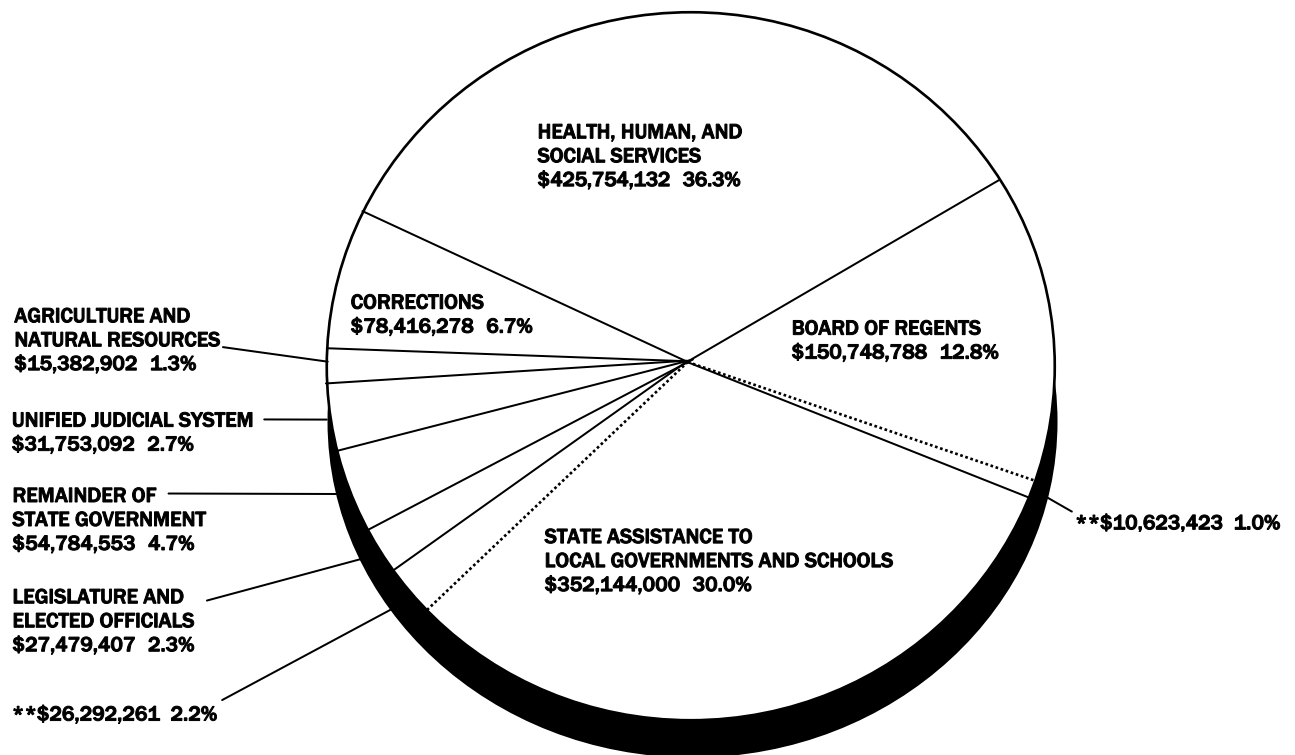


STATE OF SOUTH DAKOTA SUMMARY OF GOVERNOR'S BUDGET FISCAL YEAR 2012

BEGINNING JULY 1, 2011

ENDING JUNE 30, 2012

OUR 122nd YEAR OF A BALANCED BUDGET



****STIMULUS IN LIEU OF GENERAL FUNDS**

DENNIS DAUGAARD, GOVERNOR

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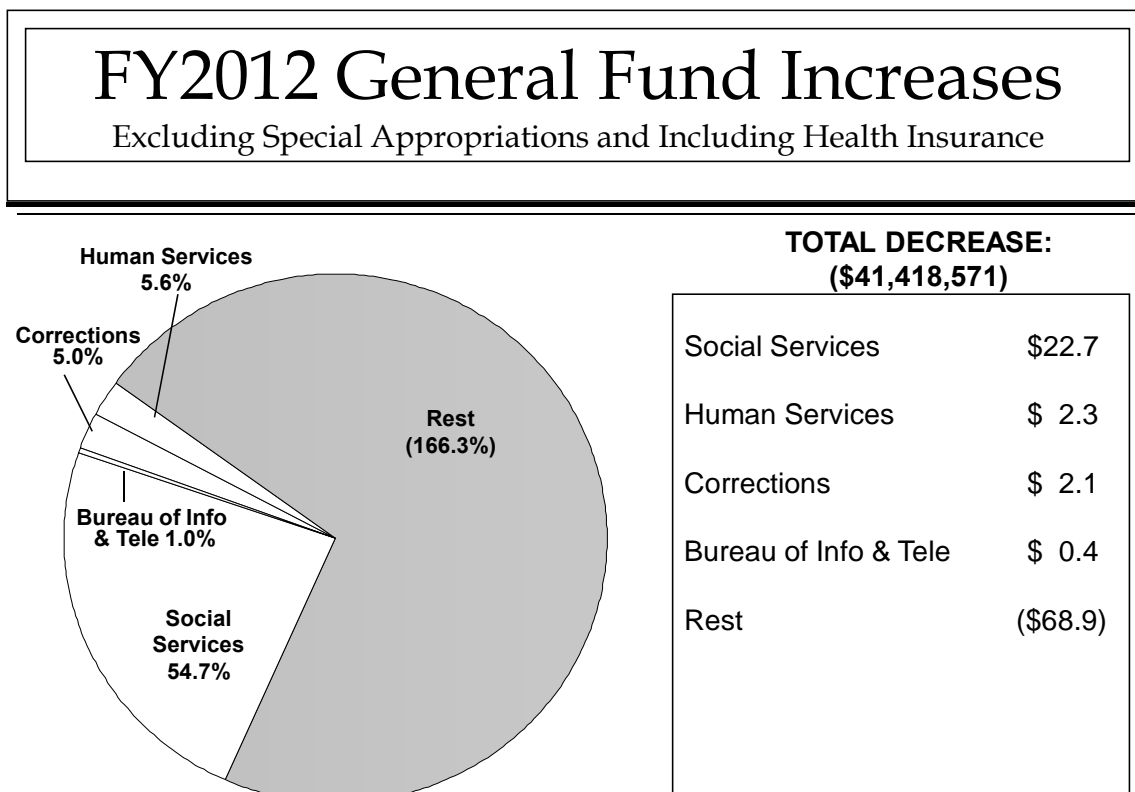
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SUMMARY OVERVIEW

Governor Dugaard is recommending a budget (including special appropriations) for FY2012 totaling \$3,921,743,642, and 13,627.7 FTE. This represents an overall decrease of \$172,953,151 in total funds and an increase of 8.0 FTE over FY2011. For FY2012, the Governor is proposing a general fund budget of \$1,136,463,152, which is a decrease of \$12,365,660 million over the FY2011 budget. The proposed FY2012 general fund budget is distributed as follows:

- \$349.9 million, or 30.8% for Aid to Schools;
- \$425.8 million, or 37.5% for Health, Human, and Social Services;
- \$150.7 million, or 13.3% for Higher Education;
- \$ 78.4 million, or 6.9% for Corrections;
- \$ 59.2 million, or 5.2% for the Legislature, Unified Judicial System, Public Utilities Commission, and Elected Officials;
- \$ 15.4 million, or 1.3% for Agriculture; Environment and Natural Resources; and Game, Fish, and Parks; and,
- \$ 57.1 million, or 5.0% for the Remainder of State Government.

The graph below depicts the FY2012 recommended general fund increases, excluding special appropriations.



U.S. AND SOUTH DAKOTA ECONOMIC FORECASTS

U.S. ECONOMY

RECENT ECONOMIC ACTIVITY

The US economy is now slowly recovering from the 2007-2009 recession that officially ended in June of 2009 as determined by the National Bureau of Economic Research. This economic recession was 18 months from peak to trough and the most severe in the post World War II era in terms of employment and output decline. The US economy lost more than 7.3 million jobs, or 5.3% of total employment, during the recession and continued to lose jobs for several months after the recession officially ended. In terms of output, real Gross Domestic Product (GDP) for the US economy declined 4.1% during this recession.

Although the US economy is over a year into the recovery phase, the recovery has been slow by historical standards with modest job gains realized since the start of the recovery. In terms of output, strong GDP gains were realized in the fourth quarter of 2009 and first quarter of 2010. However, the growth slowed significantly in the second and third quarter of 2010. Many economists question the strength of the current recovery based on slow output growth, government fiscal stimulus ending, large state and local government deficits, and high unemployment.

In response to the sluggish economic growth, the Federal Reserve has recently announced additional quantitative easing measures. The Federal Reserve announced it will purchase up to \$600 billion of long-term Treasury securities, or approximately \$75 billion per month, by the end of the second quarter of 2011. This is the second round of quantitative easing that the Federal Reserve has implemented; the first was conducted from December 2008 through March of 2010. The overall objective is to increase economic growth in the short term by raising inflation expectations, lowering real interest rates, revive the housing market, and boost exports through a weaker dollar. The Federal Reserve wants to ensure to avoid a deflationary environment, similar to what Japan's economy has experienced since the mid-1990's. The target range for the federal funds rate as set by the Federal Reserve continues to be at 0.0-0.25%, and it is anticipated to remain at the record low level for an extended period due to sluggish economic growth. At the present time, the Federal Reserve has limited policy options to stimulate economic growth.

Although the US economy lost some momentum during mid-2010, recent signs indicate the economy

has stabilized heading into the fourth quarter of 2010.

The following are recent key national economic statistics:

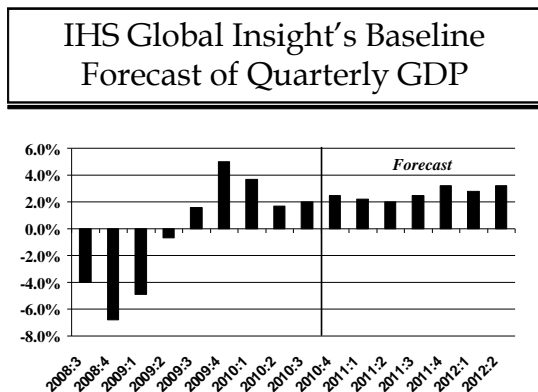
- Advance estimates indicate that real GDP grew 2.0% in the third quarter of 2010, slightly better than the 1.7% growth registered in the second quarter of 2010.
- The unemployment rate remained at 9.6% in October, which was the same rate as the prior month. The current rate is 0.5% lower than October of 2009.
- The Institute of Supply Management's (ISM) manufacturing report on business was 56.9 in October, up from 54.4 in September. This was the 15th consecutive month the index has been above 50. A reading above 50 usually indicates the manufacturing sector is expanding.
- The ISM non-manufacturing report on business increased from 53.2 in September to 54.3 in October. A reading above 50 indicates the non-manufacturing sector is expanding.
- Business sector labor productivity declined 1.8% in the second quarter and then grew by 1.9% in the third quarter of 2010. The labor productivity gains were primarily due to a 3.0% increase in hourly output for the third quarter.
- U.S. personal income decreased at an annual rate of 1.0% in the second quarter and increased by 0.5% in the third quarter of 2010. Personal income grew 5.7% in 2007 and 4.0% in 2008, and declined 1.7% in 2009.
- Real Personal Spending increased 2.2% in the second quarter and increased 2.6% in the third quarter of 2010. The increase realized in the third quarter was led by a solid increase in durable goods spending of 6.1%.
- Total construction spending was up 0.5% in September compared to August. Private construction was unchanged, while public construction grew 1.3%.

NATIONAL FORECAST HIGHLIGHTS

This section summarizes IHS Global Insight's forecast as of November 2010 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 US economy lost some momentum during the second and third quarter as the boost from fiscal stimulus and inventory building began to fade in mid-2010. This slowdown escalated the prospects that the US economy would re-enter into an economic recession again in late 2010 or 2011. However, IHS Global Insight believes the economy has stabilized going into the fourth quarter due to recent positive indicators including gains in employment and consumer spending during October. The economic recovery is expected to be slow through the remainder of 2010 and into 2011 due to cautious businesses and consumers. Uncertainty remains on how strong the economic recovery will be in 2011 as the federal stimulus programs are phased out and US Congress has not acted on the expiration of major tax cuts scheduled at the end of 2010.

In the first three quarters of this year, GDP grew 3.7%, 1.7%, and 2.0%, respectively. In the fourth quarter, GDP growth is forecast to grow 2.5%. In the four quarters in 2011, IHS Global Insight is projecting GDP growth of 2.2%, 2.0%, 2.5%, and 3.2%. In 2012, GDP is forecast to increase 2.8% in the first quarter and 3.2% in the second quarter.



On an annual basis, GDP grew 3.1% in 2005, 2.7% in 2006, 1.9% in 2007, and 0.0% in 2008, and declined 2.6% in 2009. IHS Global Insight's latest forecast projects GDP to grow 2.7% in 2010, 2.3% in 2011, and 2.9% in 2012.

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 3.4% in 2005, 2.9% in

2006, and 2.6% in 2007. In 2008 and 2009 consumer spending declined 0.3% and 1.2%, respectively. In 2010, real consumption growth has been 1.9%, 2.2%, and 2.6% the first three quarters, and is anticipated to be 2.5% in the fourth quarter of 2010. The growth of 2.6% realized in the third quarter was led by an increase in spending on durable goods as consumers are now making purchases that were delayed during the recession. This recent growth is good news as retail sales are expected to be better than recent years. However, consumers are anticipated to remain cautious due to depressed household net worth, tight credit, and high unemployment. Continuing improvement in employment will help promote income and spending gains in 2011, but IHS Global Insight does expect the income tax burden to increase in 2012 and beyond as the federal government must act on the budget deficit. This increased tax burden will limit real disposable income gains in the medium term. Consumer confidence has improved recently according to both the Reuters/University of Michigan's index of consumer confidence, which indicated a 1.6 point rise in November, and the Conference Board's consumer confidence index, which increased by 1.6 points in October. On an annual basis, real consumption is projected to increase by 1.7% in 2010 and then grow 2.4% in 2011. However, growth is expected to be slightly less in 2012 at 2.0% growth as the income tax burden is projected to increase.

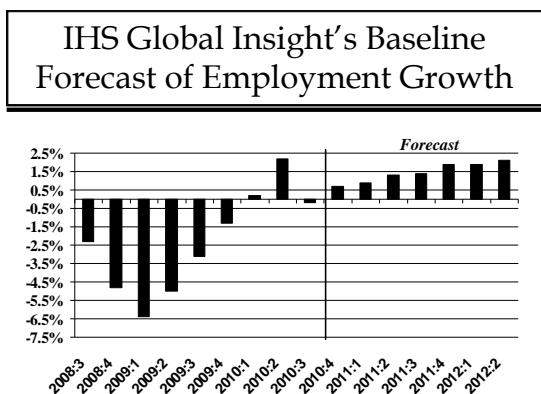
The personal savings rate (as % of disposable income) was 5.5% in the third quarter of 2010. The savings rate is expected to remain higher than what was experienced prior to the recession as consumers will remain cautious. The savings rate is projected to be 5.6% in 2010, 4.8% in 2011, and 3.7% in 2012. In 2007, 2008, and 2009, the savings rate was 2.1%, 4.1%, and 5.9%, respectively.

EMPLOYMENT: The latest U.S. payroll employment report indicated total nonfarm employment grew by 151,000 jobs in October. Private-sector employment increased by 159,000, which increased the total gains for private payrolls to more than 1.1 million since January of 2010. Continued growth is expected in 2011 and 2012, but larger gains are needed to bring the unemployment rate down. The sectors showing gains over the past several months include: manufacturing, wholesale trade, retail trade, professional and business services, education and health services, and leisure and hospitality. Job gains are expected to continue in the fourth quarter and average about 920,000 jobs higher than the fourth quarter of 2009, which is just a fraction of the 8.4 million jobs that were lost. IHS Global Insight is forecasting employment to return to the original peak level (reached in the first quarter of 2008) during the first quarter of 2014. The current forecast shows employment to decline 0.6 million jobs in 2010 on an

annual basis, compared to 2009. In 2011 and 2012, employment growth will return adding 1.3 million and 2.4 million jobs, respectively.

The unemployment rate in October remained steady at 9.6% compared to the previous month and was 0.5% lower than one year ago. The unemployment rate is expected to remain elevated during 2011 and will begin to recede in 2012 as employment growth becomes more robust. On an annual basis the unemployment rate was 4.6% in 2007, 5.8% in 2008, and 9.3% in 2009. In 2010 and 2011, the unemployment rate is projected to be 9.7% and 9.6%, respectively. In 2012, the unemployment rate is projected to decline to 9.1% and gradually improve thereafter. However, the unemployment rate is not expected to fall below 7% until 2016 according to the most recent forecast.

In the first and second quarter of 2010, nonfarm payroll employment realized growth of 0.2% and 2.2%, (seasonally adjusted annual rate) as temporary census workers were added to payrolls during that timeframe. During the third quarter, the growth rate was -0.2% as those temporary census jobs were removed from payrolls. Positive employment growth is projected at 0.7% in the fourth quarter of 2010, which is expected to continue into 2011 with growth rates of 0.9%, 1.3%, 1.4%, and 1.9% in the four quarters of 2011. In the first two quarters of 2012, payroll employment growth is projected to accelerate with growth of 1.9% and 2.1%, respectively.



On an annual basis, payroll employment in the U.S. increased 1.1% in 2007 and then decreased 0.6% and 4.3% in 2008 and 2009, respectively. Payroll employment is forecasted to decline 0.5% in 2010 and then increase 1.0% and 1.8% in 2011 and 2012, respectively.

HOUSING: The single-family housing market was temporarily revived with the homebuyer's tax credit in late 2009 and early 2010, but in mid-2010 home sales plummeted as the credit ended in April. Real spending on residential fixed investments jumped 26% in the second quarter, and then declined by

29% in the third quarter, reflecting the true fundamentals in the housing market without the tax credit. Conditions in the housing market remain poor as housing starts fell to the lowest level in 18 months in October. Existing home sales improved in August and September, but the market remains weak. IHS Global Insight's indicates the key for housing and construction going forward is employment growth. Employment growth will increase the household formation rate and reduce the housing supply, which will eventually stimulate new construction.

Total housing starts are projected to be 0.60 million units in 2010, and 0.78 million units in 2011, then recover further to 1.21 million units in 2012 as job growth returns. In 2007, 2008, and 2009, total housing starts were 1.34, 0.90, and 0.55 million units, respectively. IHS Global Insight is forecasting the median price of existing homes to remain flat at 0.0% growth in 2010, mainly due to the homebuyer tax credit. In 2011, prices are expected to decrease by 5.4% and then increase 4.3% in 2012.

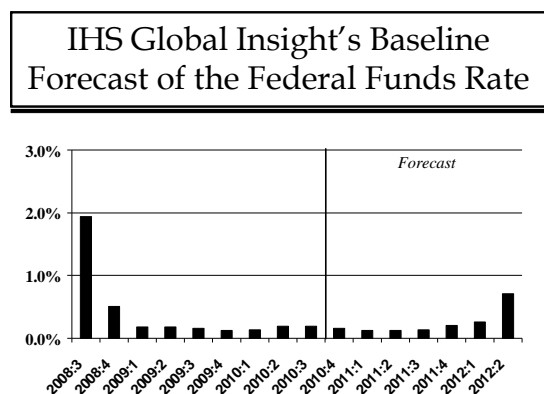
INFLATION: The recent increase in oil prices has raised the consumer price index (CPI) higher as the increase in gasoline prices was mostly responsible for the 0.2% increase in the October CPI report. However, the core CPI (excludes food and energy prices) was unchanged in October for the third month in a row. This low inflation reading has the Federal Reserve Open Market committee concerned about deflation in the short term rather than inflation. This is one reason for the additional quantitative easing that was recently announced by the Federal Reserve. Price pressures from rising commodity prices will eventually lead to increases in the core CPI, with little increase next year as overall economy continues to be soft. IHS Global Insight believes that high inflation is not a concern in the short term as the economy remains weak. However, when strong economic growth does return, the Federal Reserve is expected to phase out the liquidity programs in a timely manner to avoid high inflation.

