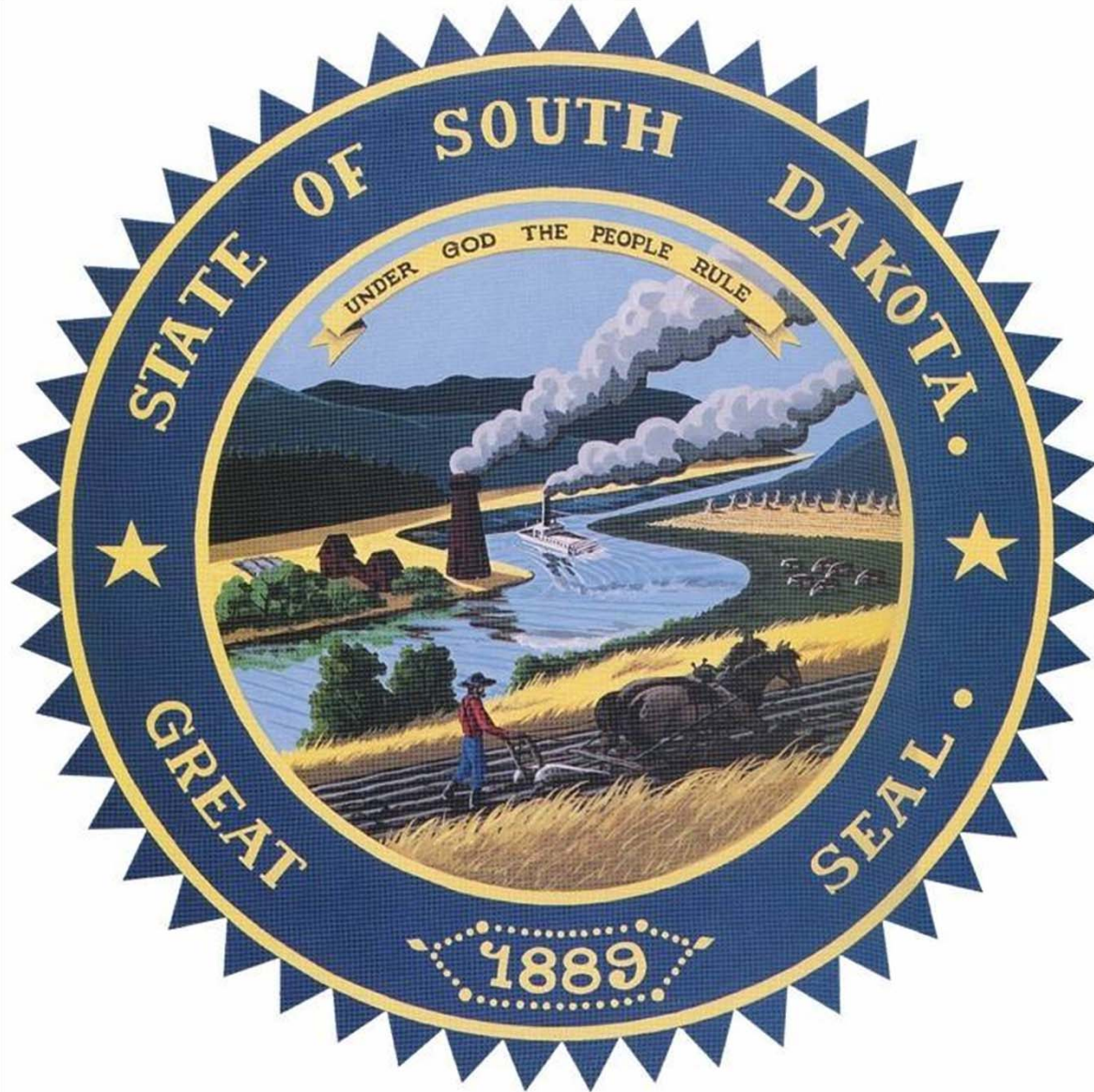


# Governor Dennis Daugaard's FY2012 Budget Recommendations

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# Structural Deficit

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- When Ongoing Expenses exceed Ongoing Revenues**
- Stimulus funds are excluded**
- One time Revenues are excluded**
- One time Expenses are excluded**

# A History of Ongoing Revenue Estimating

<u>Year</u>	<u>Adopted</u>	<u>Actual</u> <u>Receipts</u>	<u>Difference</u>
FY 2002	\$ 851,022,400	\$ 837,855,606	<b>\$(13,166,794)</b>
FY 2003*	\$ 841,450,556	\$ 872,718,745	\$ 31,268,189
FY 2004*	\$ 876,682,272	\$ 917,449,464	\$ 40,767,192
FY 2005	\$ 952,696,623	\$ 956,751,219	\$ 4,054,596
FY 2006*	\$ 1,001,797,801	\$1,013,115,062	\$ 11,317,261
FY 2007*	\$ 1,065,991,069	\$1,061,350,024	<b>\$ (4,641,045)</b>
FY 2008*	\$ 1,148,973,257	\$1,143,748,223	<b>\$ (5,225,034)</b>
FY 2009	\$ 1,195,459,836	\$1,138,901,445	<b>\$(56,558,391)</b>
FY 2010*	\$ 1,130,101,479	\$1,109,359,945	<b>\$(20,741,534)</b>
FY 2011	\$ 1,154,744,209	\$1,138,892,224	<b>\$(15,851,985)</b>

\* Includes adjustments

# FY2011 Adopted vs. Revised Receipts

(in millions)

	<u>Ad. FY2011</u>	<u>Rev FY2011</u>	<u>Change</u>
Sales and Use Tax	\$671.4	\$688.5	+17.1
Property Tax Reduction Fund	118.7	112.7	- 6.0
Contractor's Excise Tax	80.0	62.5	- 17.5
Insurance Company Tax	63.4	62.3	- 1.1
Bank Franchise Tax	24.9	3.9	- 21.0
Transfer from Trust Funds	30.7	30.7	0.0
Charges for Goods and Services	15.9	26.2	+10.3
Other Ongoing Receipts	<u>149.7</u>	<u>152.1</u>	<u>+2.4</u>
Total Ongoing Receipts	1,154.7	1,138.9	-15.8
One-Time Receipts	9.9	9.9	0.0
Reserve Transfers to Balance	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>Total General Fund Revenues</b>	1,164.6	1,148.8	-15.8

