



STATE OF SOUTH DAKOTA

DENNIS DAUGAARD, GOVERNOR

MEMBERS OF THE 86th LEGISLATURE OF THE STATE OF SOUTH DAKOTA

I am pleased to present the state budget report for Fiscal Year 2012. This proposal will fund necessary state government services and special appropriations for the fiscal period beginning July 1, 2011, and ending June 30, 2012.

South Dakota has endured two years of recession, and recovery from the harsh economic downturn is slow and uncertain. At the same time as financial obligations on state government have increased – due to the recession – our revenues have been falling. We must carefully prioritize spending in order to bring it in line with the revenues we expect to receive in the next fiscal year. South Dakota must be **frugal and self-reliant**. That means we will have to make some difficult and perhaps unpopular choices. Declining revenues not only impact next year's budget but also require adjusting the current budget.

We have an obligation to care for those people who cannot take care of themselves, but those who can earn their own way should not consider themselves entitled to state assistance.

My proposed budget will fund essential government services but will require the use of federal stimulus funds, ongoing receipts from the property tax reduction fund, interest from state trust funds, and a portion of other revenues to meet the ongoing expenses of state government.

I also am proposing significant cuts in many state agencies, departments, and entitlements. Most will be at least 10 %. I believe we need to take active steps now to curtail our spending on entitlement programs over which we have little or no control. Those areas of our budget continue growing each year.

My FY2012 budget recommendations reflect the most recent revenue conditions while meeting the needs of South Dakota citizens and prudently stewarding taxpayers' money.

Key among my recommendations:

- **Increased state funding to offset termination of federal stimulus programs** – The State of South Dakota will lose more than \$76 million with expiration of the American Recovery and Reinvestment Act of 2009, requiring additional state funds to replace those lost federal funds. Fortunately, the FY2011 and FY2012 budgets will be eased a bit by the nearly \$54.4 million in additional stimulus funds that were included in H.R.1586 last August.