The CPI increased 2.9% in 2007 and 3.8% in 2008. In 2009, the CPI decreased by 0.3% which was the first annual decrease since 1955. The CPI is forecasted to increase 1.7% in 2010, 1.5% in 2011, and 1.9% in 2012. The producer price index for finished goods rose 3.9% in 2007, and 6.4% in 2008, and then declined 2.5% in 2009. It is expected to increase 4.3% in 2010, 1.4% in 2011, and 1.8% in 2012.

MONETARY AND FISCAL POLICY: Monetary and fiscal policy was very aggressive during the economic recession. The Federal Reserve utilized traditional as well as other liquidity and quantitative easing programs in an effort to support financial markets and the economy. In terms of fiscal policy,

the federal government enacted a \$787 billion economic stimulus package in early 2009. Many of these actions helped stabilize the economy. Recently, the Federal Reserve announced additional quantitative easing measures to inject more liquidity into the economy in an effort to avoid deflation and help stimulate economic growth. The Fed plans to purchase \$600 billion in long term Treasury securities over the next several months which will increase the Fed's balance sheet to nearly \$2.6 trillion by mid-2011. IHS Global Insight expects the recent quantitative easing will support growth and prevent deflation over the next two quarters. However, there are possible risks of too much inflation and possibly forming asset bubbles in the future. Thus the Federal Reserve must act timely when choosing to unwind many of the liquidity programs that have been created. In terms of fiscal policy, IHS Global Insight anticipates all of the tax cuts that are set to expire at the end of 2010 will be temporarily extended for one year. If the US Congress fails to act, this would be an unwelcome tightening of fiscal policy for businesses and consumers when the economy is still weak and could jeopardize the recovery.

Currently, the federal funds target rate remains at the record low range of 0%-0.25% since it was set in December of 2008. The Federal Reserve is expected to leave the federal funds rate at the current range until March 2012 when it will begin to gradually raise rates.



The unified federal deficit for fiscal year 2010 was \$1,294 billion which is a slight improvement compared to the deficit of \$1,416 billion from federal fiscal year 2009. The improvement in the deficit is a result of both decreased expenditures (defense and nondefense) and improved tax receipts. The \$1.3 trillion deficit represents approximately 8.8% of GDP which is historically very high. IHS Global Insight forecasts a similar deficit in the federal unified deficit of \$1,327 billion in federal fiscal year 2011 assuming all of the tax cuts set to expire at the end of 2010 are all temporarily extended for at least one year. After growing 2.1% in 2006, 1.3% in 2007, 7.7% in 2008, and 5.7% in 2009, real federal government

purchases are expected to increase 4.7% in 2010 and 0.0% in 2011, and decrease 3.5% in 2012.

INTERNATIONAL: In terms of GDP, global economic growth slowed from an annual rate of approximately 4.5% in late 2009 to about 2.8% in the third quarter of 2010. IHS Global Insight is forecasting continued below average growth of less than 3% through the beginning of 2011 before world economic growth improves. World GDP is projected to grow by 4.0% in 2010, but growth is expected to be slightly softer with 3.3% growth in 2011. Sovereign debt problems continue to be an issue in the Eurozone as the economy slowed from 3.7% growth in the second quarter to 1.7% growth in the third quarter. There is some uncertainty in the Asian region as Japan's growth was higher than expected in the third quarter, but some indicators such as manufacturing purchasing manager indexes are indicating soft growth or even economic contraction in the near term. In addition, there has been discussion that China may have to aggressively tighten monetary policy to avoid high inflation. China's economy is expected to slow slightly due to weak export growth to the United States and Europe over the course of 2011. China's real GDP grew 9.1% in 2009, is expected to grow to 10.1% in 2010, and then slow to 8.8% growth in 2011. The forecasts for real GDP growth for 2011 for the United States, Eurozone, Japan, and Canada are 2.3%, 1.4%, 0.7%, and 2.3%, respectively.

The U.S. trade deficit improved in September to \$44.0 billion compared to \$46.5 billion in August due to declines in imports of consumer goods and autos. The trade gap is expected to narrow in the fourth quarter as the weak dollar combined with emerging market growth will make U.S. exports more competitive. Overall, IHS Global Insight forecasts the real trade deficit to be \$435.4 billion in 2010, then improve to \$416.1 billion in 2011 and \$387.2 billion in 2012.

RISKS TO THE FORECAST

The economy has slowed in the second and third quarter of 2010 but appears to have stabilized heading into the fourth quarter. GDP growth going forward is expected to be supported by moderate increases in employment, income, consumer spending, business equipment/software spending, and exports. There is a 15% probability a strong and sustainable economic recovery takes hold much quicker than the baseline economic forecast. In IHS Global Insight's optimistic scenario, GDP is projected to grow 2.8% in 2010, followed by robust growth of 3.8% in 2011 and 3.7% in 2012. The optimistic scenario assumes the private-sector recovers quickly and stronger than the baseline forecast. The growth from additional monetary stimulus offsets the drag from the 2009 fiscal stimulus that phases out. In the

optimistic scenario, the economy begins to grow rapidly with real GDP growth of 4.0% or better for five quarters in a row. The optimistic scenario assumes stronger total factor productivity growth enhanced by innovation in the technology sector. Also, it assumes credit markets begin functioning normally and strong growth occurs in business fixed investments and residential housing starts in 2011. 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 2011 and 2012.

While some signs of improvement exist, concerns still remain including extreme weakness in the housing market, high unemployment, and uncertainty for businesses and consumers. IHS Global Insight's pessimistic scenario has a 20% probability of occurring. The pessimistic scenario forecasts back-to-back recessions occurring, as the financial crisis problems re-emerge. Despite additional monetary easing by the Federal Reserve, banks continue to write off large amounts of debt and hold a large amount of reserves. With credit markets still tight and fiscal stimulus fading, the private sector cannot sustain the economic expansion. In the pessimistic scenario, action on the Bush tax cuts does not happen until January 2011 under the new Congress. Most of the cuts are temporarily extended, but the Making Work Pay tax credits are allowed to expire, resulting in a tightened fiscal policy when the economy is still weak. Businesses facing low demand will be forced to freeze wages and lay off employees. In the pessimistic scenario, business capital spending is weaker and the housing market goes into reverse in response to additional employment losses. In Europe, sovereign debt problems become worse pushing stock markets lower resulting in a stronger dollar. The stronger dollar causes an additional drag on growth due to lost export competitiveness. Deflationary pressures take hold in the United States as core inflation falls 0.5% below the baseline rate by the end of 2011. Eventually, when the economy does recover, inflation rises faster than in the baseline forecast. In the pessimistic scenario, real GDP slows to 0.7% growth in the fourth quarter of 2010 and turns negative for the first three quarters of 2011. Over the long term, GDP growth remains weaker than the baseline, due to productivity growth being only 1.3% on average over the next decade, compared to 1.6% growth in the baseline forecast. In the pessimistic forecast, GDP grows 2.6% in 2010, declines 0.1% in 2011, and grows 1.3% in 2012.

SOUTH DAKOTA ECONOMY

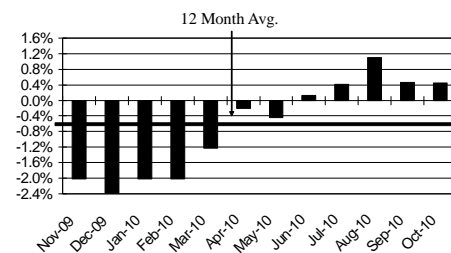
RECENT ECONOMIC ACTIVITY

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. However, the severe recession caused a 1.8% decline in South Dakota's employment during 2009. Since early 2010, employment growth has registered positive gains as the South Dakota economy recovers.

South Dakota had relatively strong growth in 2006, 2007, and 2008, adding 8,500, 8,000 and 4,900 jobs, respectively. However, the national recession led to 7,600 job losses during 2009. In October 2010, nonfarm employment was up 0.45% over October 2009. The current forecast indicates the same job level in South Dakota for 2010 compared to 2009 as low job levels early in 2010 will be offset by higher levels later in the year.

Recent Growth in S.D. Nonfarm Employment



The following are some recent key South Dakota economic statistics:

- In the last twelve months (November 2009 through October 2010), nonfarm employment (seasonally adjusted) in South Dakota declined by 0.65% over the same period a year ago. Sectors that experienced growth in the last twelve months were education and health services (1.14%); other services (0.69%); professional and business services (0.25%); trade, transportation, and utilities (0.12%); and government (1.15%). Sectors which have experienced losses over the past 12 months

include: mining, logging, and construction (-5.76%); financial activities (-5.45%); manufacturing (-3.08%); and leisure and hospitality (-0.91%).

- The unemployment rate in South Dakota was the second lowest in the U.S. in October at 4.5%. This was 5.1% below the national rate of 9.6% in October, and 0.2% lower than South Dakota's unemployment rate from October of 2009.
- During the twelve-month period from November 2009 through October 2010, the number of titles issued for new noncommercial vehicles was 28,840, which is an increase of 3,252 vehicles titled over the prior twelve-month period.
- The total number of residential units authorized by building permits issued January through September of 2010 was 2,396, which was down 235 units from the same months in 2009. The value of residential building permits issued year-to-date in 2010 was \$346.8 million. This is an increase of \$2.5 million from the first 9 months of 2009.

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 \$962.7 million in 2009. This was just a 0.4% decrease in visitor spending compared to 2008, even in the middle of a severe economic recession. The Glacial Lakes and Prairies region experienced the largest percentage increase in visitor spending in 2009 over 2008 at 6.2%.

Tourism attendance has been good at many attractions thus far in 2010 as the state and nation recover from a severe national recession. Visitation at South Dakota state parks experienced an increase of 2.3% over the first 10 months of 2010 and national parks registered an increase of 1.5% through the first 9 months of 2010 compared to 2009. The tourism promotion tax revenue registered a 5.5% year-to-date increase (January through October) in 2010 compared to 2009. Overnight stays at hotels for every region in South Dakota are experiencing increases compared to 2009. Based on the good attendance that has occurred so far during 2010, the outlook for the South Dakota tourism industry is cautiously optimistic as the economy continues to recover from the national recession.

AGRICULTURE: In 2009, the agricultural economy in South Dakota produced cash receipts of \$6.86 billion, which was a decrease of \$0.79 billion from 2008's record level high (excludes government payments). Crops generated \$4.50 billion and livestock generated \$2.36 billion in 2009. The high level of receipts realized in 2009 is due to strong production and relatively high crop prices.

Last year was a good year for overall crop production due to favorable growing conditions across much of South Dakota. In 2009, corn for grain production totaled 706.7 million bushels with an average yield of 151 bushels per acre, an increase of 18 bushels from the 2008 yield. Soybean production was 176.0 million bushels, a 27.5% increase over 2008 levels due to a combination of a yield increase of eight bushels per acre and additional acres harvested. Wheat production was down in 2009 compared to 2008 due to lower yields, fewer acres harvested, and additional acres planted to corn and soybeans. Livestock production in 2009 was similar to 2008 levels. The 2009 calf crop totaled 1.66 million head, equal to 2008's production. The pig crop in 2009 was 3.30 million head, which was up 0.5% from 2008.

Production levels are expected to be relatively strong for South Dakota producers in 2010, although some areas received excess moisture, which prevented planting some acres. According to the National Agricultural Statistics Service as of November 1, corn for grain production is projected to be 595.0 million bushels. The corn yield is estimated to be 140 bushels per acre, down 11 bushels from the 2009 record level. The corn acres harvested for grain is estimated at 4.25 million, which is down 9% from the 2009 level. Soybean production is expected to be 157.7 million bushels with a yield of about 38 bushels per acre, down 4 bushels from the 2009 record high yield. Overall farm income for 2010 is expected to be similar compared to 2009 as lower crop production will be offset by higher prices and lower production costs in 2010. Conditions for livestock producers were more profitable due to higher prices throughout most of 2010 compared to a year ago. As of November 1, South Dakota's 1,000+ capacity feedlots reported 230,000 cattle on feed for the slaughter market, which was up 25,000 head of cattle from a year earlier and up 25,000 from a month earlier.

The Council's outlook for the agricultural economy is optimistic for 2010. Good production levels during 2010 with relatively high prices will be positive for the overall economy in South Dakota. One possible threat to the agricultural 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 agricultural sector 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 negatively impacted by the recession and housing crisis. Residential building permits have been depressed since before the recession. However, there are some positive signs that construction activity in South Dakota is stabilizing and beginning to slowly increase. South Dakota's mining, logging, and construction employment sector (of which a majority is construction employment) stabilized in early 2010 and has added jobs over the past five months on a seasonally adjusted basis. Residential building permits over the past 12 months (October 2009 – September 2010) were higher by 87 units and the value of permits was \$14.25 million higher than the same time period a year earlier.

Although the residential and commercial construction market has been impacted by tight credit availability and higher supply during the recession, interest rates continue to be very attractive which should increase activity as the economy recovers and more jobs are created. The Council believes construction activity will slowly improve as long as the US economic recovery continues in 2011.

SOUTH DAKOTA FORECAST HIGHLIGHTS

IHS Global Insight's forecast of the national and state 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.

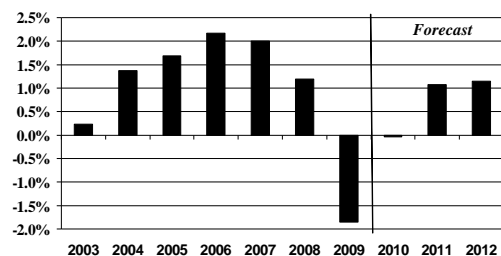
The economic expansion that spanned approximately seven years in South Dakota came to an abrupt end in late 2008 as the national recession and financial crisis pulled South Dakota's economy into a recession. Starting in the end of 2008 and throughout much of 2009, economic activity declined by many measures. Job losses and economic uncertainty had a negative impact on consumer spending and confidence during the recession. However, in 2010, increases in employment and spending in the economy signal that the economy is in the recovery phase. Overall, the South Dakota economy is expected to continue to recover slowly through 2011 and into 2012 as consumers and businesses regain confidence.

EMPLOYMENT: Traditionally, South Dakota has several advantages over other states which account 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 continue

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 2009, a 1.8% decline in employment was realized as the national recession caused major job losses in manufacturing, construction, and professional and business services sectors. For 2010, the employment levels are expected to be at a 0.0% change compared to 2009 on an annual basis. In 2011 and 2012 nonfarm employment growth is projected to slowly recover, growing 1.1% and 1.2%, respectively. In 2010, on an annual basis, the sectors projected to post gains are professional and business services, wholesale trade, health and education services, and government. Employment losses projected on an annual basis in 2010 are in manufacturing; logging, mining, and construction; retail trade; leisure and hospitality; and financial activities. In 2011, annual employment increases are projected across all sectors with the exception of financial activities and retail trade. In 2012, the recovery is projected to improve with growth expected to return in all major employment sectors.

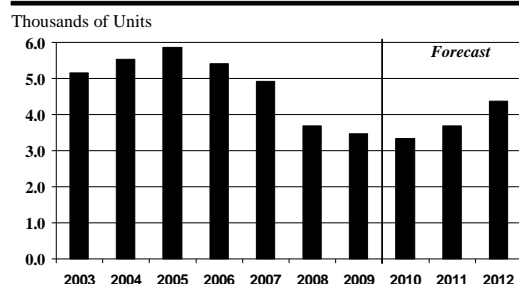
Growth in Nonfarm Employment



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 have stabilized in 2010 as evidenced from residential housing permits.

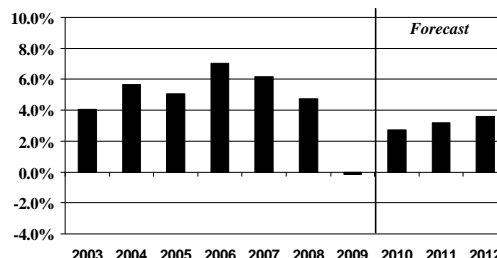
The housing market is expected to slowly recover in 2011 and 2012 as demand becomes more balanced with supply. Mortgage rates are projected to remain attractive as the Federal Reserve continues to maintain a low interest rate policy. As job growth rises in 2011 and 2012, housing starts are expected to show marginal gains, but will continue to be below levels realized during the early part of this decade. Housing starts were 3,470 in 2009 and are projected to be 3,340 in 2010, 3,680 in 2011, and 4,380 in 2012.

Housing Starts



INCOME: Between 1990 and 2000, the average annual growth rate in nonfarm personal income in South Dakota grew at an average rate of 6.2%, which was higher than the U.S. average growth of 5.9% over the same time period. However, due to the 2001 recession and declines in nonfarm employment, income growth slowed both in South Dakota and in the U.S. Nonfarm personal income in South Dakota grew 7.2% in 2001, 4.5% in 2002, and 4.0% in 2003. From 2004 through 2007, nonfarm income growth rebounded with growth rates of 5.6%, 5.1%, 7.0%, and 6.2%, respectively. The higher growth rates in those years were due to strong employment increases and a growing economy. However, in 2008, the national economic recession softened nonfarm personal income growth to 4.8%. In 2009, nonfarm personal income decreased by 0.2% in South Dakota as the severe national recession caused significant job losses. This was the first annual decrease in nonfarm personal income in South Dakota since 1937. Nonfarm income growth is forecasted to increase by 2.7% in 2010, due to stabilizing employment and increased confidence in the economy. In 2011 and 2012, the forecast is for below average growth of 3.2% and 3.6%, reflecting a slow economic recovery and low inflation expectations.

Growth in Nonfarm Personal Income



RISKS TO THE FORECAST

The Council of Economic Advisors sees some key risks to the current forecast. The biggest risk to South Dakota's economy would be the national economy sliding back into a recession during 2011. The national economy is recovering, but is still vulnerable as fiscal stimulus fades in 2011. The possibility exists of the US economy slipping back into an economic recession during 2011 after recovering during 2010. Another key risk to the state's economy is the continued impact of credit card legislation and financial legislation at the national level. This has had a negative impact on financial services employment in South Dakota and may continue to do so over the forecast period more than what is anticipated. Also, a risk to the agriculture economy is the possibility of declining farm real estate values which could negatively impact the agriculture sector.

If any of these 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 FY2011 are forecasted at \$1,148.8 million. Ongoing receipts comprise \$1,138.9 million of the total, and one-time revenues comprise \$9.9 million of the total. The ongoing estimate for FY2011 is an increase of \$29.1 million from actual FY2010 ongoing receipts. Categories forecasted to show major increases in FY2011 include sales and use tax (+\$36.4M), trust funds (+\$18.7M), charges for goods and services (+\$9.3M), licenses, permits, and fees (+\$1.5M), contractor's excise tax (+\$1.3M), and severance taxes (+\$1.3M). Major decreases between actual FY2010 and estimated FY2011 ongoing revenue are forecasted from bank franchise tax (-\$17.8), property tax reduction fund receipts (-\$10.5M), investment income and interest (-\$6.8M) and net transfers in (-\$4.7M).

The revised ongoing estimate for FY2011 is \$15.9 million less than the ongoing estimate adopted during the 2010 legislative session. Major positive adjustments for the revised FY2011 estimate are for sales and use tax (+\$17.2M), charges for goods and services (+\$10.2M), and severance taxes (+\$1.9M). The most significant downward revisions are from the bank franchise tax (-\$21.0M), the contractor's excise tax (-\$17.6M), the property tax reduction fund receipts (-\$5.9M), and the insurance company tax (-\$1.1M).