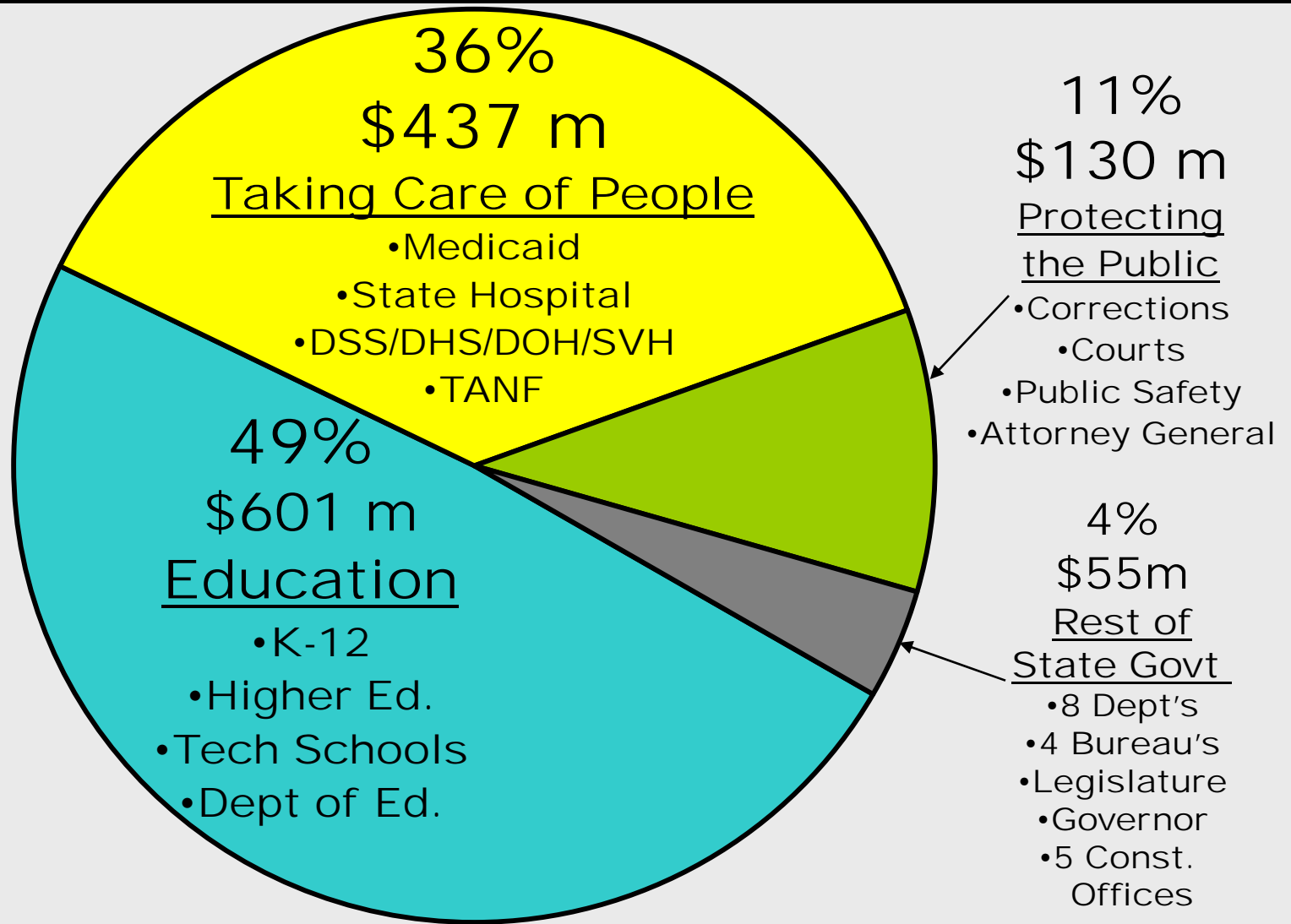
# FY2011 & FY2012 Receipts & Forecasts

(in millions)

	<u>Rev FY2011</u>	<u>FY2012</u>	<u>Change</u>
Sales and Use Tax	\$688.5	\$709.3	+\$20.8
Property Tax Reduction Fund	112.7	112.2	- 0.5
Contractor's Excise Tax	62.5	68.0	+ 5.5
Insurance Company Tax	62.3	64.6	+ 2.3
Bank Franchise Tax	3.9	4.0	+ 0.1
Transfer from Trust Funds	30.7	30.3	- 0.4
Charges for Goods and Services	26.2	25.1	- 1.1
Other Ongoing Receipts	<u>152.1</u>	<u>150.7</u>	<u>- 1.4</u>
Total Ongoing Receipts	1,138.9	1,164.2	+ 25.3
One-Time Receipts	9.9	- 25.4	- 35.3
Reserve Transfers to Balance	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>Total General Fund Revenues</b>	<b>1,148.8</b>	<b>1,138.8</b>	<b>-10.0</b>

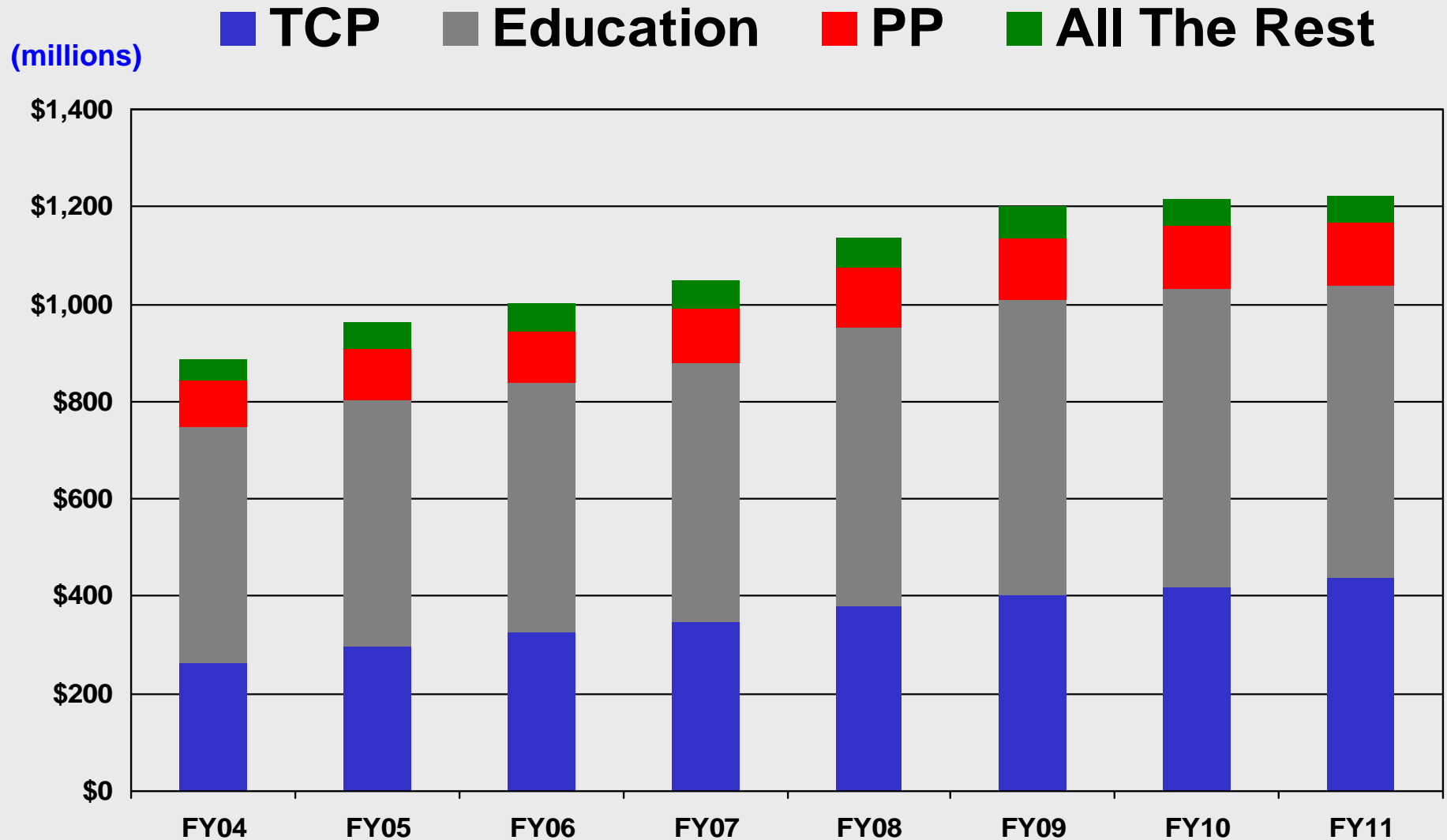
# How your State Tax Dollar is Allocated

(FY2011 Legislative Adopted)

