor is not recommending an across-the-board pay increase.				
Executive Branch	\$ -	\$ -	\$ -	\$ -
Board of Regents	-	-	-	-
Legislative Branch	-	-	-	-
Judicial Branch	-	-	-	-
Constitutional Offices	-	-	-	-
Subtotal	\$ -	\$ -	\$ -	\$ -
HEALTH INSURANCE INCREASE: The costs associated with the employer-paid portion of the state employee's health insurance plan for FY2011 is projected to increase by 6.3%.	\$ 1,880,186	\$ 1,016,399	\$ 1,772,036	\$ 4,668,621
GRAND TOTAL INCREASE FOR STATE HEALTH INSURANCE:	\$ 1,880,186	\$ 1,016,399	\$ 1,772,036	\$ 4,668,621

For FY2011, health insurance was distributed to agencies in the Governor's recommended budget.

**GOVERNOR'S FY2011 GENERAL FUND
BASE BUDGET RECOMMENDATIONS**

GENERAL BILL	FTE EXPANSION/ (REDUCTION)	GENERAL FUND EXPANSION/ (REDUCTION)	TOTAL GENERAL FUND RECOMMENDATION
Administration	(4.0)	(51,794)	4,532,420
Agriculture	(7.0)	5,265	6,245,020
Attorney General	0.0	(158,833)	9,886,879
Corrections	(4.0)	501,086	76,362,538
Education (Excluding State Aid and Postsecondary Education)	(2.0)	(417,794)	11,588,863
State Aid to Education		(9,081,473)	365,465,207
Postsecondary Vocational Education		2,696,804	22,464,229
Environment and Natural Resources	(1.8)	11,747	5,807,108
Finance and Management	(1.0)	(626,903)	8,134,630
Game, Fish, and Parks	(2.0)	(26,572)	5,087,556
Gubernatorial Division	(1.0)	6,617	2,464,465
Health	(4.0)	19,409	7,782,285
Human Services	(15.0)	8,019,025	109,396,791
Information and Telecommunications	(4.0)	18,432	5,768,686
Labor and Regulation (Includes SD Retirement System)	(1.0)	4,164	876,167
Legislature	0.0	66,862	7,652,736
Military and Veteran's Affairs	0.0	(43,692)	6,270,811
Personnel	(1.0)	1,848	970,949
Public Safety	(6.0)	14,458	3,669,056
Public Utilities Commission	3.0	1,843	514,199
Regents	(25.2)	3,370,855	174,272,956
Revenue	(4.0)	5,883	1,142,611
School and Public Lands	0.0	2,325	547,047
Secretary of State	0.3	30,018	1,007,237
Social Services	(3.0)	46,624,472	294,589,175
State Auditor	0.0	(6,058)	1,205,943
State Treasurer (Including Investment Council)	0.0	1,697	508,556
Tourism & State Development	(2.0)	(23,082)	8,733,424
Transportation	(14.0)	2,574	522,399
Unified Judicial System	0.0	362,504	35,681,213
TOTAL FY2011 GENERAL BILL RECOMMENDATIONS	(98.7)	51,331,687	1,179,151,156
BREAKDOWN			
Executive Branch	(75.8)	54,038,526	557,480,489
Unified Judicial System and Other Elected Officials	2.3	306,975	59,468,275
State Aid		(9,081,473)	365,465,207
Postsecondary Vocational Education		2,696,804	22,464,229
Board of Regents	(25.2)	3,370,855	174,272,956
TOTAL FY2011 GENERAL BILL RECOMMENDATIONS	(98.7)	51,331,687	1,179,151,156