General fund receipts for FY2012 are projected to be \$1,138.8 million. Ongoing revenues are forecasted to be \$1,164.3 million, and one-time receipts are expected to be negative \$25.5 million. The forecast for ongoing receipts in FY2012 is an increase of \$25.3 million from the revised FY2011 projection of ongoing receipts. The most significant sources of growth between the revised FY2011 estimate and the FY2012 forecast are the sales and use tax (+\$20.8M), the contractor's excise tax (+5.5M), and the insurance company tax (+\$2.3M). The sources forecasted to have the most significant decrease in collections between FY2011 and FY2012 are the investment income and interest earnings (-\$1.6M) and charges for goods and services (-\$1.1M).

CURRENT REVENUE FORECAST (Dollars in Millions)

	<u>FY2011</u>	<u>FY2012</u>
Sales and Use Tax	688.5	709.3
Contractor's Excise Tax	62.5	68.0
Bank Franchise Tax	3.9	4.0
Insurance Company Tax	62.3	64.6
Property Tax Reduction Fund	112.7	112.3
Other Ongoing Revenues	209.0	206.1
One-Time Receipts	9.9	-25.5
Property Tax Reserves	0.0	0.0
Total Revenue	<u>1,148.8</u>	<u>1,138.8</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 FY2010, the sales and use tax grew from \$140.6 million to \$652.1 million, which was an average annual increase of 5.2%. 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 and FY2010, growth was below average (2.3% and -1.2%) due to a severe national recession causing declines in employment.

Net collections from the sales and use tax in FY2010 were \$652.1 million, which was a decrease of \$7.6 million, or 1.2%, compared to FY2009. Through the first six months of FY2010, net sales and use tax collections to the general fund were \$359.6 million, which is an increase of 7.5% from the first six months of FY2010 as the economy is recovering from a severe recession. For the revised FY2011 estimate, the sales and use tax is forecasted at \$688.5 million, which is an increase of \$36.4 million, or 5.6%, compared to FY2010. For FY2012, the sales and use tax is forecasted at \$709.3 million, which is an increase of \$20.8 million, or 3.0%, over the revised FY2011 estimate.

CONTRACTOR'S EXCISE TAX

Collections from the contractor's excise tax account for approximately 6% 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 \$61.1 million in FY2010. In FY2010, net collections to the general fund from the contractor's excise tax declined \$9.2 million, or 13.1%, from FY2009 after adjusting for large construction project refunds. The decline in FY2010 is attributed to a decline in both residential and commercial construction activity. Through the first six months of FY2010, net contractor's excise tax collections were \$35.9 million, a decrease of 6.7% compared to the first six months of FY2010 after adjusting for large project refunds. Contractor's excise tax collections for FY2010 are forecasted to be \$62.5 million, which is an increase of \$1.3 million, or 2.2%, over FY2010 collections. FY2012 collections are forecasted at \$68.0 million, which is an increase of \$5.5 million, or 8.8% over the revised FY2011 estimate.

BANK FRANCHISE TAX

Collections from the bank franchise tax historically account for approximately 2.5% of ongoing general fund revenues although this is not expected to occur in FY2011 or FY2012. 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 historically 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 use 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 as the economy recovered from the 2001 economic recession. In FY2008, FY2009, and FY2010 collections decreased as a severe national recession negatively impacted bank franchise tax collections.

Collections from the bank franchise tax were \$21.7 million in FY2010, which was a decrease of \$11.7 million, or 35.1%, from FY2009. Collections declined in FY2010 due to a national recession putting pressure on bank income as well as various changes in the bank card industry. Through the first six months of FY2011, collections were \$1.5 million, which was a decrease of 89.4% compared to the same time period last year. FY2011 collections are projected to be \$3.9 million, which is a decrease of \$17.8 million, or 82.0%, compared to FY2010

collections. Collections are expected to be \$4.0 million in FY2012, which is an increase of \$0.1 million, or 3.5%, over the revised FY2011 estimate.

INSURANCE COMPANY TAX

Collections from the insurance company tax account for approximately 5.5% of ongoing general fund revenues. Between FY1985 and FY2010, insurance company tax collections grew from \$17.2 million to \$61.7 million, which was an average annual increase of 5.2%. In FY2010, insurance company tax collections were \$61.7 million, which was a decrease of \$0.1 million, or 0.1%, compared to FY2009 collections. During the first six months of FY2011, insurance company tax collections were \$29.6 million, which is an increase of 4.0% over the same period in FY2010. For FY2011, insurance company tax collections are forecasted at \$62.3 million, which is an increase of \$0.5 million, or 0.9%, over FY2010 collections. For FY2012, insurance company tax collections are forecasted to be \$64.6 million, which is an increase of \$2.3 million, or 3.7%, over the revised FY2011 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, although it is not expected to be this high over the next two fiscal years. 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 \$123.2 million in FY2010. In FY2011 and FY2012, ongoing receipts of \$112.7 million and \$112.2 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 a result of the expanded public smoking ban which passed in November of 2010. As a result of the public smoking ban, video lottery receipts to the PTRF are expected to decline by 15% for a full year, which spans both FY2011 and FY2012. In FY2012, technology upgrades for video lottery machines that include additional games is anticipated to partially offset the revenue decline from the smoking ban. Included in the FY2011 and FY2012 PTRF estimates are \$7.5 million and \$8.9 million, respectively, from the telecommunications tax as well as \$8.0 million and \$7.6 million, respectively, from the 33% share of the excess tobacco tax. Video lottery receipts to the PTRF in FY2011 and FY2012 are projected to be \$97.2 million and \$95.8 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 FY2011, collections from other ongoing revenues are projected to be \$209.0 million, approximately 18.4% of total ongoing general fund revenues.

In FY2012, collections from other ongoing revenues are expected to decrease as compared to FY2011 mainly in the investment income and interest earnings (-\$1.6M) and charges for goods and services (-\$1.1M) categories. In FY2012, 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, although the transfer amounts are expected to be \$0.4 million less than FY2011. For FY2012, collections from other ongoing revenue

are projected at \$206.1 million, approximately 17.7 % of total ongoing general fund revenues.

ONE-TIME RECEIPTS

In FY2011, collections from one-time receipts, excluding reserves, are projected to be \$9.9 million which includes \$4.5 million from the Custer State Park Improvement Fund, \$1.5 million from the Tobacco Prevention and Reduction Trust Fund, \$1.0 million from the Tax Relief Fund, \$1.0 million from the Petroleum Release Compensation Fund, \$0.7 million from the Private Activity Bond Fee Fund, \$0.7 million from the Department of Corrections local & endowment funds, \$0.3 million from the Budgetary Accounting Fund, and \$0.3 million from the Other Disease Fund. In FY2012, collections from one-time receipts are projected to be \$1.0 million from the Tobacco Prevention and Reduction Trust fund, \$0.9 million from a reversion of a special appropriation, and \$0.2 million from a net transfer in that is one-time in nature. Also in FY2012, a one-time refund of overpaid taxes is projected totaling \$27.5 million, which shows as a negative one-time receipt.

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 FY2011 and FY2012, it is projected that no transfer from reserves will 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 FY2012 does not assume that surplus funds will be available. If there is a surplus in FY2011, the ending balance in the Budget Reserve Fund will be adjusted accordingly.

BUDGET RESERVE FUND CONDITION STATEMENT

	ACTUAL FY2009	ACTUAL FY2010	ESTIMATED FY2011	ESTIMATED FY2012
Beginning Balance	\$ 43,247,488	\$ 43,398,446	\$ 43,398,446	\$ 43,398,446
Calculations for Maximum Balance in the Fund:				
General Bill Appropriation for Prior Year	\$1,146,522,479	\$1,137,710,565	\$1,122,304,350	\$1,146,304,350
Budget Reserve Fund Percentage	10%	10%	10%	10%
Maximum Amount in the Fund	<u>\$ 114,652,248</u>	<u>\$ 113,771,057</u>	<u>\$ 112,230,435</u>	<u>\$ 114,630,435</u>
Maximum Transferable Amount	<u>\$ 71,404,760</u>	<u>\$ 70,372,611</u>	<u>\$ 68,831,989</u>	<u>\$ 71,231,989</u>
Amount of General Funds Available				
End of Prior Year	\$ 150,957	\$ 0	\$ 0	\$ 0
Transferred in from General Fund	<u>\$ 150,957</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Ending Balance	<u><u>\$ 43,398,446</u></u>	<u><u>\$ 43,398,446</u></u>	<u><u>\$ 43,398,446</u></u>	<u><u>\$ 43,398,446</u></u>

NOTE: The totals may not add due to rounding.

COMPARISON BETWEEN LEGISLATIVE ADOPTED AND REVISED ESTIMATE FOR FY2011

	LEGISLATIVE ADOPTED FY2011	REVISED FY2011	DOLLAR CHANGE	PERCENT CHANGE
CONTINUING RECEIPTS				
Sales and Use Tax	\$ 671,368,742	\$ 688,528,486	\$ 17,159,744	2.56
Contractor's Excise Tax	80,041,380	62,463,610	(17,577,770)	(21.96)
Alcohol Beverage Tax	10,090,993	9,981,492	(109,501)	(1.09)
Alcohol Beverage 2% Wholesale Tax	1,473,896	1,411,840	(62,056)	(4.21)
Cigarette Tax	30,000,000	30,000,000	0	0.00
Bank Franchise Tax	24,932,772	3,909,411	(21,023,361)	(84.32)
Insurance Company Tax	63,399,238	62,261,705	(1,137,533)	(1.79)
Licenses, Permits, and Fees	43,823,045	44,204,873	381,828	0.87
Investment Income and Interest	14,234,214	13,830,797	(403,417)	(2.83)
Charges for Goods and Services	15,949,384	26,184,159	10,234,775	64.17
Net Transfers In	30,442,128	30,772,888	330,760	1.09
Trust Funds	30,689,216	30,689,216	0	0.00
Severance Taxes	5,601,593	7,483,899	1,882,306	33.60
Unexpended Carryovers	0	0	0	0.00
Lottery	6,184,152	6,602,608	418,456	6.77
Property Tax Reduction Fund	118,656,193	112,709,977	(5,946,216)	(5.01)
Sale-Leaseback	7,782,263	7,782,263	0	0.00
CRP Program	75,000	75,000	0	0.00
SUBTOTAL (CONTINUING RECEIPTS)	\$ 1,154,744,209	\$ 1,138,892,224	\$ (15,851,985)	(1.37)
ONE-TIME RECEIPTS				
Transfer from Custer State Park Improvement Fund	\$ 4,403,286	\$ 4,466,930	\$ 63,644	1.45
Transfer from Private Activity Bond Fee Fund	698,331	698,331	0	0.00
Transfer from Tobacco Prev. and Red. Trust Fund	1,500,000	1,500,000	0	0.00
Transfer from Budgetary Accounting Fund	310,487	310,487	0	0.00
Transfer from Petroleum Release Fund	1,000,000	1,000,000	0	0.00
Transfer from Tax Relief Fund	1,017,979	1,017,979	0	0.00
Department of Corrections L&E Funds	650,000	650,000	0	0.00
Transfer from Other Disease Fund	292,861	292,861	0	0.00
Transfer from Property Tax Reserves	0	0	0	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 9,872,944	\$ 9,936,588	\$ 63,644	0.64
GRAND TOTAL	\$ 1,164,617,153	\$ 1,148,828,812	\$ (15,788,341)	(1.36)

NOTE: The totals may not add due to rounding.

COMPARISON BETWEEN FY2010 AND FY2011 REVENUE COLLECTIONS

	ACTUAL FY2010	REVISED FY2011	DOLLAR CHANGE	PERCENT CHANGE
CONTINUING RECEIPTS				
Sales and Use Tax	\$ 652,115,527	\$ 688,528,486	\$ 36,412,960	5.58
Contractor's Excise Tax	61,137,330	62,463,610	1,326,280	2.17
Alcohol Beverage Tax	9,822,974	9,981,492	158,518	1.61
Alcohol Beverage 2% Wholesale Tax	1,354,595	1,411,840	57,245	4.23
Cigarette Tax	30,000,000	30,000,000	0	0.00
Bank Franchise Tax	21,669,223	3,909,411	(17,759,812)	(81.96)
Insurance Company Tax	61,734,032	62,261,705	527,673	0.85
Licenses, Permits, and Fees	42,700,249	44,204,873	1,504,624	3.52
Investment Income and Interest	20,586,431	13,830,797	(6,755,634)	(32.82)
Charges for Goods and Services	16,856,600	26,184,159	9,327,559	55.33
Net Transfers In	35,507,852	30,772,888	(4,734,964)	(13.33)
Trust Funds	12,000,000	30,689,216	18,689,216	155.74
Severance Taxes	6,158,958	7,483,899	1,324,941	21.51
Unexpended Carryovers	435,801	0	(435,801)	(100.00)
Lottery	5,979,831	6,602,608	622,777	10.41
Property Tax Reduction Fund	123,174,513	112,709,977	(10,464,536)	(8.50)
Sale-Leaseback	8,457,825	7,782,263	(675,562)	(7.99)
CRP Program	104,006	75,000	(29,006)	(27.89)
SUBTOTAL (CONTINUING RECEIPTS)	\$ 1,109,795,746	\$ 1,138,892,224	\$ 29,096,478	2.62
ONE-TIME RECEIPTS				
Transfer from Custer State Park Improvement Fund	\$ 2,433,637	\$ 4,466,930	\$ 2,033,293	83.55
Transfer from Private Activity Bond Fee Fund	0	698,331	698,331	100.00
Transfer from Tobacco Prev. and Red. Trust Fund	0	1,500,000	1,500,000	100.00
Transfer from Budgetary Accounting Fund	2,020,021	310,487	(1,709,534)	(84.63)
Transfer from Petroleum Release Fund	0	1,000,000	1,000,000	100.00
Transfer from Aeronautics Fund	2,033,581	0	(2,033,581)	(100.00)
Transfer from Tax Relief Fund	3,533,582	1,017,979	(2,515,603)	(71.19)
Refund of Prior Year's Expense	2,200,307	0	(2,200,307)	(100.00)
Transfer from Large Project Liability Account	9,617,142	0	(9,617,142)	(100.00)
Department of Corrections L&E Funds	0	650,000	650,000	100.00
Transfer from Other Disease Fund	0	292,861	292,861	100.00
Transfer from Property Tax Reserves	0	0	0	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 21,838,270	\$ 9,936,588	\$ (11,901,682)	(54.50)
GRAND TOTAL	\$ 1,131,634,016	\$ 1,148,828,812	\$ 17,194,796	1.52

NOTE: The totals may not add due to rounding.

COMPARISON BETWEEN FY2011 AND FY2012 REVENUE COLLECTIONS

	REVISED FY2011	PROJECTED FY2012	DOLLAR CHANGE	PERCENT CHANGE
CONTINUING RECEIPTS				
Sales and Use Tax	\$ 688,528,486	\$ 709,340,328	\$ 20,811,842	3.02
Contractor's Excise Tax	62,463,610	67,982,420	5,518,810	8.84
Alcohol Beverage Tax	9,981,492	10,195,160	213,668	2.14
Alcohol Beverage 2% Wholesale Tax	1,411,840	1,498,201	86,361	6.12
Cigarette Tax	30,000,000	30,000,000	0	0.00
Bank Franchise Tax	3,909,411	4,047,921	138,510	3.54
Insurance Company Tax	62,261,705	64,560,250	2,298,545	3.69
Licenses, Permits, and Fees	44,204,873	44,866,966	662,093	1.50
Investment Income and Interest	13,830,797	12,258,382	(1,572,415)	(11.37)
Charges for Goods and Services	26,184,159	25,114,557	(1,069,602)	(4.08)
Net Transfers In	30,772,888	30,878,476	105,588	0.34
Trust Funds	30,689,216	30,327,000	(362,216)	(1.18)
Severance Taxes	7,483,899	7,776,140	292,241	3.90
Unexpended Carryovers	0	850,000	850,000	0.00
Lottery	6,602,608	6,188,500	(414,108)	(6.27)
Property Tax Reduction Fund	112,709,977	112,247,778	(462,199)	(0.41)
Sale-Leaseback	7,782,263	7,111,219	(671,044)	(8.62)
CRP Program	75,000	0	(75,000)	(100.00)
SUBTOTAL (CONTINUING RECEIPTS)	\$ 1,138,892,224	\$ 1,165,243,298	\$ 26,351,074	2.31
ONE-TIME RECEIPTS				
Transfer from Custer State Park Improvement Fund	\$ 4,466,930	\$ 0	\$ (4,466,930)	(100.00)
Transfer from Private Activity Bond Fee Fund	698,331	0	(698,331)	(100.00)
Transfer from Tobacco Prev. and Red. Trust Fund	1,500,000	1,000,000	(500,000)	(33.33)
Transfer from Budgetary Accounting Fund	310,487	0	(310,487)	(100.00)
Transfer from Petroleum Release Fund	1,000,000	0	(1,000,000)	(100.00)
Transfer from Tax Relief Fund	1,017,979	0	(1,017,979)	(100.00)
Department of Corrections L&E Funds	650,000	0	(650,000)	100.00
Transfer from Other Disease Fund	292,861	0	(292,861)	100.00
One-time Refund	0	(27,475,000)	(27,475,000)	(100.00)
Transfer from Property Tax Reserves	0	0	0	0.00
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 9,936,588	\$ (26,475,000)	\$ (36,411,588)	(366.44)
 GRAND TOTAL	 \$ 1,148,828,812	 \$ 1,138,768,298	 \$ (10,060,514)	 (0.88)

NOTE: The totals may not add due to rounding.

GENERAL FUND RECEIPTS

	ACTUAL FY2009	ACTUAL FY2010	REVISED FY2011	PROJECTED FY2012
CONTINUING RECEIPTS				
Sales and Use Tax	\$ 659,735,445	\$ 652,115,527	\$ 688,528,486	\$ 709,340,328
Contractor's Excise Tax	70,373,945	61,137,330	62,463,610	67,982,420
Alcohol Beverage Tax	9,537,513	9,822,974	9,981,492	10,195,160
Alcohol Beverage 2% Wholesale Tax	1,284,896	1,354,595	1,411,840	1,498,201
Cigarette Tax	30,000,000	30,000,000	30,000,000	30,000,000
Bank Franchise Tax	33,409,213	21,669,223	3,909,411	4,047,921
Insurance Company Tax	61,823,150	61,734,032	62,261,705	64,560,250
Licenses, Permits, and Fees	42,248,341	42,700,249	44,204,873	44,866,966
Investment Income and Interest	16,315,214	20,586,431	13,830,797	12,258,382
Charges for Goods and Services	16,570,377	16,856,600	26,184,159	25,114,557
Net Transfers In	19,327,158	35,507,852	30,772,888	30,878,476
Trust Funds	32,872,694	12,000,000	30,689,216	30,327,000
Severance Taxes	4,868,142	6,158,958	7,483,899	7,776,140
Unexpended Carryovers	1,695,722	435,801	0	850,000
Lottery	5,588,568	5,979,831	6,602,608	6,188,500
Property Tax Reduction Fund	125,463,350	123,174,513	112,709,977	112,247,778
Sale-Leaseback	9,141,450	8,457,825	7,782,263	7,111,219
CRP Program	341,988	104,006	75,000	0
SUBTOTAL (CONTINUING RECEIPTS)	\$1,140,597,167	\$1,109,795,746	\$1,138,892,224	\$1,165,243,298
ONE-TIME RECEIPTS				
Transfer from Telecommunications Relay Service	\$ 1,000,000	\$ 0	\$ 0	\$ 0
Transfer from Custer State Park Improvement Fund	6,325,898	2,433,637	4,466,930	0
Transfer from Private Activity Bond Fee Fund	1,500,000	0	698,331	0
Transfer from Prison Industries Revolving Fund	1,000,000	0	0	0
Transfer from Tobacco Prev. and Red. Trust Fund	2,500,000	0	1,500,000	1,000,000
Transfer from Budgetary Accounting Fund	0	2,020,021	310,487	0
Transfer from Petroleum Release Fund	0	0	1,000,000	0
Transfer from Aeronautics Fund	0	2,033,581	0	0
Refinancing Gains	475,000	0	0	0
Transfer from Tax Relief Fund	0	3,533,582	1,017,979	0
Refund of Prior Year's Expense	0	2,200,307	0	0
Transfer from Large Project Liability Account	0	9,617,142	0	0
Department of Corrections L&E Funds	0	0	650,000	0
Transfer from Other Disease Fund	0	0	292,861	0
One-Time Refund	0	0	0	(27,475,000)
Transfer from Property Tax Reserves	0	0	0	0
Obligated Cash Carried Forward	150,957	0	0	0
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 12,951,855	\$ 21,838,270	\$ 9,936,588	\$ (26,475,000)
GRAND TOTAL	\$1,153,549,022	\$1,131,634,016	\$1,148,828,812	\$1,138,768,298

NOTE: The totals may not add due to rounding.