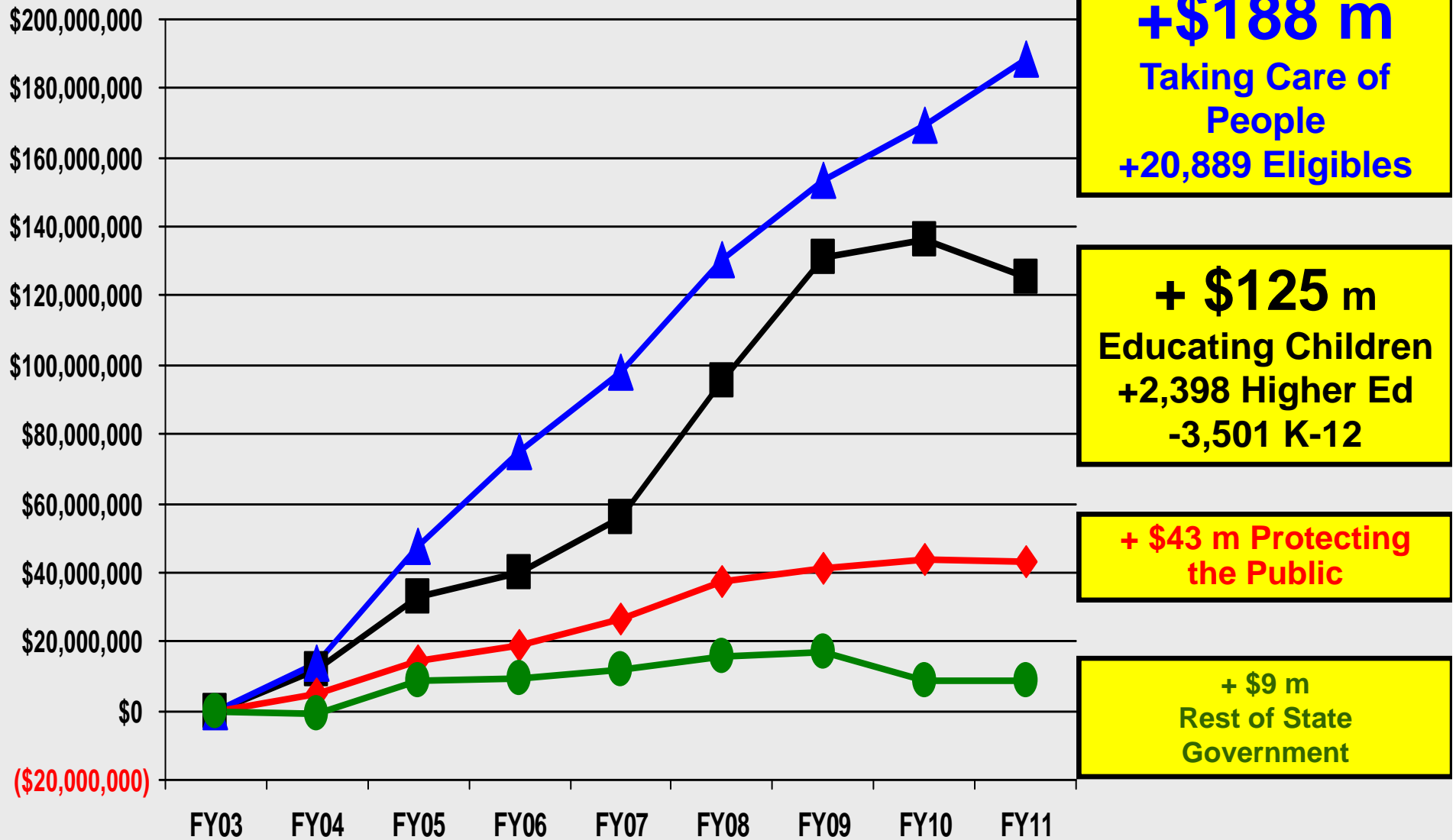


***Excludes Sale/Leaseback, CRP, and Bond Payments and Includes \$76.6M of Federal stimulus funding used to balance the FY2011 budget***