GENERAL FUND CONDITION STATEMENT

	ACTUAL FY2008	ACTUAL FY2009	REVISED FY2010	PROJECTED FY2011
RECEIPTS				
Sales and Use Tax	\$ 644,596,998	\$ 658,724,471	\$ 647,738,298	\$ 668,353,398
Contractor's Excise Tax	78,978,429	71,384,919	73,375,756	74,739,517
Property Tax Reduction Fund	126,605,981	125,463,350	120,040,104	118,547,934
Bank Franchise Tax	45,433,113	33,409,213	28,439,272	28,866,836
Insurance Company Tax	60,393,960	61,823,150	62,580,140	63,508,640
Other	188,092,570	189,792,064	178,097,741	191,921,795
One-Time Receipts	6,508,132	12,800,898	21,838,270	4,696,147
Transfer from Property Tax Reserves	25,650,000	0	0	31,777,391
Obligated Cash Carried Forward	247,214	150,957	0	0
TOTAL RECEIPTS	\$1,176,506,396	\$1,153,549,022	\$1,132,109,581	\$1,182,411,658
EXPENDITURES				
General Bill Excl. State Aid to Education	\$ 785,303,535	\$ 771,653,938	\$ 747,757,670	\$ 813,685,949
State Aid to Education	360,436,307	365,522,412	374,546,680	365,465,207
Special Appropriations	14,533,043	10,008,647	3,523,237	886,656
Emergency Special Appropriations	13,647,334	3,712,079	3,974,959	0
Continuing Appropriations	2,188,007	2,500,989	2,307,035	2,373,846
TOTAL EXPENDITURES	\$1,176,108,225	\$1,153,398,065	\$1,132,109,581	\$1,182,411,658
TRANSFERS				
Budget Reserve Fund	\$ 247,214	\$ 150,957	\$ 0	\$ 0
Property Tax Reduction Fund	0	0	0	0
TOTAL TRANSFERS	\$ 247,214	\$ 150,957	\$ 0	\$ 0
Beginning Unobligated Cash Balance	\$ 0	\$ 0	\$ 0	\$ 0
Net (Receipts less Expend./Transfers)	150,957	0	0	0
OBLIGATIONS AGAINST CASH				
Budget Reserve Fund	(150,957)	0	0	0
Property Tax Reduction Fund	0	0	0	0
Total Obligations Against Cash	(150,957)	0	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 2008	ACTUAL FY 2009	BUDGETED FY 2010	REQUESTED FY 2011	GOVERNOR'S RECOMMENDED FY 2011	RECOMMENDED INC/(DEC) FY 2011
FUNDING SOURCE:						
General Funds	\$ 1,145,739,840	\$ 1,137,176,349	\$ 1,127,819,469	\$ 1,224,860,567	\$ 1,179,151,156	\$ 51,331,687
Federal Funds	950,214,676	1,120,571,111	1,442,715,267	1,471,176,705	1,506,262,652	63,547,385
Other Funds	581,316,261	606,920,300	687,566,601	715,786,029	717,283,209	29,716,608
Total	<u>\$ 2,677,270,777</u>	<u>\$ 2,864,667,760</u>	<u>\$ 3,258,101,337</u>	<u>\$ 3,411,823,301</u>	<u>\$ 3,402,697,017</u>	<u>\$ 144,595,680</u>
EXPENDITURE DETAIL:						
Personal Services	\$ 666,180,977	\$ 698,786,594	\$ 735,318,154	\$ 748,562,646	\$ 746,756,574	\$ 11,438,420
Operating Expenses	2,011,089,800	2,165,881,166	2,522,783,183	2,663,260,655	2,655,940,443	133,157,260
Total	<u>\$ 2,677,270,777</u>	<u>\$ 2,864,667,760</u>	<u>\$ 3,258,101,337</u>	<u>\$ 3,411,823,301</u>	<u>\$ 3,402,697,017</u>	<u>\$ 144,595,680</u>
Staffing Level FTE:	12,447.5	12,502.6	13,133.7	13,227.5	13,042.0	(91.7)

SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2010	GOVERNOR'S RECOMMENDED FY 2011	RECOMMENDED INC/(DEC) FY 2011
General Funds	\$ 4,290,112	\$ 3,260,502	(\$ 1,029,610)
Federal Funds	91,871,999	6,100,000	(85,771,999)
Other Funds	27,551,955	1,783,270	(25,768,685)
Total	<u>\$ 123,714,066</u>	<u>\$ 11,143,772</u>	<u>(\$ 112,570,294)</u>
Staffing Level FTE:	15.0	0.0	(15.0)

TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2010	GOVERNOR'S RECOMMENDED FY 2011	RECOMMENDED INC/(DEC) FY 2011
General Funds	\$ 1,132,109,581	\$ 1,182,411,658	\$ 50,302,077
Federal Funds	1,534,587,266	1,512,362,652	(22,224,614)
Other Funds	715,118,556	719,066,479	3,947,923
Total	<u>\$ 3,381,815,403</u>	<u>\$ 3,413,840,789</u>	<u>\$ 32,025,386</u>
Staffing Level FTE:	13,148.7	13,042.0	(106.7)