RECOMMENDED EXPENDITURES

OVERVIEW

Governor Daugaard's FY2012 budget balances South Dakota's structural deficit without raising taxes. This budget includes various budget cuts affecting every agency in state government.

The Governor recommends a reduction to the per student allocation for state aid to general education which makes it \$4,324.14 per student for FY2012. The reduction in the per student allocation allows for a reduction of \$47.0 million in general funds that is partially offset by an increase of \$8.4 million in general funds for increases in enrollment. State aid to special education is recommended to increase by \$2.7 million in order to meet a federal maintenance of effort level, which will maintain the total available funding for state aid to special education in FY2012. A decrease in the funding rate per student for the technical institutes will reduce general funds by \$0.6 million. Also included in the ongoing general fund budget for the Department of Education is a total of \$1,652,696 for sparse school districts and \$476,800 for consolidation incentives.

The ongoing budget for the Board of Regents contains a decrease of \$16.6 million in general funds along with increases of \$50.7 million in federal fund expenditure authority and \$18.7 million in other fund expenditure authority, for a total increase of \$52.9 million, with an increase of 178.9 FTE. Included is a general fund increase of \$742,085 for the replacement of American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Funds (SFSF). Included in the decreases is \$0.3 million due to a reduction in utility projections along with a reduction of \$17.2 million throughout the budget.

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 \$24.2 million in increases of the \$41.4 million of overall ongoing decreases. This portion of the total budget comprises \$36.5 million in decreases of the \$151.9 million in ongoing total fund decreases for FY2012.

Social Services will see an ongoing increase of \$22.7 million in general funds and ongoing decreases of \$48.7 million in federal fund

expenditure authority and \$2.0 million in other fund expenditure authority. Four major components influencing this budget are: 1) the loss of funds previously received from the ARRA which results in a \$27.9 million general funds increase; 2) a \$12.4 million increase in general funds due to the Federal Medical Assistance Percentage rate change; 3) consumer expansion, which amounts to \$10.7 million in general funds and \$17.8 million in federal fund expenditure authority and includes increased utilization of services and additional clients; and 4) provider rate reductions, which amount to decreases of \$25.0 million in general funds, \$33.7 million in federal fund expenditure authority, and \$120,471 in other fund expenditure authority.

The Human Services ongoing budget is increasing by \$2.3 million in general funds along with decreasing by \$8.7 million in federal fund expenditure authority and \$655 in other fund expenditure authority. Increases of \$1.2 million in general funds and \$1.8 million in federal fund expenditure authority are for additional clients served. An increase of \$4.1 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. An increase of \$2.4 million in general funds and a corresponding decrease in federal fund expenditure authority is due to the Federal Medical Assistance Percentage rate change. Provider rate reductions are recommended totaling \$4.1 million in general funds and \$5.7 million in federal fund expenditure authority. Various other general fund reductions are recommended throughout the entire budget.

The ongoing budget for the Department of Health includes decreases of \$0.8 million in general funds and \$2.6 million in federal fund expenditure authority and an increase of \$1.4 million in other fund expenditure authority. This includes a decrease of \$349,000 in general funds for purchasing flu vaccines for children 6 to 18 years of age.

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 \$2.1 million in general funds and decreases of \$9.0 million in federal fund expenditure authority and \$1.5 million in other fund expenditure authority and 39.7 FTE. The primary general fund increase in this budget is due to the replacement of \$8.3 million of ARRA SFSF and Medicaid funding. Additional general fund increases of \$1.1 million, including: 1) funding for the new Rapid City Minimum Unit and

Parole facility; 2) inmate health care costs; 3) FMAP rate changes for juvenile group & residential placement services; 4) projected utilities and food services. Provider rate reductions took place totaling \$1.1 million in general funds and \$614,174 in federal fund expenditure authority. Various other general fund reductions also took place throughout the entire correctional system.

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 decreases of \$0.4 million in general funds, \$25,308 in federal fund expenditure authority, \$73,257 in other fund expenditure authority, and 3.5 FTE. The Office of the Attorney General's ongoing general fund budget is decreasing by \$0.9 million. A reduction of \$140,000 is due to eligible legal services operations becoming supported by consumer settlement funds rather than general funds. In addition, a number of available alternative funding sources will be utilized in efforts to relieve demand on the general fund.

The safety of South Dakota's citizens is also addressed within the ongoing budget for the Unified Judicial System which is being reduced by \$3.5 million in general funds and \$0.2 million in other fund expenditure authority.

Description	Inc/ (Dec)	FTE
Executive Branch	\$ 20,666,326	(98.1)
Board of Regents	(16,554,168)	178.9
State Aid	(38,913,040)	
UJS/Legislature/Elected	(6,042,146)	(65.2)
Technical Institutes	(575,543)	
Special/Contin. Approp.	16,475,072	
	(\$ 24,943,499)	15.6

The Executive Branch, which is under direct control of the Governor, has the following funding changes for FY2012:

General Funds	\$20,666,326
Federal Funds	(\$132,143,654)
Other Funds	(\$4,243,343)
FTE	(98.1)

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 \$57.6 million decrease out of the \$41.4 million in ongoing decreases. This budget comprises of \$36.6 million of the \$151.9 million in ongoing total fund decreases for FY2012. In terms of the total ongoing budget, the education category is 45.6% of the general funds and 34.5% of the total ongoing funds, which amounts to over \$1.3 billion in total ongoing funding for education.

STATE AID

This category includes state aid to K-12 general education, special education, postsecondary vocational education institutes, sparse school district funding, consolidation incentive funding, and technology in the schools.

The Governor is recommending the per student allocation for state aid to general education to be \$4,324.14 for FY2012. The funding for each disability level for state aid to special education is recommended to be at the same levels as FY2011.

The total recommended budgeted amount for state aid to general education is \$276,044,687 in general funds for FY2012. However, \$26,292,261 in general funds will be available from the FY2011 budget as a result of Stimulus 3 which will also be dedicated towards state aid to general education. The estimated FY2012 fall enrollment of 125,988 was used for calculating the FY2012 budget.

The budgeted amount for state aid to special education is recommended to increase by \$2,683,411 in general funds, bringing the total budget for this program to \$45,415,601 in general funds for FY2012. The increase is recommended in order to meet the federally required maintenance of effort level for special education funding. The recommended budget for FY2012 is based on a 0.0% increase in each disability level.

The Governor is recommending \$1,652,696 of general funds for payments to sparse school districts. An estimated 27 schools will be eligible for sparse payments in FY2012.

In accordance with SDCL 13-6-92 and 13-6-92.1, the Governor is recommending \$476,800 in general

funds for consolidation incentive payments for those school districts that consolidated prior to July 1, 2010.

The Governor is recommending a decrease of \$638,002 in general funds and \$18,332 in other fund expenditure authority for the technology in schools budget in FY2012. The total recommended budget includes \$5,742,020 in general funds and \$2,502,423 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 a total decrease of \$575,543 in general funds for the postsecondary technical institutes in FY2012. The decrease is based on a per student funding level of \$3,046.82 for FY2012. The estimated number of students for the FY2012 budget is an increase of 450 which is a 7.8% increase over the FY2011 budgeted level. The total recommended FY2012 budget for postsecondary institutes is \$20,540,284 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.

The budget for the Board of Regents contains a net increase of \$52,868,809 in total funds and 178.9 FTE over the FY2011 budget. The changes consist of a decrease of \$16,554,168 in general funds, and increases of \$50,702,333 in federal fund expenditure authority and \$18,720,644 in other fund expenditure authority. The total FY2012 recommended budget for the Board of Regents consists of \$150,748,788 in general funds, \$244,468,345 in federal fund expenditure authority, and \$377,254,904 in other fund expenditure authority, for a total FY2012 budget of \$772,472,037 and 5,012.4 FTE.

The FY2012 recommendation includes \$742,085 in general funds to replace lost ARRA stabilization funds. In FY2011, an additional \$10.6 million will be added to their budget which will be committed for higher education and carried over into FY2012.

This amount will need to be added to the base budget in FY2013.

The South Dakota Opportunity Scholarship continues to grow. There will not be any available cement plant trust fund earnings so the Governor is recommending a general fund increase of \$216,983 to fund approximately 3,458 students in FY2012.

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 of \$62,067,841 in federal fund expenditure authority, \$16,437,298 in other fund expenditure authority, and 178.9 FTE related to federal grant and contract activity.

The Governor is also recommending a reduction of \$17,507,210 in general funds throughout the Board of Regents budget. The cuts are as follows: utilities (\$297,216); Central Office (\$432,690); USD (\$3,408,413); SSOM (\$1,510,628); SDSU (\$4,931,137); CES (\$818,644); AES (\$1,012,028); SDSM&T (\$1,413,752); NSU (\$1,190,222); BHSU (\$1,096,988); DSU (\$826,936); SDSD (\$295,406); and SDSB&VI (\$273,150).

EDUCATION

The Governor's recommendation for the Department of Education, including the State Aid to Education formula, reflects decreases of \$41,013,241 in general funds and \$48,698,966 in federal fund expenditure authority, an increase of \$254,944 in other fund expenditure authority, and a decrease of 5.0 FTE. The total recommended budget for FY2012 is \$359,436,293 in general funds, \$208,318,380 in federal fund expenditure authority, \$4,404,700 in other fund expenditure authority, and 133.0 FTE.

GENERAL ADMINISTRATION

The total recommended FY2012 budget for this division is \$1,476,752 in general funds, \$5,375,658 in federal fund expenditure authority, \$88,674 in other fund expenditure authority, and 34.5 FTE. Increases in the division include \$920,000 of federal fund expenditure authority due to an increase in the College Access Grant. Decreases in this division include a \$1,423,348 reduction in federal fund expenditure authority due to the elimination of the Title IV Safe and Drug Free Grant, a \$250,000 reduction in general funds for the Gear Up program, a \$172,828 reduction of general fund personal services expenses and 2.0 FTE to consolidate support staff and align the budget to reflect current expenses, a \$100,000 reduction in general funds for a contract with South Dakota Public Broadcasting, and a \$25,000 reduction in general

funds for the University of South Dakota Summer Gifted Camp. Other decreases within General Administration include a decrease of \$28,642 in general funds, \$6,138 in federal fund expenditure authority, and \$42 in other fund expenditure authority related to a realignment of budget for space billing.

CURRICULUM, CAREER, AND TECHNICAL EDUCATION

The total recommended FY2012 budget for this division is \$968,709 in general funds, \$9,887,784 in federal fund expenditure authority, \$729,352 in other fund expenditure authority, and 15.0 FTE. Changes in this division include an increase of \$500,000 in other fund expenditure authority for maintenance and repair projects at the Postsecondary Institutes, an increase of \$250,000 in federal fund expenditure authority for an increase in the College Access Grant for FY2012, an increase of \$200,000 in federal fund expenditure authority for the EPSCoR grant to provide funding for Science, Technology, Engineering, and Math career programs in local school districts. Decreases in this division include a reduction of \$205,000 in general funds to reduce state support for Advanced Placement and Dual Credit Programs of Study, \$59,900 reduction in personal services general funds due to staff spending more time on federal projects, and a \$59,505 general fund reduction due to the elimination of a marketing contract.

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 total recommended FY2012 budget for this division is \$5,502,668 in general funds, \$191,868,098 in federal fund expenditure authority, \$899,168 in other fund expenditure authority, and 55.0 FTE. Budget changes for this division include a decrease of \$21,517,928 of American Recovery and Reinvestment Act (ARRA) federal fund expenditure authority for various grants and a \$250,000 decrease in other fund expenditure authority due to the division not receiving the Wellmark Foundation grant. A decrease of \$100,000 in general funds in Child and Adult Nutrition reflects less administrative general fund costs in the program. A decrease of \$78,500 in general funds eliminates funds provided to Technology and Innovation in Education. A decrease of \$63,700 in general funds and an increase of \$37,583 federal fund expenditure authority properly aligns the personal services budget for the division. A decrease of \$39,500 in general funds reduces funding provided to South Dakota Public Broadcasting for educational programming. A decrease of \$24,000 in general

funds eliminates technology plan review contracts. A decrease of \$20,000 in general funds eliminates funding for the Healthy School Grants.

STATE LIBRARY

The total recommended FY2012 budget for this division is \$1,616,076 in general funds, \$1,186,840 in federal fund expenditure authority, and \$186,083 in other fund expenditure authority, and 28.5 FTE. Changes in this division include a decrease of \$219,915 in general fund operating expenses as costs can be paid with federal funds, a decrease of \$18,860 in general fund personal services to properly align the personal service budget, and a reduction of 3.0 FTE for eliminating vacant positions that are not needed.

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 \$24.2 million increase out of the \$41.4 million in total ongoing decreases. This budget comprises of \$36.5 million of the \$151.9 million in total ongoing fund decreases for FY2012. In terms of the total ongoing budget, this category is 37.9% of the general funds and 31.9% of the total ongoing funds, which amounts to over \$1.2 billion in total ongoing funding.

HEALTH

The FY2012 Governor's recommended budget for the Department of Health includes decreases of \$803,160 in general funds and \$2,621,744 in federal fund expenditure authority, and increases of \$1,360,278 in other fund expenditure authority and 1.0 FTE. This includes a decrease of \$72,000 in general funds due to travel and supplies being reduced throughout the department. Also included are decreases of \$20,942 in general funds, \$77,004 in federal fund expenditure authority, and \$44,804 in other fund expenditure authority due to reductions in the rates paid for services provided by the Bureaus. The total FY2012 budget is \$6,979,125 in general funds, \$42,700,633 in federal fund expenditure authority, and \$32,919,643 in other fund expenditure authority, for a total of \$82,599,401 and 402.2 FTE.

ADMINISTRATION

The FY2012 recommendation for Administration includes decreases of \$65,166 in general funds and \$11,792 in federal fund expenditure authority, and an increase of \$33,097 in other fund expenditure authority. This includes a funding swap of \$40,672

from general funds to other fund expenditure authority. The total recommended budget is \$1,110,790 in general funds, \$6,098,373 in federal fund expenditure authority, \$1,877,442 in other fund expenditure authority, and 31.0 FTE.

HEALTH SYSTEMS DEVELOPMENT AND REGULATION

The recommendation for this division includes decreases of \$162,004 in general funds, \$2,747,958 in federal fund expenditure authority, \$477 in other fund expenditure authority, and 1.0 FTE. This includes a decrease of \$25,000 in general funds as health care facilities will be licensed for a two-year period instead of annually. A funding swap of \$90,000 from general funds to federal fund expenditure authority is recommended because the Trauma Program received a federal grant. Decreases of 1.0 FTE, \$20,243 in general funds, and \$20,243 in federal fund expenditure authority are related to cutting a clerical position. A decrease of \$2,800,000 in federal fund expenditure authority is due to the H1N1 grant ending. The total recommended budget is \$2,194,308 in general funds, \$11,296,876 in federal fund expenditure authority, \$1,195,824 in other fund expenditure authority, and 62.5 FTE.

HEALTH AND MEDICAL SERVICES

The changes recommended in the budget for this division include decreases of \$575,990 in general funds, \$51,507 in federal fund expenditure authority, and 1.0 FTE, and an increase of \$32,889 in other fund expenditure authority. This includes reductions of 1.0 FTE and \$117,038 in general funds and an increase of \$40,000 in other fund expenditure authority as latent tuberculosis (TB) infections will no longer be required to report to the department. Also, the number of TB and mold specimens the department pays for is decreasing, resulting in a decrease of \$60,000 in general funds. A decrease of \$349,000 in general funds is also recommended as flu vaccines will no longer be provided for children 6 years to 18 years of age. The total recommended budget is \$3,674,027 in general funds, \$20,475,652 in federal fund expenditure authority, \$3,802,726 in other fund expenditure authority, and 176.5 FTE.

LABORATORY SERVICES

The changes recommended for Laboratory Services include decreases of \$3,410 in federal fund expenditure authority and \$13,613 in other fund expenditure authority. The total recommended budget is \$3,071,348 in federal fund expenditure authority, \$3,171,768 in other fund expenditure authority, and 28.0 FTE.

CORRECTIONAL HEALTH

This division has recommended increases of \$905,326 in other fund expenditure authority and 5.0 FTE. An increase of \$1,102,811 in other fund expenditure authority is due to prescription drug and medical supplies inflation, inmate growth, and the new Rapid City Minimum Unit opening in January 2012. An increase of 5.0 FTE is for hiring more nurses and reducing use of contracted nurses, resulting in a decrease of \$125,393 in other fund expenditure authority. Also included is a decrease of \$61,008 in other fund expenditure authority for a provider rate reduction. The total FY2012 budget for this division is \$15,688,135 in other fund expenditure authority and 81.0 FTE.

TOBACCO PREVENTION

The recommendation for Tobacco Prevention includes a decrease of \$846 in federal fund expenditure authority and an increase of \$499,830 in other fund expenditure authority. The total recommended budget is \$1,564,615 in federal fund expenditure authority, \$3,999,830 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 FY2012 for the Boards is \$193,769 in federal fund expenditure authority, \$3,183,918 in other fund expenditure authority, and 20.2 FTE. This includes an increase of \$193,769 in federal fund expenditure authority in the Board of Pharmacy and decreases of 2.0 FTE and \$92,000 in the Board of Medical and Osteopathic Examiners.

HUMAN SERVICES

The Governor is recommending an increase of \$2,317,586 in general funds, and decreases of \$8,747,250 in federal fund expenditure authority and \$655 in other fund expenditure authority, for a total decrease of \$6,430,319. The recommendation includes an increase of \$6,475,793 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. For FY2012, a total budget of \$155,162,585 is recommended,

consisting of \$53,705,117 in general funds, \$98,262,182 in federal fund expenditure authority, \$3,195,286 in other fund expenditure authority, and 557.4 FTE.

SECRETARIAT

The Governor's recommendation includes decreases of \$297,307 in general funds, \$301,096 in federal fund expenditure authority, and 9.0 FTE, for a total budget of \$1,260,296 and 15.0 FTE. The Governor recommends moving 9.0 FTE and their associated budget from DHS to DSS in order to help administer the new Behavioral Health division.