# South Dakota General Fund Expenses



# General Fund Expenditure Priorities\*



**+\$188 m**  
Taking Care of People  
+20,889 Eligibles

**+ \$125 m**  
Educating Children  
+2,398 Higher Ed  
-3,501 K-12

**+ \$43 m** Protecting the Public

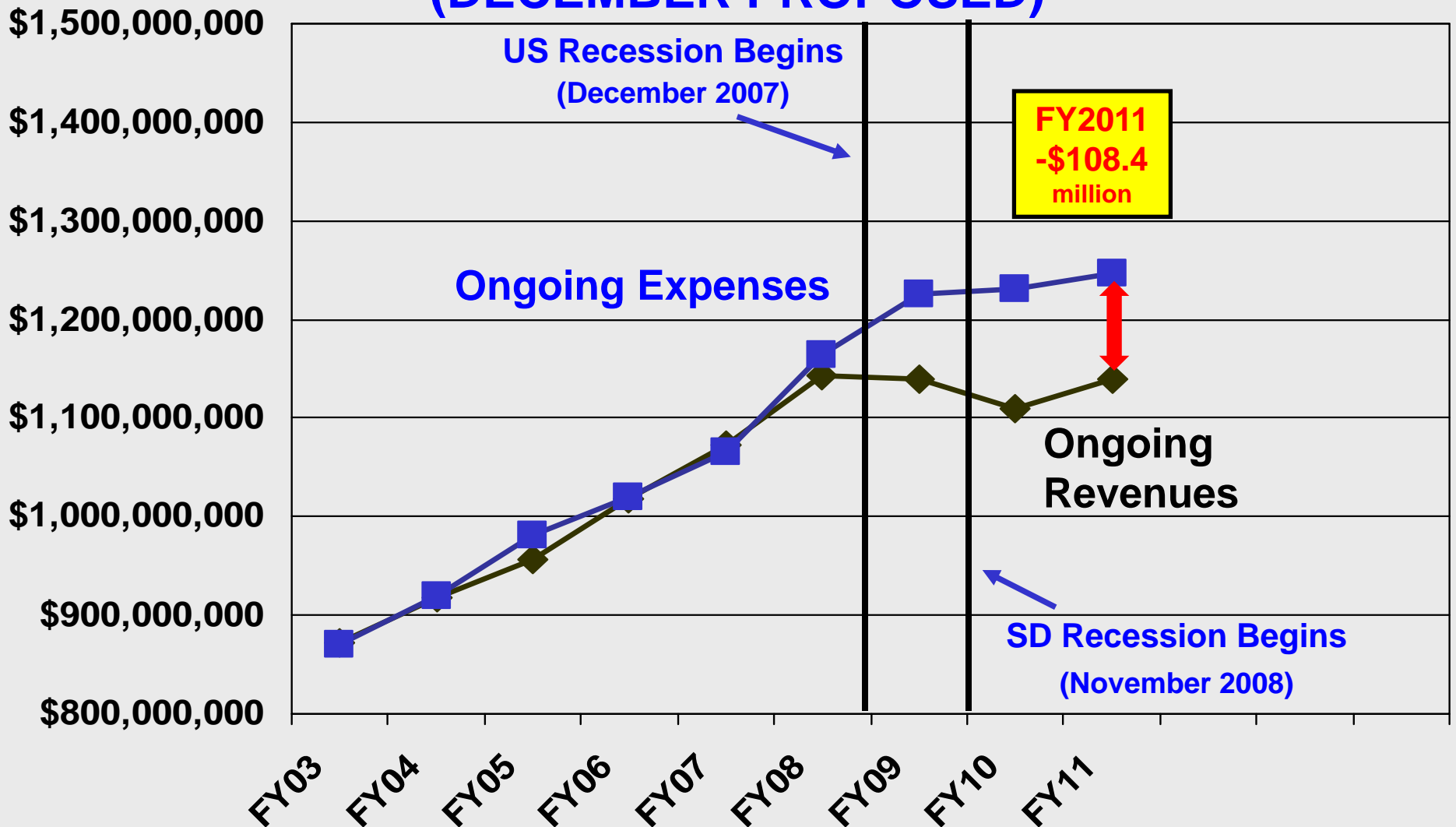
**+ \$9 m** Rest of State Government

\* Excluding Bonds and Sale/leasebacks



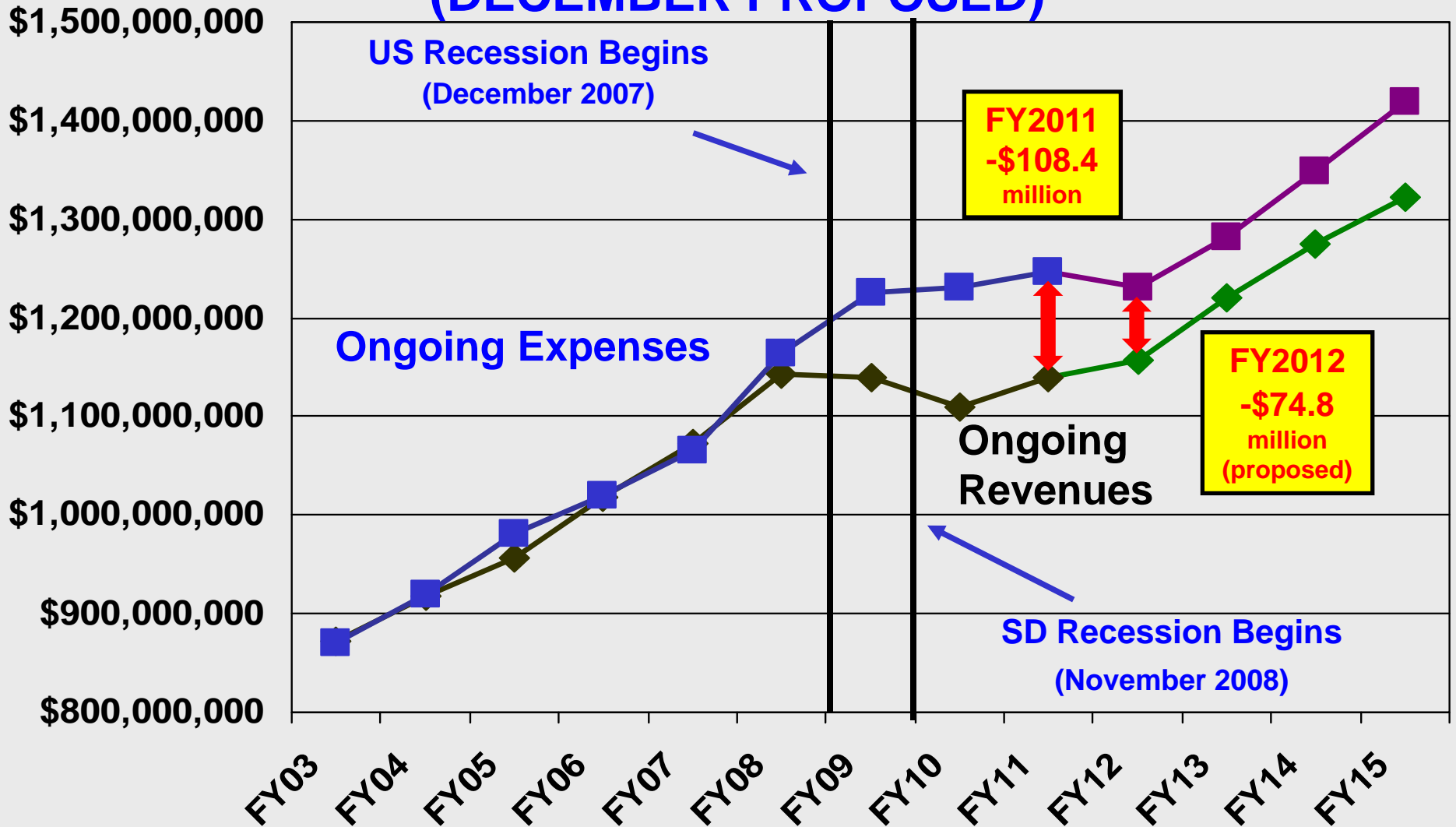
# A Historical Perspective of Ongoing Revenues and Ongoing Expenses

(DECEMBER PROPOSED)



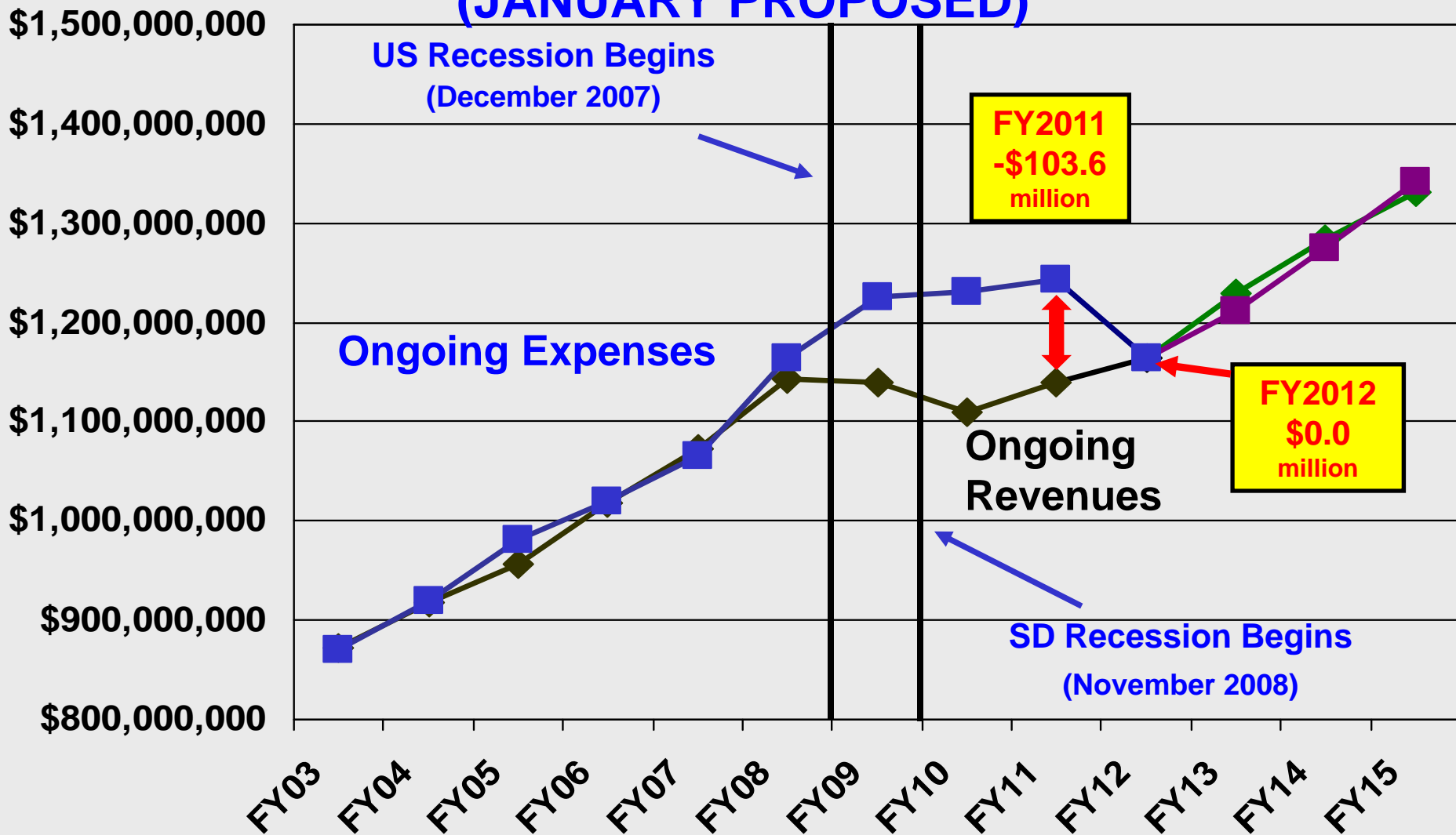
# A Historical Perspective of Ongoing Revenues and Ongoing Expenses

(DECEMBER PROPOSED)