INFORMATION BUDGETS CONTAINED IN THE GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2008	ACTUAL FY 2009	BUDGETED FY 2010	REQUESTED FY 2011	GOVERNOR'S RECOMMENDED FY 2011	RECOMMENDED INC/(DEC) FY 2011
FUNDING SOURCE:						
General Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal Funds	231,248,940	275,085,944	410,471,886	407,318,756	403,960,186	(6,511,700)
Other Funds	224,859,360	291,895,463	258,548,648	249,155,410	249,324,380	(9,224,268)
Total	\$ 456,108,300	\$ 566,981,407	\$ 669,020,534	\$ 656,474,166	\$ 653,284,566	(\$ 15,735,968)
EXPENDITURE DETAIL:						
Personal Services	\$ 74,771,953	\$ 83,146,196	\$ 90,430,051	\$ 92,931,733	\$ 92,944,388	\$ 2,514,337
Operating Expenses	381,336,348	483,835,212	578,590,483	563,542,433	560,340,178	(18,250,305)
Total	\$ 456,108,300	\$ 566,981,407	\$ 669,020,534	\$ 656,474,166	\$ 653,284,566	(\$ 15,735,968)
Staffing Level FTE:	1,251.1	1,278.3	1,332.9	1,340.9	1,325.9	(7.0)

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
 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
 SD Ellsworth Development 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 Examiners
 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 2008	ACTUAL FY 2009	BUDGETED FY 2010	REQUESTED FY 2011	GOVERNOR'S RECOMMENDED FY 2011	RECOMMENDED INC/(DEC) FY 2011
FUNDING SOURCE:						
General Funds	\$ 1,145,739,840	\$ 1,137,176,349	\$ 1,127,819,469	\$ 1,224,860,567	\$ 1,179,151,156	\$ 51,331,687
Federal Funds	1,181,463,616	1,395,657,055	1,853,187,153	1,878,495,461	1,910,222,838	57,035,685
Other Funds	806,175,621	898,815,763	946,115,249	964,941,439	966,607,589	20,492,340
Total	<u>\$ 3,133,379,077</u>	<u>\$ 3,431,649,168</u>	<u>\$ 3,927,121,871</u>	<u>\$ 4,068,297,467</u>	<u>\$ 4,055,981,583</u>	<u>\$ 128,859,712</u>
EXPENDITURE DETAIL:						
Personal Services	\$ 740,952,930	\$ 781,932,790	\$ 825,748,205	\$ 841,494,379	\$ 839,700,962	\$ 13,952,757
Operating Expenses	2,392,426,147	2,649,716,378	3,101,373,666	3,226,803,088	3,216,280,621	114,906,955
Total	<u>\$ 3,133,379,077</u>	<u>\$ 3,431,649,168</u>	<u>\$ 3,927,121,871</u>	<u>\$ 4,068,297,467</u>	<u>\$ 4,055,981,583</u>	<u>\$ 128,859,712</u>
Staffing Level FTE:	13,698.5	13,780.8	14,466.6	14,568.4	14,367.9 (98.7)

SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2010	GOVERNOR'S RECOMMENDED FY 2011	RECOMMENDED INC/(DEC) FY 2011
General Funds	\$ 4,290,112	\$ 3,260,502	(\$ 1,029,610)
Federal Funds	91,871,999	6,100,000	(85,771,999)
Other Funds	27,551,955	1,783,270	(25,768,685)
Total	<u>\$ 123,714,066</u>	<u>\$ 11,143,772</u>	<u>(\$ 112,570,294)</u>
Staffing Level FTE:	15.0	0.0	(15.0)

TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2010	GOVERNOR'S RECOMMENDED FY 2011	RECOMMENDED INC/(DEC) FY 2011
General Funds	\$ 1,132,109,581	\$ 1,182,411,658	\$ 50,302,077
Federal Funds	1,945,059,152	1,916,322,838	(28,736,314)
Other Funds	973,667,204	968,390,859	(5,276,345)
Total	<u>\$ 4,050,835,937</u>	<u>\$ 4,067,125,355</u>	<u>\$ 16,289,418</u>
Staffing Level FTE:	14,481.6	14,367.9	(113.7)