DEVELOPMENTAL DISABILITIES

The recommendation for the Division of Developmental Disabilities is an increase in general funds of \$1,983,823 and a decrease of \$4,802,252 in federal fund expenditure authority. The Governor's recommendation includes increases of \$1,214,049 in general funds and \$1,795,494 in federal fund expenditure authority to address consumer expansion for individuals with developmental disabilities, and \$4,138,779 in federal fund expenditure authority for the transition of the Children's Care Hospital and School (CCHS). Provider rate reductions are recommended which amount to decreases of \$4,060,392 in general funds and \$5,594,965 in federal fund expenditure authority. Also within the recommended budget are decreases of \$125,000 in general funds for an autism grant, \$47,194 in general funds and federal fund expenditure authority for the College of Direct Support training curriculum, and \$71,782 in general funds for Community Training Services (CTS).

SOUTH DAKOTA DEVELOPMENTAL CENTER

The recommendation for the South Dakota Developmental Center includes an increase of \$884,059 in general funds and a decrease of \$1,633,855 in federal fund expenditure authority. The Governor's recommendation includes decreases of \$95,645 in general funds and \$141,452 in federal fund expenditure authority for utility cost adjustments, \$139,944 in general funds and \$206,966 in federal fund expenditure authority for personal services, and \$36,225 in general funds and \$53,574 in federal fund expenditure authority for various operating expenses. The total recommended budget is \$9,291,849 in general funds, \$13,651,471 in federal fund expenditure authority, \$992,145 in other fund expenditure authority, and 395.6 FTE.

REHABILITATION SERVICES

The Governor's recommended budget for Rehabilitation Services includes decreases of \$126,945 in general funds and \$1,708,878 in

federal fund expenditure authority, for a total decrease of \$1,835,823. Decreases within this division include \$242,913 in ARRA federal fund expenditure authority that will no longer be needed, \$31,151 in general funds and \$107,233 in federal fund expenditure authority for the Traumatic Brain Injury (TBI) program, and \$212,375 in general funds and \$997,719 in federal fund expenditure authority for Vocational Rehabilitation (VR) services. Also recommended are decreases of \$88,051 in general funds and \$112,305 in federal fund expenditure authority for provider rate reductions.

TELECOMMUNICATION DEVICES FOR THE DEAF

The Governor is recommending no change to the Telecommunication Devices for the Deaf budget. The total FY2012 budget is \$1,251,680 in other fund expenditure authority.

SERVICE TO THE BLIND AND VISUALLY IMPAIRED

The Governor is recommending decreases of \$126,044 in general funds, \$301,169 in federal fund expenditure authority, and \$655 in other fund expenditure authority, for a total decrease of \$427,686. Major changes within this division include decreases of \$63,900 in general funds and \$236,100 in federal fund expenditure authority for VR services and a decrease of \$33,877 in general funds with a corresponding increase in federal fund expenditure authority for personal services. The total recommended budget is \$783,901 in general funds, \$2,055,921 in federal fund expenditure authority, \$251,701 in other fund expenditure authority, and 29.2 FTE.

SOCIAL SERVICES

The Governor's recommended budget for the Department of Social Services is \$364,325,077 in general funds, \$631,723,553 in federal fund expenditure authority, and \$9,050,460 in other fund expenditure authority, for a total FY2012 budget of \$1,005,099,090 and 1,640.6 FTE. This recommendation includes an increase of \$22,654,302 in general funds and decreases of \$48,720,788 in federal fund expenditure authority and \$1,967,735 in other fund expenditure authority. This budget includes a swap of \$33,408,520 from federal fund expenditure authority to general funds due to the increase in the state's share in the Federal Medical Assistance Percentage (FMAP). Increases of \$115,665 in general funds and \$105,328 in federal fund expenditure authority are for office space cost increases. Also included are decreases of \$100,852 in general funds, \$60,228 in federal fund expenditure authority, and \$5,346 in other fund expenditure authority due to reductions

in travel. Decreases of \$256,730 in general funds, \$368,082 in federal fund expenditure authority, and \$6,923 in other fund expenditure authority are due to reductions in rates paid to the Bureaus for internal services provided.

ADMINISTRATION

The recommended budget for Administration includes increases of \$196,427 in general funds, \$73,360 in federal fund expenditure authority, and 5.5 FTE, and a decrease of \$202,896 in other fund expenditure authority. Increases of 9.0 FTE, \$286,111 in general funds, and \$292,022 in federal fund expenditure authority are due to the Governor's reorganization involving the Department of Human Services. Increases of \$114,380 in general funds and \$185,109 in federal fund expenditure authority are recommended as computer services utilization is increasing. Also included are decreases of 3.5 FTE, \$62,204 in general funds, and \$88,533 in federal fund expenditure authority due to cutting an attorney and clerical positions. The total recommended budget is \$7,327,250 in general funds, \$19,287,312 in federal fund expenditure authority, \$16,221 in other fund expenditure authority, and 182.7 FTE.

ECONOMIC ASSISTANCE

The Governor's recommended budget for Economic Assistance includes decreases of \$879,902 in general funds, \$4,326,777 in federal fund expenditure authority, \$131,096 in other fund expenditure authority, and 0.2 FTE. An increase of \$1,827,413 in federal fund expenditure authority is recommended because of Temporary Assistance to Needy Families (TANF) caseload growth. Also recommended is an \$80,280 general fund increase since Supplemental Security Income (SSI) State Supplemented cases have also increased. Increases of 1.0 FTE and \$96,782 in federal fund expenditure authority are for researching the State's need for a Health Insurance Exchange. A decrease of \$6,000,000 in federal fund expenditure authority in weatherization is due to an American Recovery and Reinvestment Act (ARRA) grant ending. Also included are decreases of \$204,470 in general funds and \$113,022 in federal fund expenditure authority from reducing the Supplemental Nutrition Assistance Program (SNAP) Employment and Training program from twenty counties to two counties. The elimination of the Sales Tax on Food Refund Program results in a reduction of 0.2 FTE. Reductions of \$25,922 in general funds and \$26,116 in federal fund expenditure authority are due to savings in the Medical Eligibility program. Decreases of 1.0 FTE, \$21,209 in general funds and \$21,209 in federal fund expenditure authority are due to cutting a Program Assistant position. Decreases of \$748,953 in general funds, \$87,491 in federal fund expenditure authority, and \$14,380 in

other fund expenditure authority are for provider rate reductions in the auxiliary placement program. Also included is a reduction of \$329,423 in other fund expenditure authority associated with the SNAP Incentive funds. The total recommended budget is \$20,399,384 in general funds, \$66,878,400 in federal fund expenditure authority, \$312,707 in other fund expenditure authority, and 320.3 FTE.

MEDICAL AND ADULT SERVICES

The recommended budget for Medical and Adult Services includes increases of \$26,883,220 in general funds and 4.0 FTE, and decreases of \$40,722,885 in federal fund expenditure authority and \$1,221,362 in other fund expenditure authority. The FY2012 recommended budget is \$249,851,786 in general funds, \$458,973,184 in federal fund expenditure authority, \$1,770,368 in other fund expenditure authority, and 149.0 FTE. Increases of \$1,487,981 in general funds and \$1,317,083 in federal fund expenditure authority are for mandatory inflation. Increases of \$6,624,938 in general funds and \$10,559,154 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. Additional increases of \$3,297,548 in general funds and \$4,876,839 in federal fund expenditure authority are due to growth in High Cost Claims clients. An increase of \$6,489,287 in general funds is to restore the one-time cut to Medicare Part D which was implemented in the FY2011 budget. Increases of 4.0 FTE, \$69,489 in general funds, and \$208,466 in federal fund expenditure authority are to add four nurses who will manage high cost Medicaid cases. Increases of \$997,155 in general funds and \$126,002 in federal fund expenditure authority, with a decrease of \$1,123,157 in other fund expenditure authority, is to sustain the ongoing funding of the Homemaker program. An increase of \$6,456,063 in federal fund expenditure authority is for Indian Health Services. Also included are decreases of \$1,225,700 in general funds and \$1,812,723 in federal fund expenditure authority for eliminating the graduate medical education program. Decreases of \$127,957 in general funds and \$98,871 in federal fund expenditure authority eliminate funding to the Retired Senior Volunteer Program, Caregiver Support Groups, and Senior Companion Program. Decreases of \$30,501 in general funds and \$16,501 in federal fund expenditure authority are for reductions to legal services to the elderly, dietitian contracts, and Victims' Services grants. Decreases of \$20,881,791 in general funds, \$31,157,326 in federal fund expenditure authority, and \$97,747 in other fund expenditure authority are due to provider rate reductions. A decrease of \$1,000,000 in federal

fund expenditure authority is due to the Victims' Services ARRA grant ending.

CHILDREN'S SERVICES

The Governor's recommended FY2012 budget for Children's Services includes decreases of \$858,691 in general funds, \$3,066,834 in federal fund expenditure authority, \$28,508 in other fund expenditure authority, and 3.0 FTE. This includes a funding swap of \$362,500 from federal fund expenditure authority to general funds as ARRA provisions are ending. Increases of \$489,363 in general funds and \$329,222 in federal fund expenditure authority are for additional subsidized adoptions and guardianships. Decreases of \$51,000 in general funds and \$99,000 in federal fund expenditure authority are to align child support contractual services with anticipated expenditures. A decrease of \$1,305,928 in general funds is due to reductions in child care quality initiatives. A decrease of \$652,257 in general funds is due to reducing the child care subsidy eligibility level. Decreases of \$51,860 in general funds and \$100,320 in federal fund expenditure authority are due to reductions to the contracts for Child Support Prosecutors and Referees. Reductions of 3.0 FTE, \$45,398 in general funds, and \$79,227 in federal fund expenditure authority are for cutting a Senior Claims Clerk, a Child Care Caseworker, and a Child Support Specialist. Also included in this division are decreases of \$1,218,748 in general funds, \$1,153,830 in federal fund expenditure authority, and \$8,344 in other fund expenditure authority due to provider rate reductions. The total recommended budget is \$31,662,521 in general funds, \$49,764,470 in federal fund expenditure authority, \$4,378,886 in other fund expenditure authority, and 349.8 FTE.

BEHAVIORAL HEALTH

The Governor recommends decreases of \$2,686,752 in general funds, \$677,652 in federal fund expenditure authority, and \$383,458 in other fund expenditure authority, for a total decrease of \$3,747,862. Increases within this division include \$493,594 in general funds and \$622,666 in federal fund expenditure authority due to Centers for Medicare and Medicaid Services (CMS) requiring the state to transition adolescent drug and alcohol abuse inpatient treatment to a Psychiatric Residential Treatment Facility (PRTF) classification. Additional funding is recommended for community mental health consumer expansion at a total cost of \$253,332 in general funds and \$209,299 in federal fund expenditure authority. Included in this recommendation are decreases of \$2,204,493 in general funds and \$1,314,382 in federal fund expenditure authority for provider rate reductions. The Governor's recommendation also includes decreases of \$442,000 in other fund expenditure

authority due to the loss of Tobacco Coalition funding, \$544,083 in general funds for community-based methamphetamine specific treatment, and \$50,000 in general funds for training. At the Human Services Center, the Governor recommends an increase of \$301,377 in general funds for the annual dietary building bond payment. A funding swap of \$1,537,963 from general funds to federal fund expenditure authority is to realign projected Medicaid and Medicare revenues with expenses. Recommended decreases included are \$111,556 in general funds and \$63,270 in federal fund expenditure authority for utility cost adjustments, \$162,744 in general funds and \$29,625 in federal fund expenditure authority for a food services adjustment, \$343,110 in general funds for the annual energy loan payment, and \$150,000 in general funds for a residency program. The total FY2012 budget is \$55,084,136 in general funds, \$36,820,187 in federal fund expenditure authority, and \$2,180,649 in other fund expenditure authority, for a total of \$94,084,972 and 637.5 FTE.

BOARDS – INFORMATIONAL

There are four boards including the Board of Counselor Examiners, Board of Psychology Examiners, Board of Social Work Examiners, and Certification Board for Alcohol and Drug Professionals. The total recommended budget for FY2012 for the Boards is \$391,629 in other fund expenditure authority and 1.3 FTE.

CORRECTIONS

The Governor's recommended budget for the Department of Corrections is \$78,416,278 in general funds, \$12,060,900 in federal fund expenditure authority, and \$8,137,132 in other fund expenditure authority, for a total FY2012 budget of \$98,614,310 and 845.3 FTE. The overall FY2012 budget recommendation includes an increase of \$2,053,740 in general funds and decreases of \$8,954,040 in federal fund expenditure authority, \$1,467,868 in other fund expenditure authority, and 39.7 FTE, for a net decrease of \$8,368,168.

The Average Daily Count (ADC) of adult inmates is projected to reach 3,610 in FY2012. This represents an increase of 114 inmates over the actual FY2010 ADC of 3,496 inmates, or a 3.3% increase over two years. The average daily population of juveniles in institutional settings within the Department of Corrections is projected to increase from the actual FY2010 ADC of 134 to 142 for FY2012, which is a 6.0% increase over two years.

ADMINISTRATION

The Governor is recommending increases of \$8,165,446 in general funds and \$947,415 in other

fund expenditure authority, a decrease of \$8,506,442 in federal fund expenditure authority, and the reduction of 2.0 FTE. An increase of \$7,967,096 in general funds and a corresponding decrease in federal fund expenditure authority is due to the replacement of American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Funding. Increases of \$499,967 in general funds and \$466,367 in other fund expenditure authority represent the projected additional costs of services for Inmate Health Services agreements with the Department of Health. The general fund increase for inmate medical is partially offset by a \$61,008 reduction in provider rates. An increase of \$427,910 in other fund expenditure authority is recommended for the annual software maintenance agreement for the Offender Management System. Various reductions in personal services and operating expenses, including 2.0 FTE, are recommended in an attempt to reduce the impact of unavoidable and substantial increases. The total FY2012 recommended budget in Administration includes \$18,244,959 in general funds, \$2,154,972 in federal fund expenditure authority, \$1,506,929 in other fund expenditure authority, and 39.5 FTE.

MIKE DURFEE STATE PRISON

The recommended budget for the Mike Durfee State Prison (MDSP) includes a decrease of \$981,810 in general funds, increases of \$2,424 in federal fund expenditure authority and \$138,902 in other fund expenditure authority, and a decrease of 9.5 FTE. The general fund decrease is largely a result of reducing 9.5 FTE throughout the institution in addition to various personal services and operating expense reductions. Adjustments to federal and other fund expenditure authority are due to a funding swap of various personal services and operating expenses that align the budget. The overall FY2012 budget for MDSP is \$11,305,126 in general funds, \$157,012 in federal fund expenditure authority, \$539,411 in other fund expenditure authority, and 170.0 FTE.

STATE PENITENTIARY

The recommendation for the South Dakota State Penitentiary (SDSP) includes a decrease of \$1,612,910 in general funds, an increase of \$452,311 in federal fund expenditure authority, and decreases of \$3,073 in other fund expenditure authority and 9.0 FTE. The general fund reductions are the result of eliminating various operating expenses and 9.0 FTE. Additionally, an increase of \$427,707 in federal fund expenditure authority and a corresponding general fund reduction is due to aligning the budget to the number of federal inmates in custody. The overall FY2012 budget for SDSP is \$16,385,503 in general funds, \$955,015 in federal fund expenditure authority, \$235,194 in other fund expenditure authority, and 277.5 FTE.

WOMEN'S PRISON

The South Dakota Women's Prison (SDWP) budget is recommended to increase by \$9,754 in general funds and decrease by \$161,643 in federal fund expenditure authority and \$789 in other fund expenditure authority. A general fund increase and a corresponding federal fund expenditure authority decrease is the result of aligning the budget to the number of female federal inmates in state custody. General fund increases were offset with budget reductions in various personal services and operating expenses. The total FY2012 budget for the SDWP is \$3,236,214 in general funds, \$114,308 in federal fund expenditure authority, \$151,025 in other fund expenditure authority, and 50.0 FTE.

PHEASANTLAND INDUSTRIES

The budget for Pheasantland Industries is recommended to decrease by \$1,487,385 in other fund expenditure authority. The decrease is the result of SB65 from the 2010 Legislative Session, which delayed the production cycle of motor vehicle license plates, and internal service rate adjustments. The total FY2012 budget for Pheasantland Industries is \$2,501,383 in other fund expenditure authority and 14.0 FTE.

COMMUNITY SERVICES

The Community Services budget is recommended to increase by \$92,355 in general funds, and decrease by \$22,249 in federal fund expenditure authority, \$1,002,888 in other fund expenditure authority, and 0.4 FTE. The increases in general funds, including adding 1.6 FTE, are due to the anticipated opening of the new Rapid City Minimum Unit and Parole Facility in January 2012. The majority of general fund increases have been offset by the lease termination at the current location, reduced contracted beds for work release inmate placements, various other operating expense reductions, and 2.0 FTE eliminated throughout the minimum security facilities. The recommended reductions in federal and other fund expenditure authority are the result of aligning anticipated grant awards and unsupported other fund expenditure authority. The total FY2012 budget for Community Services is \$4,241,965 in general funds, \$147,464 in federal fund expenditure authority, \$2,192,629 in other fund expenditure authority, and 75.1 FTE.

PAROLE SERVICES

The Governor's budget recommendation for Parole Services includes decreases of \$259,730 in general funds and 3.0 FTE. The recommended general fund decrease is the result of personal services reductions throughout Parole operations, terminating lease agreements due to relocation to

the new Rapid City Minimum Unit and Parole Facility, and other various operating expenses reductions. The total FY2012 budget recommendation for Parole Services is \$3,238,943 in general funds, \$205,659 in other fund expenditure authority, and 50.0 FTE.

JUVENILE COMMUNITY CORRECTIONS

The Juvenile Community Corrections budget is recommended to decrease by \$2,045,132 in general funds, \$748,561 in federal fund expenditure authority, and 4.0 FTE. The general fund decrease is due to reductions throughout Group and Residential Placement services to align the budget with anticipated Average Daily Count (ADC) and adjustments to selected services for juvenile offenders. Additional recommended general fund reductions are due to various personal services alignments. The Federal Medical Assistance Percentages (FMAP) rate adjustment, including the expiration of related Stimulus packages, account for \$593,843 of the general fund increases and federal fund expenditure authority decrease. The overall FY2012 budget for Juvenile Community Corrections is \$13,327,557 in general funds, \$7,966,660 in federal fund expenditure authority, \$635,081 in other fund expenditure authority, and 44.5 FTE.

YOUTH CHALLENGE CENTER

The Governor is recommending a decrease of \$133,764 in general funds budgeted for the Youth Challenge Center (YCC). The recommended reduction includes both personal services and operating expenses. The total FY2012 budget for YCC is \$1,333,443 in general funds, \$14,942 in other fund expenditure authority, and 26.0 FTE.

PATRICK HENRY BRADY ACADEMY

The Governor is recommending a decrease of \$70,625 in general funds for the Patrick Henry Brady Academy. The total FY2012 budget for the Brady Academy is \$1,368,764 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 FY2012 is recommended to decrease by \$1,019,653 in general funds, increase by \$30,120 in federal fund expenditure authority, and decrease by \$60,000 in other fund expenditure authority and 11.8 FTE. Personal services general fund reductions are the result of realigning provided services and programs. Operating expenses

general fund reductions impact various operating budget categories. A federal fund expenditure authority increase is recommended due to the federal Child and Nutrition Services rate adjustments. The other fund expenditure authority decrease is due to the alignment with projected available fund sources. The total FY2012 budget for STAR is \$4,250,787 in general funds, \$565,469 in federal fund expenditure authority, \$128,000 in other fund expenditure authority, and 44.7 FTE.

QUEST/EXCEL

The Governor is recommending budget decreases of \$90,191 in general funds and \$51 in other fund expenditure authority in Quest/ExCEL. The recommended reduction includes both personal services and operating expenses throughout the two programs. The total FY2012 budget for Quest/ExCEL is \$1,483,017 in general funds, \$12,599 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 of \$1.7 million out of the \$41.4 million in total ongoing decreases. This budget represents a decrease of \$27.9 million out of the \$151.9 million in total ongoing fund decreases for FY2012. In terms of the total ongoing state budget, this category is 1.4% of the general funds and 4.0% of the total ongoing funds, which amounts to \$154.4 million in total ongoing funding.