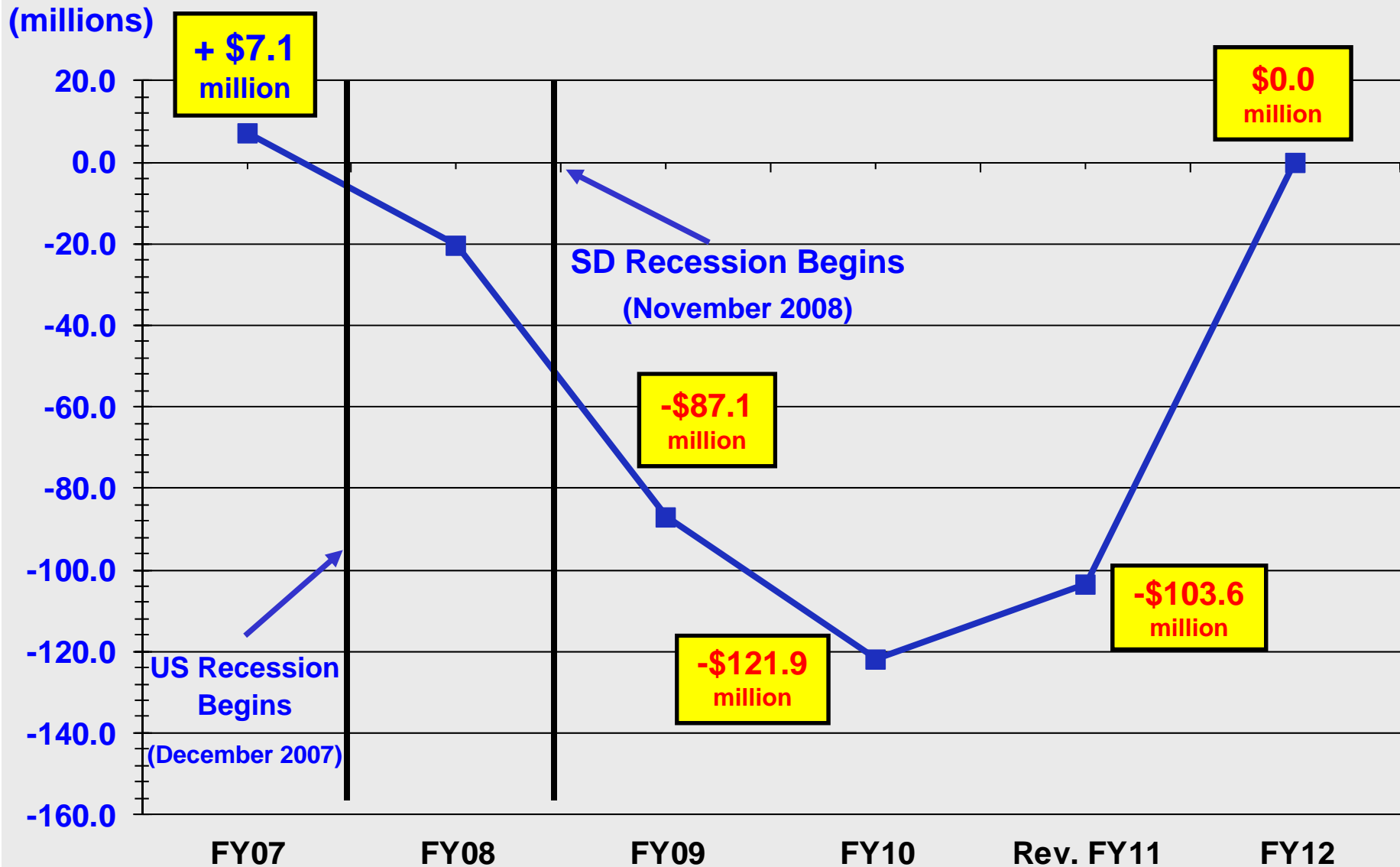
# A Historical Perspective of Ongoing Revenues and Ongoing Expenses

(JANUARY PROPOSED)



# Structural Deficit

Ongoing Revenues minus Ongoing Expenses  
(The Goal)



# Mandatory General Fund Increases Proposed for FY2012

Stimulus 2 FMAP loss	+\$25,512,329
FMAP Rate Increase	+\$14,965,827
Remainder of Stimulus 2 loss	+\$13,711,354
Medical Services Expansion	+\$12,147,707
State Aid Increased Enrollments	+\$ 8,379,419
Special Education	+\$ 2,683,411
Federally Mandated Medical Inflation	+\$ 1,799,751
Tech School Increased Enrollments	+\$ 1,523,405
Remaining Mandatory Increases	+\$ 4,830,473
<b>Total</b>	<b>+\$85,553,676</b>

# **We Can't Spend What We Don't Have**

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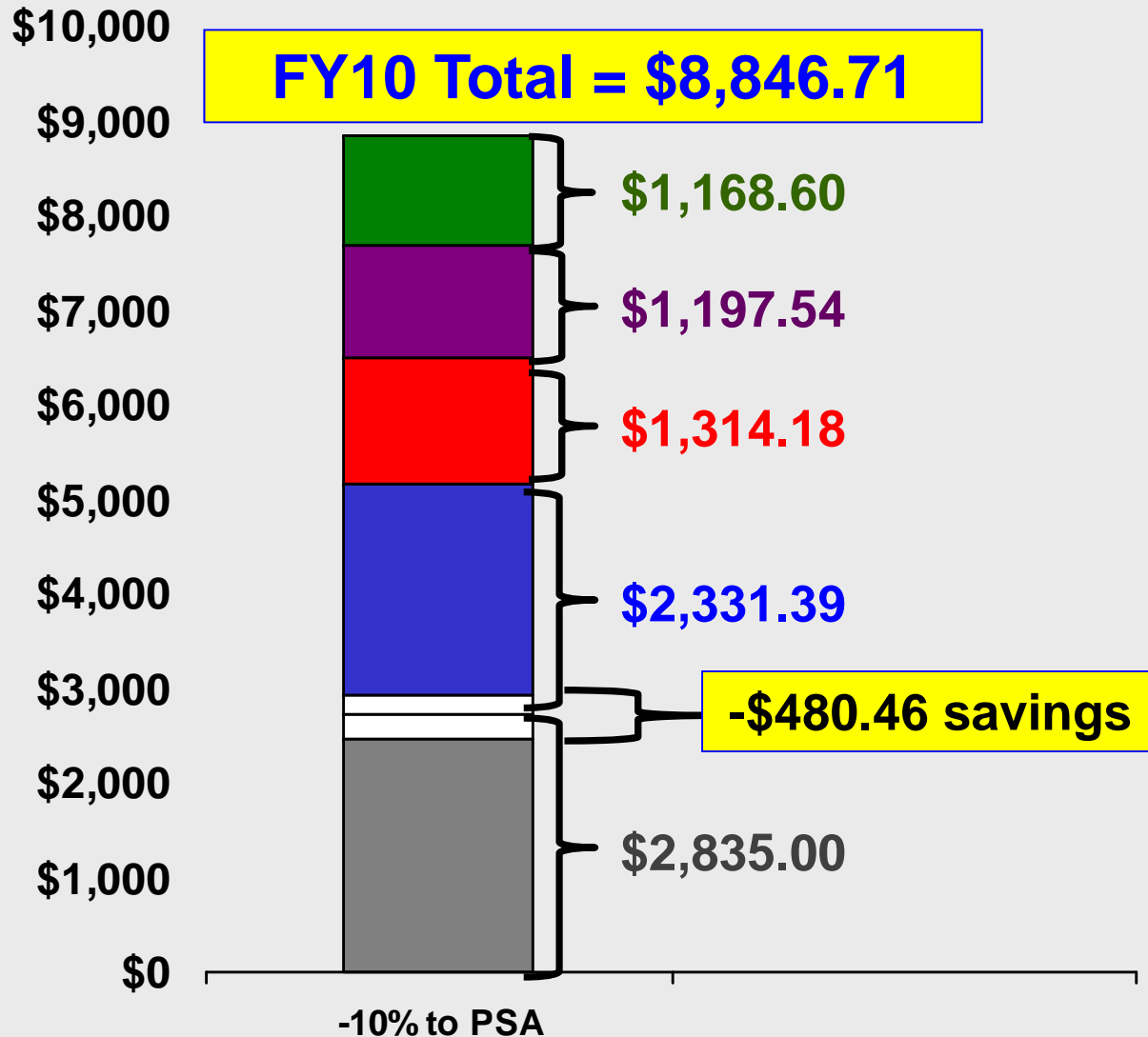
## **FY2012 General Fund Cuts Proposed**