AGRICULTURE

The Governor's FY2012 recommended budget for the Department of Agriculture is \$38,699,272, and consists of \$5,480,518 in general funds, \$6,940,811 in federal fund expenditure authority, \$26,277,943 in other fund expenditure authority, and 220.5 FTE. The Governor is recommending decreases of \$664,502 in general funds and \$3,476,850 in federal fund expenditure authority and increases of \$1,264,139 in other fund expenditure authority. Also included in this budget is a reduction of 4.0 FTE.

OFFICE OF THE SECRETARY

The Governor is recommending a total funding decrease of \$109,865 within the Office of the Secretary. Included in this budget is a reduction of

\$87,766 in general fund personal services. The Office of the Secretary's total recommended budget for FY2012 is \$896,931 and consists of \$733,711 in general funds, \$52,230 in federal fund expenditure authority, \$110,990 in other fund expenditure authority, and 9.5 FTE.

AGRICULTURAL SERVICES AND ASSISTANCE

The recommended FY2012 budget for Agricultural Services and Assistance includes \$1,650,494 in general funds, \$3,383,253 in federal fund expenditure authority, and \$3,040,666 in other fund expenditure authority, for a total budget of \$8,074,413 and 81.8 FTE. This recommendation reflects a total decrease of \$3,279,161 for FY2012. This general bill center is composed of Agriculture Services and Fire Suppression.

The total FY2012 recommended budget for Agriculture Services is \$4,085,442 and 32.2 FTE. This budget is comprised of \$687,355 in general funds, \$811,448 in federal fund expenditure authority, and \$2,586,639 in other fund expenditure authority. Included in this recommendation is a reduction of \$125,000 of general funds for prairie dog control efforts. The Governor is also recommending a decrease of \$84,313 in general funds and an increase of \$56,760 in other fund expenditure authority in the Dairy program.

The total recommended budget for Fire Suppression includes \$963,139 in general funds, \$2,571,805 in federal fund expenditure authority, and \$454,027 in other fund expenditure authority, for a total budget of \$3,988,971 and 49.6 FTE. Included in this budget is a decrease of \$3,000,000 in American Recovery and Reinvestment Act (ARRA) federal fund expenditure authority that is not needed in FY2012. The Governor is recommending a decrease of \$97,685 in general funds that pay for Single Engine Air Tanker contracts.

AGRICULTURAL DEVELOPMENT AND PROMOTION

The Governor is recommending a total decrease of \$909,880 for Agricultural Development and Promotion. The total recommended FY2012 budget consists of \$1,069,023 in general funds, \$1,630,747 in federal fund expenditure authority, and \$1,432,338 in other fund expenditure authority, for a total budget of \$4,132,108 and 27.8 FTE. This general bill center is composed of Agriculture Development and Resource Conservation and Forestry.

The total FY2012 recommended budget for Agriculture Development consists of \$108,441 in general funds, \$297,469 in federal fund expenditure authority, \$1,062,935 in other fund expenditure

authority, and 9.0 FTE. The Governor is recommending a decrease of \$50,000 in general fund personal services.

The total FY2012 recommended budget for Resource Conservation and Forestry is \$2,663,263 and 18.8 FTE. The Governor is recommending a decrease of \$421,000 of ARRA federal fund expenditure authority that will not be needed in FY2012. Also included in this budget is a reduction of \$432,820 in other fund expenditure authority that is not needed due to the sunset of the \$60 portion of the Pesticide Registration fee devoted to Conservation efforts.

ANIMAL INDUSTRY BOARD

The total FY2012 recommended budget for the Animal Industry Board is \$3,890,631 and 40.9 FTE. This budget is comprised of \$1,759,083 in general funds, \$1,874,581 in federal fund expenditure authority, and \$256,967 in other fund expenditure authority. The Governor is recommending decreases of 2.0 vacant FTE, \$46,407 in general funds, \$46,407 in federal fund expenditure authority within the Meat Inspection Program. The Governor is recommending decreases of 2.0 FTE and \$77,800 in general funds within the Livestock Disease Control Program; this reduction will lead to the elimination of the Captive Non-Domestic Program and the Inhumane Treatment Program.

BOARDS AND COMMISSIONS - INFORMATIONAL

The total recommended FY2012 budget for the Agricultural Boards and Commissions is \$19,433,209 in other fund expenditure authority and 41.0 FTE. 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 Medical Examiners, and the Pulse Crops Council. The Governor is recommending increases in other fund expenditure authority of: \$102,171 in the Wheat Commission, \$37,469 in the Oilseeds Council, and \$1,445,986 in the Soybean Research and Promotion Council. Within the Brand Board, the Governor is recommending an increase of \$88,082 in other fund expenditure authority and a decrease of 2.0 FTE. These 2.0 FTE are Brand Investigators that will now be under the jurisdiction of Criminal Investigation within the Attorney General's Office.

STATE FAIR

The total FY2012 Governor's recommended budget for the State Fair is \$268,207 in general funds and \$2,003,773 in other fund expenditure authority for a total budget of \$2,271,980 and 19.5 FTE. The

Governor is recommending a total decrease of \$31,793 in general fund support within the State Fair.

ENVIRONMENT AND NATURAL RESOURCES

The Governor's FY2012 recommended budget for the Department of Environment and Natural Resources totals \$33,645,260, and consists of \$5,225,102 in general funds, \$19,780,254 in federal fund expenditure authority, \$8,639,904 in other fund expenditure authority, and 180.5 FTE. The Governor is recommending decreases of \$582,006 in general funds and \$28,891,025 in federal fund expenditure authority and an increase of \$299,301 in other fund expenditure authority.

FINANCIAL AND TECHNICAL ASSISTANCE

The Financial and Technical Assistance budget consists of \$2,019,589 in general funds, \$13,949,047 in federal fund expenditure authority, and \$948,163 in other fund expenditure authority, for a total budget of \$16,916,799 and 56.5 FTE. The Governor is recommending a decrease of \$26,574,100 in ARRA federal fund expenditure authority that is not needed in FY2012. The Governor is recommending a funding flip of \$28,188 in general funds, coupled with an increase in other fund expenditure authority of \$28,188, for seasonal personnel. The Governor is also recommending a decrease of \$109,284 in general funds, coupled with an increase of a like amount in other fund expenditure authority, to continue to fund the Ambient Ground Water Quality Network.

ENVIRONMENTAL SERVICES

The Governor recommends a total FY2012 budget for Environmental Services of \$11,730,265 and 118.0 FTE. Environmental Services consists of \$3,205,513 in general funds, \$5,831,207 in federal fund expenditure authority, and \$2,693,545 in other fund expenditure authority. This budget includes a recommended decrease of \$36,554 in general funds and a subsequent increase of \$36,554 in federal fund expenditure authority to continue to pay for a portion of a project engineer's time associated with the oversight of cleanup at the Gilt Edge Mine. This recommendation includes a funding swap of \$50,000 of general funds for a like amount of other fund expenditure authority. This swap will utilize revenue from a potentially large scale mining project in the Black Hills to offset general funds. The Governor is recommending a decrease of \$29,469 in general funds to eliminate state regulation of municipal swimming pools and public beaches. The Governor is recommending replacing \$146,495 of general funds with a like amount of federal fund expenditure authority within

the Septic Tank Inspection Program and the Water Rights Program. The Governor is recommending a funding swap of \$124,806 in general funds for a like amount of other fund expenditure authority for stream flow gauging and ground water review at solid waste facilities. The Governor is recommending a decrease of 0.2 FTE and \$18,407 in general funds, which will result in the elimination of seasonal employees and interns in the division. This budget also includes a decrease of \$2,500,000 in ARRA federal fund expenditure authority that is not needed in FY2012.

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.

PETROLEUM RELEASE COMPENSATION

The Governor's recommendation includes an overall decrease of \$69,936 in other fund expenditure authority. The total recommended FY2012 budget for Petroleum Release Compensation is \$2,483,196 in other fund expenditure authority and 6.0 FTE.

GAME, FISH, AND PARKS

The FY2012 recommended budget for the Department of Game, Fish, and Parks totals \$82,043,334, including \$4,677,282 in general funds, \$27,961,340 in federal fund expenditure authority, \$49,404,712 in other fund expenditure authority, and 563.1 FTE. This budget reflects an overall increase of \$4,193,054. The Governor is recommending a decrease of \$410,274 in general funds, an increase of \$6,582,189 in federal fund expenditure authority, and a decrease of \$1,978,861 in other fund expenditure authority.

CONSERVATION RESERVE ENHANCEMENT PROGRAM

The Governor is recommending a decrease of \$75,000 in general funds in the Conservation Reserve Enhancement Program as bond payments are complete.

ADMINISTRATION

The total recommended budget for Administration includes \$1,154,520 in general funds, \$3,077,843 in other fund expenditure authority, and 25.1 FTE, for a total budget of \$4,232,363.

WILDLIFE – INFORMATIONAL

The Governor is recommending a total budget for the Division of Wildlife of \$39,902,556. This budget is composed of \$14,318,270 in federal fund expenditure authority and \$25,584,286 in other fund expenditure authority. Included in this budget are decreases of 2.5 unutilized FTE, \$13,405 in federal fund expenditure authority, and \$39,335 in other fund expenditure authority.

WILDLIFE DEVELOPMENT AND IMPROVEMENT – INFORMATIONAL

The Governor is recommending an overall decrease of \$800,000 in the Wildlife Development and Improvement Program. The total budget for the Wildlife Development and Improvement Program is \$5,356,000, of which \$2,466,000 is federal fund expenditure authority and \$2,890,000 in other fund expenditure authority.

STATE PARKS AND RECREATION

The Division of State Parks and Recreation's recommended total FY2012 budget is \$18,927,697 and 242.2 FTE. The Governor is recommending a decrease of \$339,540 in general funds, and increases of \$154,263 in federal fund expenditure authority and \$1,180,030 in other fund expenditure authority in this division. This budget includes increases of 2.0 FTE and \$52,042 in other fund expenditure authority due to campground expansion at Hartford Beach State Park, Lake Vermillion Recreation Area, and Angostura Recreation Area. Included in this budget is an increase of \$310,460 in general funds for bond payments due to enhancements at Custer State Park; this increase will be offset by a corresponding transfer of department funds into the state general fund. The Governor is recommending a decrease of \$650,000 in general funds; this reduction will be offset by increasing user fees and forgoing some capital projects. The Governor is also recommending an increase of \$277,900 in other fund expenditure authority for pine beetle eradication efforts.

STATE PARKS AND RECREATION DEVELOPMENT AND IMPROVEMENT

The Division of State Parks and Recreation's Development and Improvement budget has a total recommended increase of \$4,550,550. The total recommended budget includes an increase of

\$5,140,550 in federal fund expenditure authority and a decrease of \$590,000 in other fund expenditure authority, for a total budget of \$12,332,700. Included in this budget is an increase of \$3,300,000 in federal fund expenditure authority and \$50,000 in other fund expenditure authority to purchase the Blood Run property. This budget also includes an increase of \$1,400,000 in federal fund expenditure authority for shoreline stabilization at Shadehill Recreation Area.

SNOWMOBILE TRAILS – INFORMATIONAL

The total recommended budget for the Snowmobile Trails Program is \$75,000 in federal fund expenditure authority, \$1,217,018 in other fund expenditure authority, and 9.1 FTE. The Governor is recommending decreases of \$160,000 in federal fund expenditure authority and \$166,000 in other fund expenditure authority due to the completed construction of the 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 a decrease of \$5.5 million out of the \$41.4 million in total ongoing decreases. This budget represents a \$5.4 million decrease out of the \$151.9 million in total ongoing fund increases for FY2012. In terms of the total ongoing state budget, this category is 4.5% of the general funds and 2.3% of the total ongoing funds, which amounts to \$91.5 million in total ongoing funding.

LEGISLATURE

The total FY2012 recommended budget for the South Dakota Legislature is \$6,883,462 in general funds, \$35,000 in other fund expenditure authority, and 65.3 FTE. Changes to the budget for the Legislative Research Council include decreases in general funds of \$29,280 for personal services, \$126,338 for dues and registration fees, \$29,000 for contractual services research, \$120,000 to fund the legislative session for 36 days instead of 40, \$4,400 for the page program, and \$15,600 for the intern program. The Governor is recommending decreases in general funds of \$30,582 for estimated internal services savings and an additional \$102,924. Changes to the budget for Legislative Audit include decreases of 2.0 FTE and \$172,077 in general funds for personal services

along with \$21,190 in general funds for various operating expenses. The net change for the South Dakota Legislature is a decrease of \$654,274 in general funds.

UNIFIED JUDICIAL SYSTEM

The Governor's recommended changes for the Unified Judicial System include decreases of \$3,528,121 in general funds and \$221,909 in other fund expenditure authority. The recommended general fund decreases include personal services and operating expenses throughout all court functions. The decrease of other fund expenditure authority is the result of fewer child support cases projected and service rate reductions. The total FY2012 recommended budget for the Unified Judicial System is \$31,753,092 in general funds, \$393,539 in federal fund expenditure authority, and \$9,106,724 in other fund expenditure authority, for a total budget of \$41,253,355 and 527.4 FTE.

PUBLIC UTILITIES COMMISSION

The Governor recommends a decrease of \$51,420 in general funds, an increase of \$27,192 in federal fund expenditure authority, and a decrease of \$4,704 in other fund expenditure authority. This includes a funding swap of \$36,000 from general funds to other fund expenditure authority to use cash to pay for the Commissioners' salaries. Also included is a reduction of \$15,420 in general funds, an increase of \$27,192 in federal fund expenditure authority, and a decrease of \$40,704 in other fund expenditure authority in order to align the budget with anticipated expenditures. The total FY2012 recommended budget is \$462,779 in general funds, \$379,097 in federal fund expenditure authority, \$3,270,726 in other fund expenditure authority, and 33.2 FTE.

ATTORNEY GENERAL

The Governor's FY2012 budget recommendation for the Office of the Attorney General includes \$8,963,331 in general funds, \$4,815,535 in federal fund expenditure authority, and \$7,202,644 in other fund expenditure authority, for a total of \$20,981,510 and 173.5 FTE. The budget recommendation consists of a decrease of \$923,548 in general funds and increases of \$162,404 in federal fund expenditure authority, \$488,449 in other fund expenditure authority, and 2.0 FTE.

LEGAL SERVICES

The Governor's recommended budget for Legal Services includes decreases of \$214,148 in general

funds and \$6,152 in federal fund expenditure authority and an increase of \$260,467 in other fund expenditure authority. The budget recommendation includes various funding alignments throughout all Legal Services programs. The total FY2012 recommended budget for the Division of Legal Services is \$4,988,910 in general funds, \$1,841,869 in federal fund expenditure authority, and \$1,636,792 in other fund expenditure authority, for a total of \$8,467,571 and 81.5 FTE.

CRIMINAL INVESTIGATION

The Governor is recommending a budget decrease of \$642,990 in general funds and increases of \$168,556 in federal fund expenditure authority, \$281,579 in other fund expenditure authority, and 2.0 FTE for the Division of Criminal Investigation (DCI). The general fund decrease is partially due to funding swaps including personal services in the 24/7 and Record Check programs, scheduled computer replacements, and equipment maintenance agreements. Additional recommended decreases include fewer internships and miscellaneous operating expenses. An increase of 2.0 FTE and \$160,000 in other fund expenditure authority is due to the recommended movement of Brand Investigators from the Brand Board to the DCI. The overall recommended budget for the Division of Criminal Investigation is \$3,658,429 in general funds, \$2,973,666 in federal fund expenditure authority, and \$3,489,217 in other fund expenditure authority, for a total of \$10,121,312 and 76.5 FTE.

LAW ENFORCEMENT TRAINING

The Governor's recommendation for Law Enforcement Training includes decreases of \$66,410 in general funds and \$12,685 in other fund expenditure authority. The recommended decrease is due to reductions in training supplies and materials and internal service rate alignments. The total budget for the Division of Law Enforcement Training is \$315,992 in general funds and \$1,645,534 in other fund expenditure authority, for a total of \$1,961,526 and 10.5 FTE.

911 TRAINING

The Governor is recommending a decrease of \$542 in other fund expenditure authority to align internal service budgets to anticipated expenditures. The total recommended budget for 911 Training is \$204,425 in other fund expenditure authority and 2.0 FTE.

INSURANCE FRAUD UNIT - INFORMATIONAL

The Governor is recommending a decrease of \$40,370 in other fund expenditure authority which reflects reduced budget for legal consultants, aligns

the budget with historical expenses, and also reflects various rate changes. The total recommended FY2012 budget is \$226,676 in other fund expenditure authority and 3.0 FTE.

SECRETARY OF STATE

The Governor's recommendation for the Secretary of State's FY2012 budget is \$876,741 in general funds, \$3,127,547 in federal fund expenditure authority, \$328,785 in other fund expenditure authority, and 15.6 FTE. This recommendation includes a decrease of \$45,307 in general funds. The recommended reduction will be in operating expenses and will mainly encompass reductions in computer development, travel, office machines, and funding for the printing of the "Blue Book" as this will not have to be printed until FY2013. The Governor is also recommending a reduction of \$46,003 in general funds. This recommendation also includes a reduction in other fund expenditure authority of \$118,086. This overall reduction is the net effect of reducing expenditure authority due to the sunset of SDCL 57A-9-528, and reductions in travel, printing, and telecommunications costs, and an increase in credit card user fees.

SCHOOL AND PUBLIC LANDS

The Governor's recommendation for the FY2012 School and Public Lands' budget is \$492,343 in general funds and \$225,000 in other fund expenditure authority, for a total budget of \$717,343 and 7.0 FTE. Within this budget is a decrease of \$14,110 in general fund operating expenses. The Governor is also recommending a reduction of an additional \$40,594 in general funds.

STATE AUDITOR

The Governor's recommendation includes a decrease of \$120,594 in general funds. The recommended budget includes miscellaneous decreases in personal services and operating expenses. The total FY2012 recommended budget is \$1,085,349 in general funds, \$100,000 in other fund expenditure authority, and 18.0 FTE.

STATE TREASURER

The Governor's recommended budget includes decreases of \$50,856 in general funds and \$219,730 in other fund expenditure authority. The total FY2012 recommended budget consists of \$457,700 in general funds, \$11,593,703 in other fund expenditure authority, and 37.0 FTE.

TREASURY MANAGEMENT

The Governor's recommendation includes a decrease of \$50,856 in general funds due to various alignments to anticipated personal services and contractual services expenses. The total recommended FY2012 budget for Treasury Management includes \$457,700 in general funds and 5.5 FTE.

UNCLAIMED PROPERTY - INFORMATIONAL

The Governor's recommendation includes a decrease of \$1,136 in other fund expenditure authority as a result of adjustments to internal service rates. The total recommended FY2012 budget for Unclaimed Property is \$2,894,415 in other fund expenditure authority and 3.5 FTE.

INVESTMENT COUNCIL

The Governor is recommending a decrease of \$218,594 in other fund expenditure authority for the South Dakota Investment Council (SDIC). The recommendation includes various budget alignments for personal services promotional development, performance-based incentives, and salary adjustments based on the SDIC's long-term compensation plan. The recommended budget also includes an increase of \$272,408 in other fund expenditure authority for contractual services expenses, mostly due to the anticipation of increased bank custodian fees. The total recommended FY2012 budget for the Investment Council is \$8,699,288 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, Veterans' Affairs, Revenue, Tourism, Tribal Government Relations, Transportation, Labor and Regulation, and Public Safety. General funds account for a decrease of \$2.9 million out of the \$41.4 million in total ongoing decreases. This budget represents a decrease of \$37.1 million out of the \$151.9 million in total ongoing fund increases for FY2012. In terms of the total ongoing state budget, this category is 3.6% of the general funds and 24.8% of the total ongoing funds, which amounts to \$1.0 billion in total ongoing funding.

EXECUTIVE MANAGEMENT

The Governor's recommendation for the Department of Executive Management includes decreases of \$1,352,748 in general funds, \$24,912,410 in federal fund expenditure authority, \$21,549,926 in other fund expenditure authority,

and 102.5 FTE. The total FY2012 budget includes \$26,907,852 in general funds, \$19,101,703 in federal fund expenditure authority, and \$113,636,714 in other fund expenditure authority, for a total of \$159,646,269 and 756.1 FTE.

GOVERNOR'S OFFICE

The total recommended budget for this office is \$8,292,702 in general funds, \$13,822,347 in federal fund expenditure authority, and \$28,701,257 in other fund expenditure authority, for a total of \$50,816,306 and 137.1 FTE.

Within the Office of the Governor and the Lt. Governor, the Governor's recommendation includes general fund decreases of \$5,000 for the International Legislators Forum, \$25,000 for the Governor's Contingency Fund, \$140,669 for personal services and \$66,278 for various operating expenses.

The Governor's recommended budget for the Office of Economic Development includes a decrease of \$8,500,000 in federal fund expenditure authority for American Recovery and Reinvestment Act (ARRA) grants that will no longer be needed. Also recommended are general fund decreases of \$25,893 for contractual services, \$159,883 for Community Development Block Grant (CDBG) matching dollars that will be matched with other funds instead, and \$113,813 along with 2.2 FTE that will be assigned to the Department of Tourism. An additional 2.0 FTE and \$200,000 in general funds are recommended for business development representatives and their associated operating expenses.

The Governor is recommending a total budget of \$3,863,701 in general funds and 2.0 FTE for the Office of Research Commerce. The recommendation includes a \$195,791 general fund decrease for funding provided to 2010 Research Centers.

The total recommended FY2012 South Dakota Housing Development Authority budget is \$9,961,306, consisting of \$2,101,230 in federal fund expenditure authority, \$7,860,076 in other fund expenditure authority, and 65.0 FTE. The recommendation includes a \$445,034 increase in federal fund expenditure authority and a corresponding decrease in other fund expenditure authority due to additional federal grants.

The total recommended FY2012 budget for the South Dakota Science and Technology Authority is \$8,960,000 in other fund expenditure authority and 5.0 FTE. A decrease of \$10,639,023 in other fund expenditure authority and 65.0 FTE is being recommended because the National Science Foundation (NSF) or the US Department of Energy is

expected to take over the Deep Underground Science and Engineering Laboratory (DUSEL) operations in the spring of 2011.

The Governor is recommending no change to the South Dakota Ellsworth Development Authority budget. The total FY2012 budget is \$175,000 in federal fund expenditure authority, \$200,000 in other fund expenditure authority, and 2.5 FTE.

BUREAU OF FINANCE AND MANAGEMENT

The Governor recommends decreases of \$710,185 in general funds, \$16,000,000 in ARRA federal fund expenditure authority, and \$534,890 in other fund expenditure authority. The general fund decrease is attributable to the Bureau of Finance and Management's sale/leaseback payment schedule and an \$86,351 decrease in personal services and various operating expenses. This recommendation also includes other fund expenditure authority decreases of \$111,384 for changes in contracts, \$249,963 for various operating expenses, \$50,109 for South Dakota Building Authority operating expenses, and \$75,981 for South Dakota Health and Educational Facilities Authority operating expenses. The recommended FY2012 budget is \$7,424,445 in general funds and \$6,530,770 in other fund expenditure authority, for a total recommended budget of \$13,955,215 and 36.0 FTE.

BUREAU OF ADMINISTRATION

The Governor recommends decreases of \$405,319 in general funds, \$2,439,297 in other fund expenditure authority, and 8.5 FTE. This recommendation includes decreases of \$293,166 in other fund expenditure authority and 8.5 FTE within personal services, \$50,091 in general funds for sale/leaseback payments, \$263,381 in general funds for maintenance and repair, \$91,233 in general funds for various operating expenses, \$1,795,278 in other fund expenditure authority due to no new fleet purchases, and \$285,470 in other fund expenditure authority for buildings and grounds expenses. The FY2012 recommended budget for this division is \$4,127,101 in general funds, \$500,000 in federal fund expenditure authority, and \$29,420,382 in other fund expenditure authority, for a total budget of \$34,047,483 and 166.0 FTE.

BUREAU OF INFORMATION AND TELECOMMUNICATIONS

The Governor recommends an increase of \$423,131 in general funds and decreases of \$881,460 in federal fund expenditure authority, \$6,931,179 in other fund expenditure authority, and 27.8 FTE. This recommendation includes decreases of \$368,711 in general funds and

\$1,356,207 in other fund expenditure authority within personal services. Additional decreases in other fund expenditure authority consist of \$2,905,786 in unneeded expenditure authority, \$305,923 for contract extensions, \$307,553 for the removal of telephone lines in state universities, \$261,976 for the Division of Administration's operating expenses, \$376,106 for the Division of Development's operating expenses, \$599,568 for the Data Center's operating expenses, and \$374,046 for the Division of Telecommunication's operating expenses. The recommendation also includes decreases of \$168,786 in general funds and \$220,165 in other fund expenditure authority for South Dakota Public Broadcasting operating expenses. Within State Radio the Governor recommends a decrease of \$35,920 in general funds for operating expenses as well as an increase of \$1,000,000 in general funds for upgrades in order to comply with federal mandates. The Motor Vehicle Fund will transfer \$1,000,000 to the general fund in order to cover these upgrade costs. The Governor's total recommended FY2012 budget for the Bureau of Information and Telecommunications is \$6,191,817 in general funds, \$4,279,356 in federal fund expenditure authority, and \$35,403,835 in other fund expenditure authority, for a total recommended budget of \$45,875,008 and 348.5 FTE.

BUREAU OF PERSONNEL

The Governor's recommended changes for the Bureau of Personnel include decreases of \$99,162 in general funds, \$559,178 in other fund expenditure authority, and 1.0 FTE. The recommendation includes general fund decreases of \$26,000 for the training program and \$71,102 for the Risk Pool. Recommended other fund expenditure authority decreases consist of \$171,800 for various operating expenses, \$80,000 for leadership training, \$154,000 for health plan members' flu shots, and \$110,000 and 1.0 FTE within personal services. The total FY2012 budget consists of \$871,787 in general funds, \$500,000 in federal fund expenditure authority, and \$13,580,470 in other fund expenditure authority, for a total of \$14,952,257 and 69.5 FTE.

MILITARY

The recommended FY2012 budget for the Department of the Military contains \$2,751,572 in general funds, \$36,861,206 in federal fund expenditure authority, \$26,158 in other fund expenditure authority, and 101.4 FTE. The FY2012 budget reflects a decrease of \$133,516 in general funds, an increase of \$362,749 in federal fund expenditure authority, and a decrease of \$10 in other fund expenditure authority.

OFFICE OF THE ADJUTANT GENERAL

The Governor's FY2012 total budget recommendation for the Office of the Adjutant General is \$867,472 in general funds, \$10,306 in federal fund expenditure authority, \$26,158 in other fund expenditure authority, and 6.3 FTE. Included in this budget is an increase of \$110,925 in general funds related to the National Guard tuition assistance program.

ARMY GUARD

The Governor's recommendation for the Army Guard includes a decrease of \$204,586 in general funds and an increase of \$80,296 in federal fund expenditure authority. The Governor is recommending decreases of \$14,634 in general funds and \$82,925 in federal fund expenditure authority based on anticipated utility costs in FY2012. This budget also includes a swap of \$157,003 of general funds for a like amount of federal fund expenditure authority; the Army Guard is able to leverage more federal funds to offset general fund costs in personal services. The Governor is also recommending a reduction of \$33,600 in general funds for operating costs at the state's Joint Use Armories; federal funding is able to be utilized here as well. The total FY2012 recommended budget for the Army Guard is \$33,550,825 and 48.1 FTE.

AIR GUARD

The Governor's recommendation for the Air Guard includes a decrease of \$13,986 in general funds and an increase of \$283,447 in federal fund expenditure authority. The Governor is recommending decreases of \$13,983 in general funds and \$41,948 in federal fund expenditure authority based on anticipated utility costs in FY2012. The Governor is also recommending an increase of 6.0 FTE and \$325,866 in federal fund expenditure authority for firefighters at Joe Foss Field in Sioux Falls. The total FY2012 recommended budget for the Air Guard is \$5,184,175 and 47.0 FTE.

VETERANS' AFFAIRS

The recommended FY2012 budget for the Department of Veterans' Affairs contains \$3,008,290 in general funds, \$761,589 in federal fund expenditure authority, \$4,367,893 in other fund expenditure authority, and 100.7 FTE. The FY2012 budget reflects decreases of \$377,433 in general funds and \$676 in federal fund expenditure authority and an increase of \$201,155 in other fund expenditure authority.

VETERANS' BENEFITS AND SERVICES

The total recommended FY2012 budget for Veterans' Benefits and Services is \$932,059 in general funds, \$274,089 in federal fund expenditure authority, and \$61,000 in other fund expenditure authority, for a total of \$1,267,148 and 18.0 FTE. Included in this budget is a decrease of \$21,000 in general funds for a grant to the Disabled American Veterans and the Paralyzed Veterans of America to purchase vans. The Governor is recommending a decrease of \$166,375 in general funds to reimburse County and Tribal Service Officers for salary and travel expenses. This budget includes a decrease of \$20,160 in general funds for the headstone and burial allowance for eligible veterans.

STATE VETERANS' HOME

The Governor's recommendation for the State Veterans' Home includes a decrease of \$193,089 in general funds and an increase of \$201,155 in other fund expenditure authority. Included in this budget is an increase of \$195,000 in other fund expenditure authority for engineering costs related to the proposed construction of a West River Veterans' Home. The Governor is also recommending a general fund reduction of \$197,104; this reduction is due to the federal government covering more prescription drug costs and other cost saving measures. The total recommended FY2012 budget is \$2,076,231 in general funds, \$487,500 in federal fund expenditure authority, and \$4,306,893 in other fund expenditure authority, for a total budget of \$6,870,624 and 82.7 FTE.

REVENUE

The Governor's recommended budget for the Department of Revenue totals \$59,865,841 and consists of \$954,692 in general funds, \$58,911,149 in other fund expenditure authority, and 245.5 FTE. The Governor is recommending decreases of \$187,919 in general funds, \$2,470,403 in other fund expenditure authority, and 7.1 FTE.

SECRETARIAT

The Governor's recommendation for this division is a decrease of \$165,371 in general funds, an increase of \$38,750 in other fund expenditure authority, and a decrease 1.0 FTE. An increase of \$165,371 in other fund expenditure authority and a corresponding decrease in general funds will eliminate general funds within the division, resulting in the division to be funded with other fund expenditure authority. Other changes include a decrease of \$75,000 in other fund expenditure authority for savings realized in the ongoing costs of the new tax system. Decreases of \$30,000 in other

fund expenditure authority and 1.0 FTE are due to combining the duties of support positions in the division. A decrease of \$35,240 in other fund expenditure authority reduces temporary employee costs and aligns the personal service budget with anticipated expenses. Other decreases include miscellaneous adjustments for reduced travel, reduced printing costs, and adjustments for decreases in various rates. The total FY2012 recommended budget consists of \$3,486,231 in other fund expenditure authority and 36.5 FTE.

BUSINESS TAX

The Governor's recommendation for Business Tax is decreases of \$298,480 in other fund expenditure authority and 2.0 FTE. A decrease of \$222,383 in other fund expenditure authority is due to savings realized from converting to the new tax system, reductions to supplies and materials, reduced travel policy, and other miscellaneous reductions. A decrease of \$65,532 in other fund expenditure authority and 2.0 FTE is due to reducing two full-time support positions to half time and eliminating an accounting assistant position as a result of the automation of many functions on the new tax system. The total FY2012 recommended budget consists of \$3,335,279 in other fund expenditure authority and 48.0 FTE.

MOTOR VEHICLES

The Governor's recommendation for this division is a decrease of \$1,737,165 in other fund expenditure authority and 3.1 FTE. A decrease of \$1,055,640 in other fund expenditure authority is due to the delay of the license plate production, which was changed during the 2010 Legislative Session. A decrease of \$475,000 in other fund expenditure authority is for a reduction in development costs related to the completion of the Titles and Registration system and the motor fuel portion of the tax system. A decrease of \$65,000 in other fund expenditure authority and 2.0 FTE is due to implementing electronic filing for the International Fuel Tax Agreement and the International Registration Plan. A decrease of \$32,500 in other fund expenditure authority and 1.0 FTE is due to efficiencies realized with the new Titles and Registration system. Other miscellaneous decreases are recommended for reduced travel and capital assets purchases. The total FY2012 recommended budget consists of \$5,173,108 in other fund expenditure authority and 46.0 FTE.

PROPERTY AND SPECIAL TAXES

The Governor's recommendation for this division is a decrease of \$22,548 in general funds. A decrease of \$15,000 in general funds eliminates funding for the annual assessor's school. A decrease of \$5,795 in general funds reflects the

reduced travel policy of the department. The recommended FY2012 budget consists of \$954,692 in general funds and 14.0 FTE.

AUDITS

The Governor's recommendation for the Audit division is decreases of \$56,283 in other fund expenditure authority and 1.0 FTE. Included is a decrease of \$50,034 in other fund expenditure authority and 1.0 FTE for a Motor Fuel tax auditor that can be reduced while still meeting the necessary number of fuel tax audits. The total FY2012 budget consists of \$3,587,705 in other fund expenditure authority and 55.0 FTE.

LOTTERY

The Governor's recommendation for this division is a decrease of \$276,138 in other fund expenditure authority. A decrease of \$209,500 in other fund expenditure authority is for reducing personal services, travel, supplies, materials, and contractual service expenses to align the budget with historical expenses. A decrease of \$50,000 in other fund expenditure authority is due to savings by utilizing T1 lines to conduct the nightly polling of video lottery machines. The total recommended FY2012 budget for Lottery is \$32,860,430 of other fund expenditure authority and 30.0 FTE.

COMMISSION ON GAMING – INFORMATIONAL

The Governor is recommending an overall decrease of \$63,587 in other fund expenditure authority for the Commission on Gaming. A decrease of \$61,291 in other fund expenditure authority in the Commission on Gaming is for restructuring the duties of racing stewards, limiting conference and workshop attendance, reducing consultant and industry training, reducing travel, and reducing capital asset purchases. The total FY2012 recommended budget for the Commission on Gaming is \$10,468,396 in other fund expenditure authority and 16.0 FTE.

TOURISM

The Governor's recommended budget for the Department of Tourism totals \$18,701,878, consisting of \$1,675,254 in general funds, \$1,742,457 in federal fund expenditure authority, \$15,284,167 in other fund expenditure authority, and 72.0 FTE. The recommended changes include a decrease of \$348,403 in general funds, and increases of \$128,005 in federal fund expenditure authority, \$309,122 in other fund expenditure authority, and 2.2 FTE.

TOURISM

The Tourism budget is funded by revenues generated from Deadwood Gaming, a gross receipts tax on hotel rooms and other tourist activities, and the Co-op Revolving Fund. The Governor is recommending an increase of 2.2 FTE and \$113,813 in other fund expenditure authority for personal services being moved from the Governor's Office of Economic Development. The total FY2012 recommended budget consists of \$11,933,978 in other fund expenditure authority and 25.0 FTE.

ARTS

The total recommended FY2012 Arts budget consists of \$878,000 in federal fund expenditure authority and \$782,376 in other fund expenditure authority, for a total budget of \$1,660,376 and 3.0 FTE. The recommendation includes an increase of \$131,137 in federal fund expenditure authority to cover additional National Endowment for the Arts grant awards.

HISTORY

The total recommended FY2012 History budget consists of \$1,675,254 in general funds, \$864,457 in federal fund expenditure authority, and \$2,567,813 in other fund expenditure authority, for a total budget of \$5,107,524 and 44.0 FTE. The recommendation includes general fund decreases of \$14,800 for personal services and \$83,502 for various operating expenses. Also included in the recommendation is a reduction of \$214,000 in general funds and a corresponding increase in other fund expenditure authority to help pay for the Cultural Heritage Center Museum with Promotion Tax revenues instead of general funds.

TRIBAL GOVERNMENT RELATIONS

The Governor's recommendation for the FY2012 Department of Tribal Government Relations budget is \$224,644 in general funds and 3.0 FTE. The recommendation includes a general fund decrease of \$673 for estimated internal services savings.

TRANSPORTATION

The recommended FY2012 budget for the Department of Transportation contains \$470,159 in general funds, \$380,716,028 in federal fund expenditure authority, \$199,936,833 in other fund expenditure authority, and 1,026.3 FTE. The FY2012 budget reflects increases of \$3,243,278 in federal fund expenditure authority and \$11,214,464 in other fund expenditure authority. This budget

also includes a reduction of \$52,240 in general funds.

GENERAL OPERATIONS

The Governor's total FY2012 recommended budget for General Operations includes \$470,159 in general funds, \$33,647,155 in federal fund expenditure authority, and \$118,804,433 in other fund expenditure authority, for a total budget of \$152,921,747 and 1,026.3 FTE. This budget includes a decrease of \$218,606 in other fund expenditure authority due to anticipated decreases in the cost of utilities. Also included in this budget is a decrease of \$4,660,000 in American Recovery and Reinvestment Act (ARRA) federal fund expenditure authority that is not needed in FY2012. The Governor is recommending reductions in other fund expenditure authority of: \$600,000 that was used to match federal funds that the state is no longer receiving, \$1,100,000 in travel and contractual services, \$1,000,000 for computer consultants, \$6,400,000 for contract maintenance, and \$3,550,000 for expenditures related to buildings and equipment. This budget also includes a general fund reduction of \$52,240.

CONSTRUCTION CONTRACTS - INFORMATIONAL

The recommended budget for Construction Contracts includes an increase of \$7,903,278 in federal fund expenditure authority and an increase of \$24,489,018 in other fund expenditure authority. The total budget for Construction Contracts is \$428,201,273 and makes up 74% of the Department of Transportation's budget.

Within the budget for Roads and Bridges, the Governor is recommending a decrease of \$54,740,000 in ARRA federal fund expenditure authority that is not needed in FY2012. The Governor is recommending an increase of \$66,253,646 in federal fund expenditure authority and \$24,259,332 in other fund expenditure authority for enhancements to statewide roads and bridges.

Within the budget for Airport Construction, the Governor is recommending a decrease of \$2,546,520 in ARRA federal fund expenditure authority that is not needed in FY2012. This budget also includes a decrease of \$1,063,848 in federal fund expenditure authority and an increase of \$229,686 in other fund expenditure authority for enhancements to statewide airports.

LABOR & REGULATION

The Governor's recommendation for the Department of Labor and Regulation is \$771,983 in general funds, \$34,942,651 in federal fund

expenditure authority, \$11,226,574 in other fund expenditure authority, and 482.7 FTE. This recommendation includes a decrease of \$104,184 in general funds, an increase of \$115,585 in federal fund expenditure authority, and decreases of \$671,809 in other fund expenditure authority and 6.3 FTE. This includes reductions of \$1,871 in general funds, \$157,673 in federal fund expenditure authority, and \$18,143 in other fund expenditure authority due to decreases in the rates paid for services provided by the Bureaus.