<b>Education Funding at All Levels</b>	<b>-10%</b>
<b>Providers</b>	<b>-10%</b>
<b>Executive Branch Agencies</b>	<b>-10% to -22%</b>
<b>Elected Officials</b>	<b>-10%</b>
<b>Leg. &amp; Judicial Branches</b>	<b>-10%</b>



# The impact of a 10% reduction to the Per Student Allocation?

(Dollars per Student)



A \$480.46 cut is only a 5.4% reduction to total funding

- Capital Outlay Receipts
- Special Ed Receipts
- Other G.F. Receipts
- Property Taxes to G.F.
- State Aid to Gen Ed.



# Recommended FTE Changes

<u>Governor's Agencies</u>	<u>FTE</u>	<u>Other Agencies</u>	<u>FTE</u>
Tourism & State Development	(63.0)	Legislative Audit	(2.0)
Corrections	(39.7)	Regents	178.9
Information and Tele Administration	(27.8)		
Labor	(8.5)		
Revenue	(6.3)		
Education	(6.1)		
Agriculture	(5.0)		
Public Safety	(4.0)		
Social Services	(3.5)		
Personnel	(2.7)		
Game, Fish & Parks	(1.0)		
Environment & Natural Resources	(0.5)		
Health	(0.2)		
Military and Veterans' Affairs	1.0		
	6.0		

**Total = +176.9**

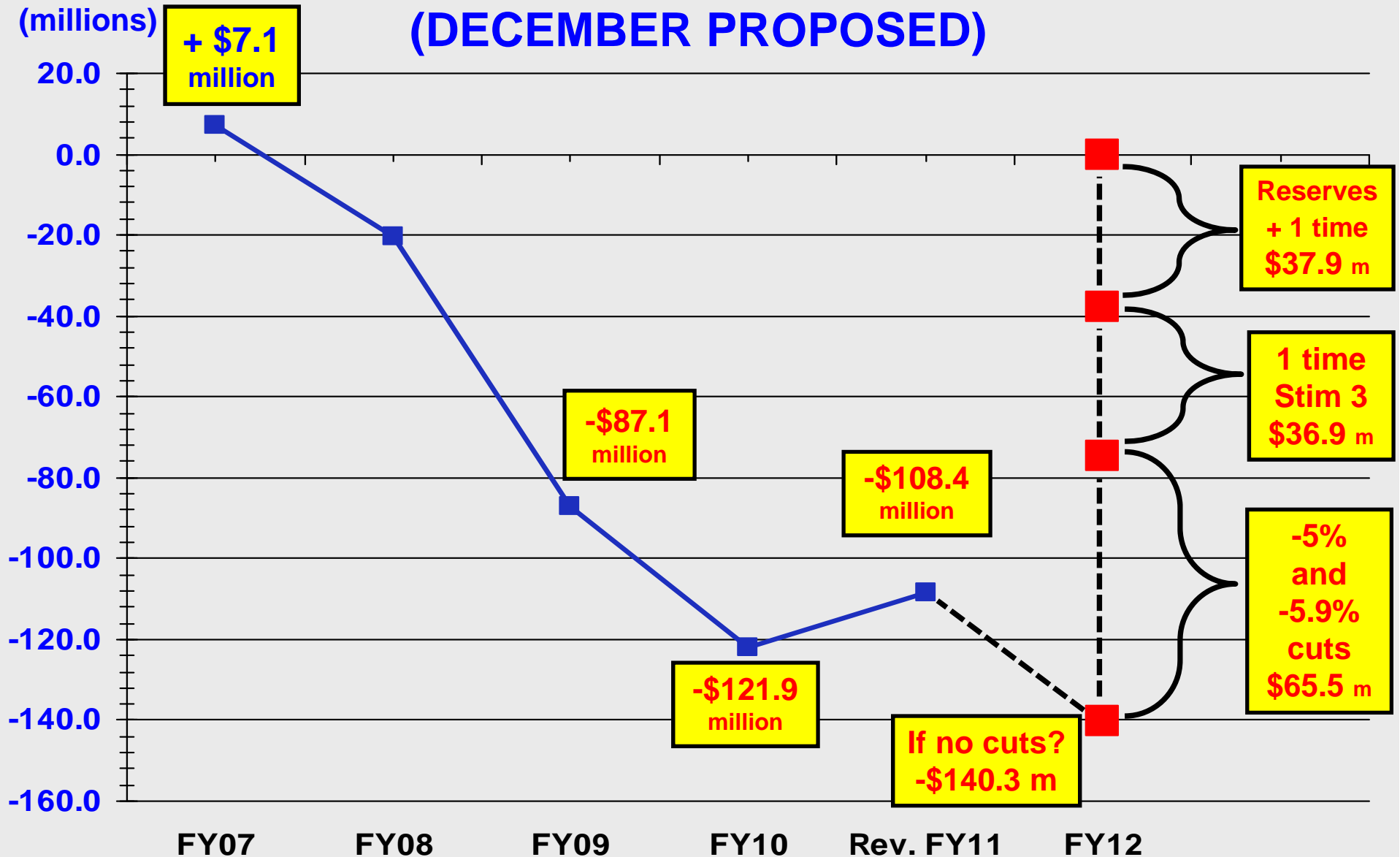
**Total = -161.3**

# What is our Structural Deficit?

	<u>FY2012</u>	
	(millions)	
	<u>December</u>	<u>January</u>
Ongoing Revenues	\$1,156.5	\$1,164.2
Ongoing Expenses (no cuts)	\$1,293.6	\$1,283.9
Ongoing Specials/Cont.	\$3.2	\$7.3
Total Expenses	\$1,296.8	\$1,291.2
Structural Deficit	-\$140.3	-\$127.0
Cuts Proposed	\$65.5	\$127.0
Structural Deficit	-\$74.8	\$0.0

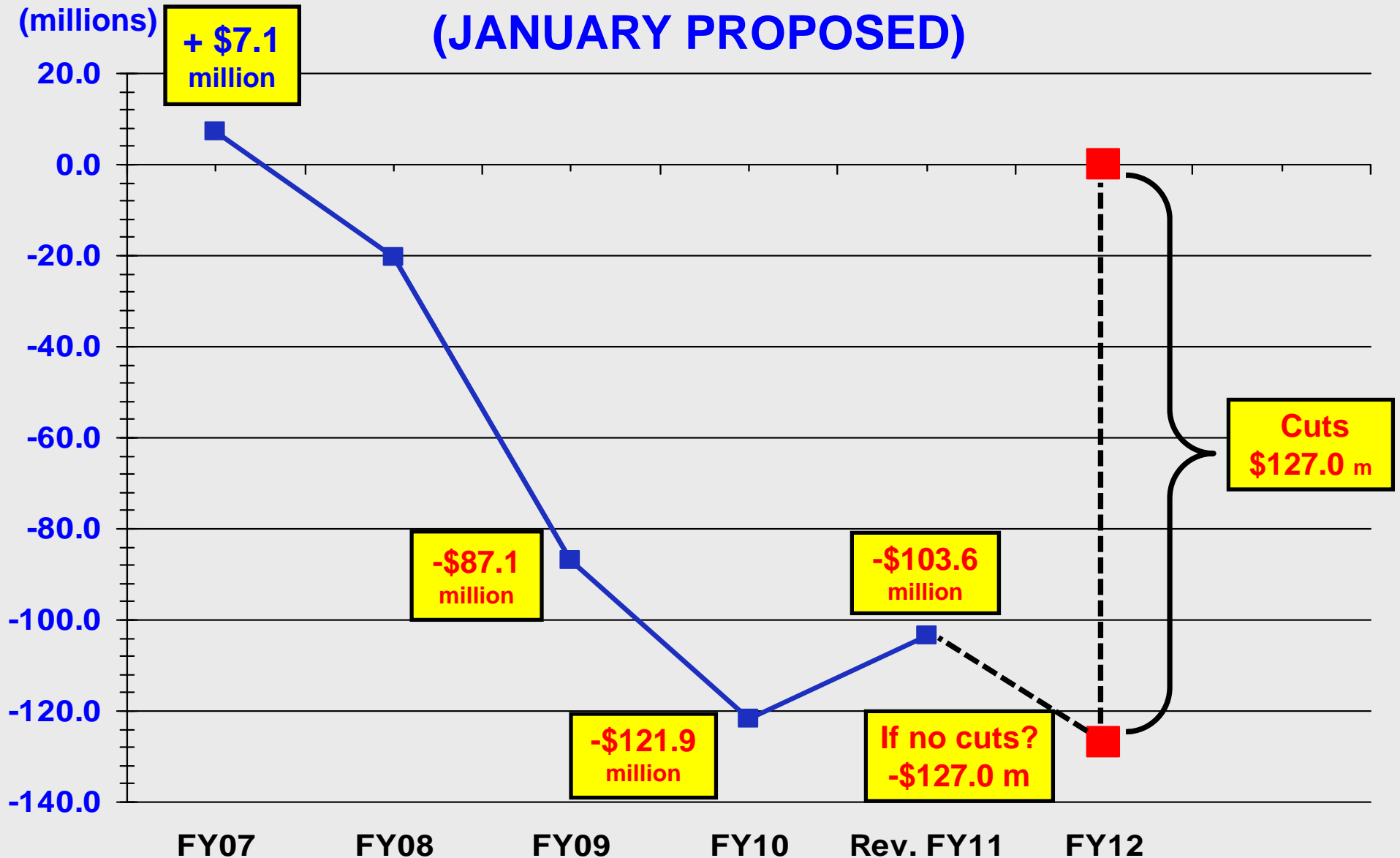
# Structural Deficit

## Ongoing Revenues minus Ongoing Expenses



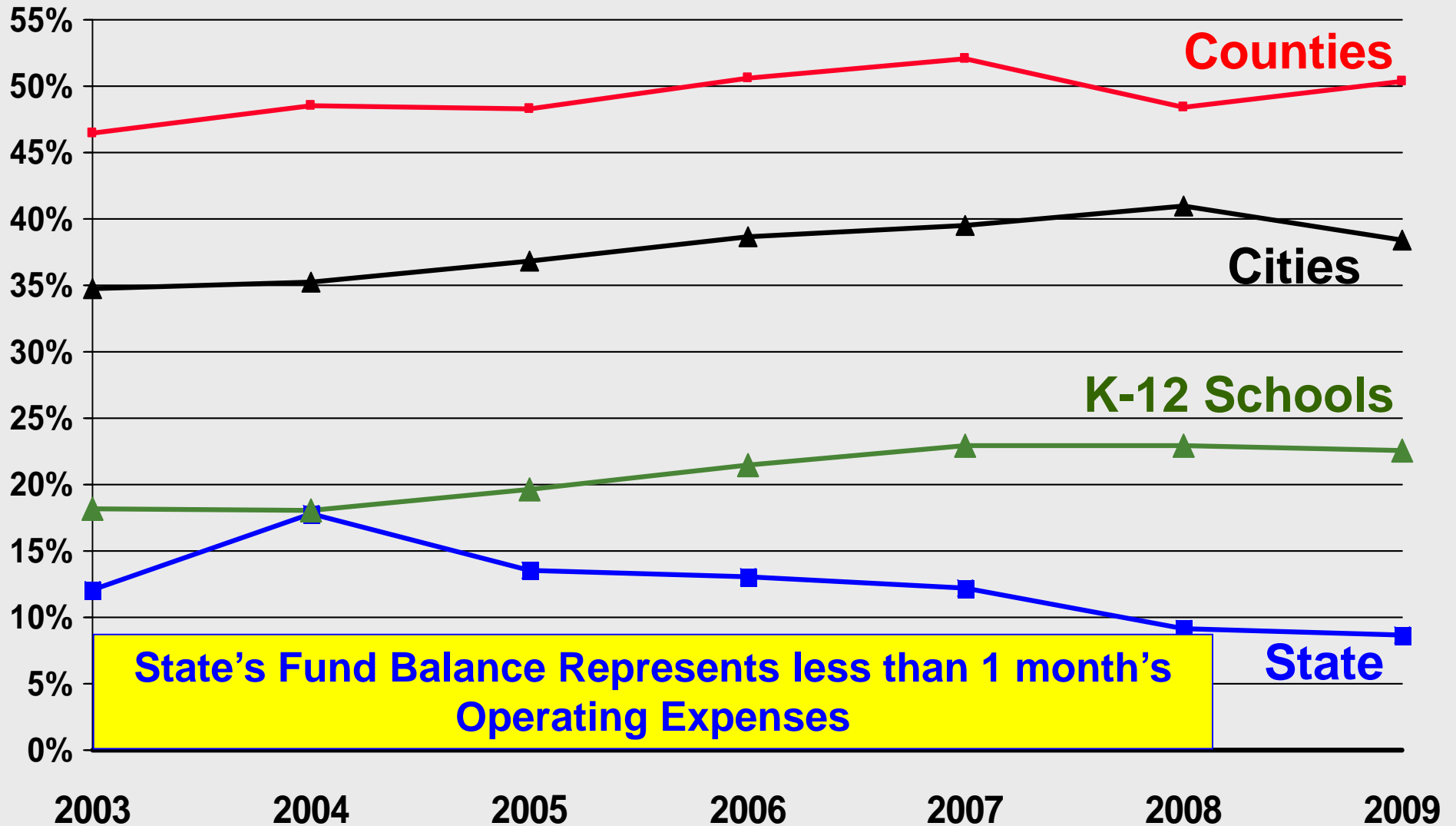
# Structural Deficit

Ongoing Revenues minus Ongoing Expenses

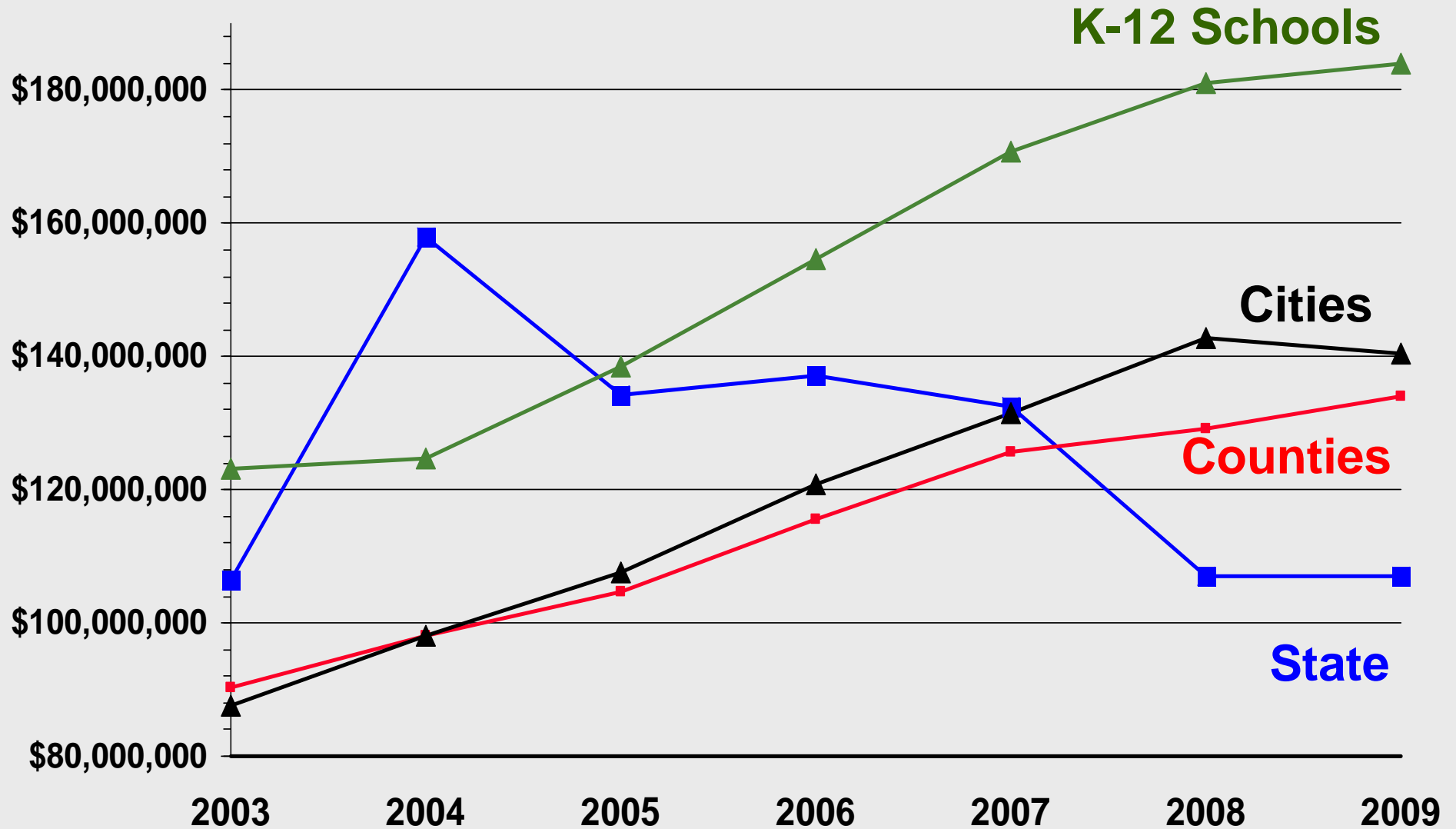


**What about our Rainy  
Day Funds?**

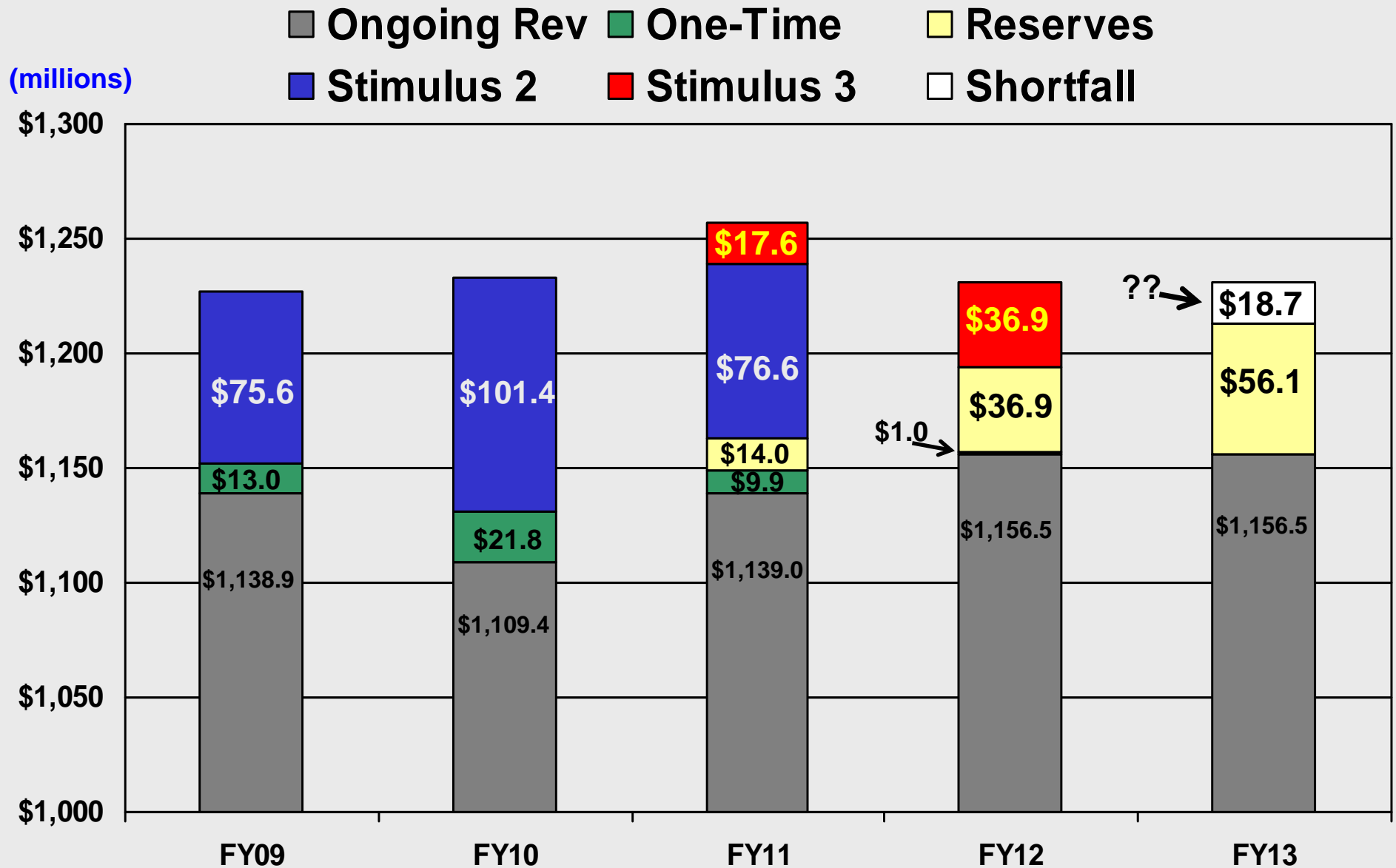
# A View of Rainy Day Fund Balances



# A View of Rainy Day Fund Balances



# Why not use Reserves?





# **FY2011 General Fund General Bill Amendments**

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**Stimulus 3 Impact** **(\$17,560,191)**

**DHS Adjustments** **(\$2,924,372)**

**Utilities & Various Reductions** **(\$963,812)**

**Tech School Inc. Enrollments** **\$795,993**

**State Aid Inc. Enrollments** **\$4,908,469**

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**Total General Funds Amendments for  
the FY2011 General Appropriations Act** **(\$15,743,913)**

# Special Appropriations

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## General Funds:

FY2012

Emergency & Disaster Fund	\$ 13,378,347
Physician Tuition Reimbursement	\$ 244,813
Tax Refunds for Elderly and Disabled	\$ 500,000
	<hr/>
Total Special Appropriations	\$ 14,123,160

# Total Changes FY2011 to FY2012

	<u>FY2011</u>	<u>FY2012</u>
<b>General Funds</b>	<b>\$1,148.8m</b>	<b>\$1,136.5m</b>
<b>Federal Funds</b>	<b>\$1,937.3m</b>	<b>\$1,803.0m</b>
<b>Other Funds</b>	<b>\$1,008.6m</b>	<b>\$ 982.3m</b>
<b>Total Funds</b>	<b>\$4,094.7m</b>	<b>\$3,921.8m</b>

# Budget Summary

- **Ongoing revenues have remained soft**
- **Ongoing expenses have continued to grow**
- **Stimulus 2 and 3 gave us time**
- **Reserves are not the answer**
- **We must eliminate the structural deficit**

# The Goal

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**Eliminate the structural deficit in FY2012:**

**-\$127 m**