ADMINISTRATION

The Governor's recommended budget for this division includes decreases of \$20,000 in general funds and \$165,111 in federal fund expenditure authority. This includes a decrease of \$20,000 in general funds for matching the adult education literacy grant. The total recommended budget is \$180,000 in general funds, \$18,590,142 in federal fund expenditure authority, \$132,861 in other fund expenditure authority, and 53.5 FTE.

UNEMPLOYMENT INSURANCE

No budget changes are recommended for this division. The total recommended budget is \$4,952,084 in federal fund expenditure authority and 92.0 FTE.

FIELD OPERATIONS

The Governor's recommended budget for this division includes decreases of \$321,512 in federal fund expenditure authority and 5.5 FTE. Included are decreases of \$317,492 in federal fund expenditure authority and 5.5 FTE due to a reduction in funding from the Department of Social Services for the Supplemental Nutrition Assistance Program's Employment and Training Program. The total recommended budget is \$10,397,116 in federal fund expenditure authority and 187.0 FTE.

STATE LABOR LAW ADMINISTRATION

The Governor's recommended budget for this division includes decreases of \$84,184 in general funds, \$1,990 in federal fund expenditure authority, \$3,905 in other fund expenditure authority, and 0.8 FTE. Decreases of \$82,313 in general funds and 0.8 FTE are due to reductions in the Human Rights activity. The total recommended budget is \$591,983 in general funds, \$399,111 in federal fund expenditure authority, \$430,812 in other fund expenditure authority, and 19.7 FTE.

BANKING

The Governor's recommendation for this division includes a decrease of \$53,628 in other fund expenditure authority. A decrease of \$51,500 in

other fund expenditure authority is for a reduction in dues and membership fees, legal consultants, workshop registrations, computer services, and advertising to align the budget to historical expenses. The recommended total FY2012 recommended budget is \$1,858,625 in other fund expenditure authority and 21.5 FTE.

SECURITIES

The Governor's recommendation includes a decrease of \$5,000 in other fund expenditure authority for reduced travel. The total FY2012 recommended budget consists of \$404,948 in other fund expenditure authority and 5.0 FTE.

INSURANCE

The Governor's recommendation for this division is an increase of \$604,198 in federal fund expenditure authority and a decrease of \$113,848 in other fund expenditure authority. An increase of \$585,198 in federal fund expenditure authority is for a federal grant awarded to the division by the Office of Consumer Information and Insurance Oversight. A swap of \$19,000 from other fund expenditure authority to federal fund expenditure authority is for personal service expenses that can be paid with the federal health insurance exchange planning grant. A decrease of \$91,400 in other fund expenditure authority is for savings from reductions in printing and postage, travel, capital assets, and contractual services which align the budget with anticipated expenses. The total recommended FY2012 budget consists of \$604,198 in federal fund expenditure authority, \$1,712,730 in other fund expenditure authority, and 28.0 FTE.

PROFESSIONAL AND OCCUPATIONAL LICENSING - INFORMATIONAL

This division is comprised of the informational budgets of the professional and occupational licensing boards. There are eight boards with a total recommended budget for FY2012 of \$3,345,988 in other fund expenditure authority and 43.0 FTE. This includes shifting 0.5 FTE from the Electrical Commission to the Board of Technical Professions for an investigator. Also included is a decrease of \$91,500 in other fund expenditure authority in the Real Estate Commission for reductions in computer services, travel, legal services, and consultants. The boards include: Board of Accountancy, Board of Barber Examiners, Cosmetology Commission, Plumbing Commission, Board of Technical Professions, the Electrical Commission, the Abstractors Board of Examiners, and the Real Estate Commission.

SOUTH DAKOTA RETIREMENT SYSTEM

The recommended budget for the South Dakota Retirement System is \$3,340,610 in other fund expenditure authority and 33.0 FTE. A decrease of \$35,000 in other fund expenditure authority is due to eliminating an administrative evaluation contract. Also included is a decrease of \$265,266 in other fund expenditure authority due to reductions in travel, supplies, printing and publishing, fees, communications services, capital assets, personal services, and rates paid to the Bureaus. A decrease of \$95,000 in other fund expenditure authority is recommended because actuarial services will be reduced.

PUBLIC SAFETY

The Department of Public Safety FY2012 Governor's recommended budget includes \$3,290,257 in general funds, \$21,812,044 in federal fund expenditure authority, and \$26,490,672 in other fund expenditure authority, for a total of \$51,592,973 and 408.0 FTE.

ADMINISTRATION

The Governor is recommending decreases of \$10,415 in general funds and \$1,982 in other fund expenditure authority as a result of aligning various administrative activities. The Division of Administration's total recommended budget is \$115,393 in general funds, \$123,044 in federal fund expenditure authority, and \$626,479 in other fund expenditure authority, for a total of \$864,916 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 decreases of \$148,596 in general funds, \$6,172 in federal fund expenditure authority, \$45,154 in other fund expenditure authority, and 3.0 FTE. The recommended decreases are largely due to the elimination of 3.0 FTE and reduced general fund expenditures within State Radio. The total FY2012 recommendation includes \$1,175,046 in general funds, \$5,477,061 in federal fund expenditure authority, and \$18,954,860 in other fund expenditure authority, for a total of \$25,606,967 and 274.0 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 decreases of \$117,281 in general funds and \$8,406 in federal fund expenditure authority, an increase of \$9,776 in other fund expenditure authority, and a decrease of 0.5 FTE. Recommended general fund decreases are due to various personal services and operating expenses reductions largely within Emergency Medical Services and the Fire Marshal's office. A \$10,000 increase in other fund expenditure authority and a corresponding general fund decrease is due to a personal services funding alignment for inspections of fire safe cigarettes. The FY2012 budget recommendation for the Division of Emergency Services and Homeland Security includes \$1,436,746 in general funds, \$16,122,669 in federal fund expenditure authority, and \$296,775 in other fund expenditure authority, for a total of \$17,856,190 and 35.0 FTE.

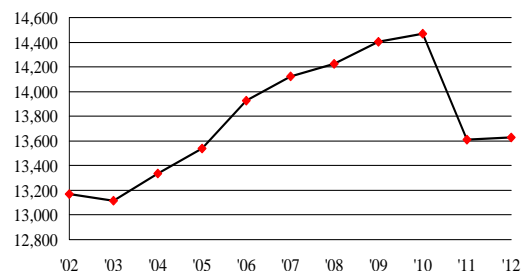
INSPECTION AND LICENSING

The Division of Inspection and Licensing includes Weights and Measures, Driver Licensing, and Inspections. The Governor is recommending decreases of \$102,507 in general funds, \$10,730 in federal fund expenditure authority, and \$35,897 in other fund expenditure authority. The recommended budget reductions are primarily within the Weights and Measures program, and include performing fewer inspections within statutory mandates and the elimination of the capital outlay budget. The FY2012 recommended budget includes \$563,072 in general funds, \$89,270 in federal fund expenditure authority, and \$6,612,558 in other fund expenditure authority, for a total of \$7,264,900 and 90.5 FTE.

FTE CHANGE

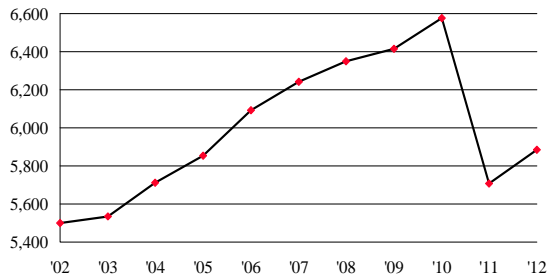
The total appropriated FTE increased from 13,061.2 in FY2002 to a recommended level of 13,627.7 for FY2012. This is an increase of 566.5 FTE or 4.3% over the decade. The recommended change in ongoing FTE for FY2012 is an increase of 15.6 across state government.

**FTE History
All of State Government**



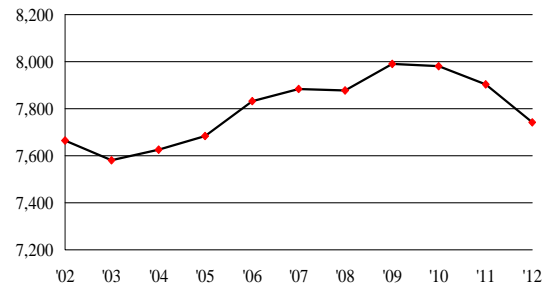
For offices outside the control of the Governor, total appropriated FTE grew from 5,501.5 in FY2002 to a recommended level of 5,886.4 for FY2012. This is an increase of 384.9 FTE, or 7.0%. The changes recommended for these offices in the FY2012 budget are a net increase of 178.9 FTE. This includes an increase of 178.9 FTE in the regental system, an increase of 2.0 FTE in the Attorney General's Office, and a decrease of 2.0 FTE in the Department of Legislative Audit.

FTE History for Offices Outside Control of Governor



The agencies under direct control of the Governor had total appropriated FTE of 7,559.7 in FY2002. The FY2012 budget recommendation brings the FTE to a level of 7,741.3. This is an increase of 181.6 FTE or 2.4% over the decade. The recommended decrease of 163.3 FTE in FY2012 includes reductions of 63.0 in the Governor's Office of Economic Development; 39.7 in the Department of Corrections; 27.8 in the Bureau of Information and Telecommunications; 9.0 in the Department of Human Services; 8.5 in the Bureau of Administration; 6.3 in the Department of Labor and Regulation; 6.1 in the Department of Revenue; 6.0 in the Department of Agriculture; 5.0 in the Department of Education; 3.5 in the Department of Public Safety; 1.0 in the Bureau of Personnel; 0.5 in the Department of Game, Fish and Parks; and 0.2 in the Department of Environment and Natural Resources; and increases of 1.0 in the Department of Health; 6.0 in the Department of the Military; and 6.3 in the Department of Social Services. This is the third consecutive year of a recommended FTE reduction in the agencies under the control of the Governor.

FTE History for Offices Under Control of Governor



SUMMARY OF RECOMMENDED TRANSITION REORGANIZATIONS

EXECUTIVE MANAGEMENT

The Governor recommends reorganizing the Department of Executive Management by moving the Office of Economic Development, Division of Research and Commerce, South Dakota Housing Development Authority, South Dakota Science and Technology Authority, South Dakota Energy Infrastructure Authority, and the South Dakota Ellsworth Development Authority from the former Department of Tourism and State Development into the Governor's Office.

TRIBAL GOVERNMENT RELATIONS

The Governor is recommending the creation of the Department of Tribal Government Relations within this reorganization. The Governor is recommending that the Division of Tribal Government Relations move from the former Department of Tourism and State Development to the Department of Tribal Government Relations.

SOCIAL SERVICES

The Governor recommends reorganizing the Department of Social Services by moving the division of Community Mental Health, the division of Alcohol and Drug Abuse, and the Human Services Center from the Department of Human Services into the newly created division called Behavioral Health. Also included in this reorganization is moving the Board of Counselor Examiners, Board of Psychology Examiners, Board of Social Work Examiners, and Certification Board for Alcohol and Drug Professionals from the Department of Human Services into the Department of Social Services. Nine FTE and funding associated with these personnel are being moved from the Administration division in the Department of Human Services to the Administration division in the Department of Social Services. The Department of Social Services will continue to include all previous divisions and programs.

LABOR AND REGULATION

The Governor recommends reorganizing the Department of Labor by moving the division of Financial Services, excluding the Insurance Fraud Unit, from the Department of Revenue and Regulation into the newly named Department of Labor and Regulation. This includes the movement of Banking, Securities, and Insurance. Also included in

this reorganization is moving the Board of Abstractors Examiners and Real Estate Commission into the Department of Labor and Regulation. The reorganization also includes moving the Appraiser Program from the Department of Revenue and Regulation into the Secretariat in the Department of Labor and Regulation.

MILITARY

The Governor is recommending the creation of the Department of the Military within this reorganization. The Governor is recommending that the Office of the Adjutant General, the division of the Army Guard, and the division of the Air Guard move from the former Department of Military and Veterans' Affairs to the Department of the Military.

VETERANS' AFFAIRS

Within this reorganization, the Governor is recommending the creation of the Department of Veterans' Affairs. The Governor is recommending that the division of Veterans' Benefits and Services and the division of the State Veterans' Home move from the former Department of Military and Veterans' Affairs to the Department of Veterans' Affairs.

ENVIRONMENT AND NATURAL RESOURCES

The Governor recommends reorganizing the Department of Environment and Natural Resources by moving the Petroleum Release Compensation division from the Department of Revenue and Regulation to the Department of Environment and Natural Resources.

ATTORNEY GENERAL

The Governor recommends reorganizing the office of the Attorney General by moving the State Brand Board law enforcement functions from the State Brand Board into the Division of Criminal Investigation. Also included in this reorganization is the transfer of the Insurance Fraud Prevention Unit, excluding the Division's assessment authority, from the Department of Revenue and Regulation to the Attorney General.

SPECIAL APPROPRIATION RECOMMENDATIONS

FY2012 SPECIAL APPROPRIATIONS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
Emergency & Disaster Fund		\$ 13,378,347			\$ 13,378,347
Tax Refunds for Elderly and Disabled		\$ 500,000			\$ 500,000
Physician Tuition Reimbursement		\$ 244,813			\$ 244,813
TOTAL FY2012 SPECIAL APPROPRIATIONS	0.0	\$ 14,123,160	\$ -	\$ -	\$ 14,123,160

NOTE: FY2012 special appropriations become available for expenditure on July 1, 2011, and are included in the FY2012 column of the General Fund Condition Statement.

Governor Daugaard is recommending total special appropriations of \$14,123,160 in general funds. The following paragraphs highlight each recommended special appropriation.

- ◆ **Emergency & Disaster Fund:** The Governor is recommending \$13,378,347 in general funds to be deposited into the Emergency & Disaster Special Revenue Fund for costs related to disasters in South Dakota.
- ◆ **Tax Refunds for the Elderly and Disabled:** The Governor is recommending \$500,000 in general funds for tax refunds for elderly and disabled individuals who meet income guidelines.
- ◆ **Physician Tuition Reimbursement Program:** The Governor is recommending \$244,813 in general funds to reimburse five 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.

FY2011 EMERGENCY SPECIAL APPROPRIATIONS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
Water Omnibus Bill			\$ 255,000	\$ 14,865,500	\$ 15,120,500
DOC Rapid City Minimum Unit				\$ 1,800,000	\$ 1,800,000
BOA Maintenance Shop				\$ 500,000	\$ 500,000
TOTAL FY2011 EMERGENCY SPECIAL APPROPRIATIONS	0.0	\$ -	\$ 255,000	\$ 17,165,500	\$ 17,420,500

NOTE: FY2011 emergency special appropriations become available for expenditure upon passage of the bill and are included in the FY2011 column of the General Fund Condition Statement.

Governor Daugaard is recommending total emergency special appropriations of \$255,000 in federal fund expenditure authority and \$17,165,500 in other fund expenditure authority. The following paragraphs highlight each recommended emergency special appropriation.

- ◆ **Water Omnibus Bill:** The Governor is recommending \$255,000 in federal fund expenditure authority and \$14,865,500 in other fund expenditure authority for water development, solid waste, and water quality improvement projects throughout the state.
- ◆ **DOC Rapid City Minimum Unit:** The Governor is recommending \$1,800,000 in other fund expenditure authority for the completion of the new Rapid City Minimum Unit facility.
- ◆ **BOA Maintenance Shop:** The Governor is recommending \$500,000 in other fund expenditure authority for the construction of a maintenance shop for the Bureau of Administration.

FY2011 GENERAL BILL AMENDMENTS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
BOR Stimulus 3		\$ 10,623,423			\$ 10,623,423
DOE Increased Enrollments-State Aid		\$ 4,908,469			\$ 4,908,469
DOE Increased Enrollments-Postsecondary Technical Institutes		\$ 795,993			\$ 795,993
GFP bonding		\$ 141,900			\$ 141,900
DSS Unemployment Bonus 2 Additional Quarters		\$ (5,704,075)			\$ (5,704,075)
DHS Unemployment Bonus 2 Additional Quarters		\$ (1,481,186)			\$ (1,481,186)
DOC Unemployment Bonus 2 Additional Quarters		\$ (119,749)			\$ (119,749)
DSS FMAP Stimulus 3		\$ (16,444,012)			\$ (16,444,012)
DHS FMAP Stimulus 3		\$ (4,102,887)			\$ (4,102,887)
DOC FMAP Stimulus 3		\$ (331,705)			\$ (331,705)
DHS Human Services Center Medicaid/Medicare Realign		\$ (1,537,963)	\$ 1,537,963		\$ -
DHS Alcohol & Drug Abuse Maintenance of Effort		\$ (813,111)			\$ (813,111)
DHS Mental Health Maintenance of Effort		\$ (573,298)			\$ (573,298)
DHS Utilities		\$ (272,178)	\$ (112,627)		\$ (384,805)
DOC Utilities		\$ (133,534)	\$ (5,839)		\$ (139,373)
DOT Utilities				\$ (259,003)	\$ (259,003)
DOC Reductions		\$ (700,000)			\$ (700,000)
DOT Tiger II ARRA Grant for Railroads			\$ 16,000,000	\$ 4,000,000	\$ 20,000,000
DOE College Access Grant			\$ 1,170,000		\$ 1,170,000
DOE EPSCoR Grant			\$ 200,000		\$ 200,000
DRR Federal Insurance Grant			\$ 585,198		\$ 585,198
GOV Health Insurance Exchange			\$ 154,371		\$ 154,371
DSS Health Insurance Exchange	2.4		\$ 225,824		\$ 225,824
DRR Health Insurance Exchange			\$ 56,998		\$ 56,998
BIT Health Insurance Exchange			\$ 303,558		\$ 303,558
MVA Air Guard Firefighters	3.0		\$ 174,405		\$ 174,405
DSS Medical Services Nurse	2.0				\$ -
SPL FEMA Funding			\$ 34,381	\$ 14,610	\$ 48,991
TOTAL FY2011 GENERAL BILL AMENDMENTS	7.4	\$ (15,743,913)	\$ 20,324,232	\$ 3,755,607	\$ 8,335,926

NOTE: FY2011 general bill amendments are changes needing to be made to the FY2011 General Appropriations Act and are included in the FY2011 column of the General Fund Condition Statement.

Governor Daugaard is recommending total general bill amendments of (\$15,743,913) in general funds, \$20,324,232 in federal fund expenditure authority, \$3,755,607 in other fund expenditure authority, and 7.4 FTE. The following paragraphs highlight the recommended changes to the FY2011 general bill amendment.

- ◆ **BOR Stimulus 3:** The Governor is recommending \$10,623,423 in general funds for the Board of Regents, in order to meet the maintenance of effort for Stimulus 3, and that those funds be committed to Higher Education and carried over into FY2012.
- ◆ **DOE Increased Enrollments-State Aid:** The Governor is recommending \$4,908,469 in general funds to fund the shortfall in the FY2011 state aid to general education budget due to higher enrollments and lower property valuation growth within the K-12 funding formula.
- ◆ **DOE Increased Enrollments-Postsecondary Technical Institutes:** The Governor is recommending \$795,993 in general funds due to higher student enrollments at the state's four Postsecondary Technical Institutes.
- ◆ **Custer State Park Bonding:** The Governor is recommending \$141,900 in general funds to make the payment on the third and final bond issuance for Custer State Park improvements due to the passage of SB218 during the 2007 Legislative Session.
- ◆ **DSS Unemployment Bonus 2 Additional Quarters:** The Governor is recommending a decrease of \$5,704,075 in general funds due to the extension of the Medicaid Unemployment Bonus for the third and fourth quarters of FY2011.
- ◆ **DHS Unemployment Bonus 2 Additional Quarters:** The Governor is recommending a decrease of \$1,481,186 in general funds due to the extension of the Medicaid Unemployment Bonus for the third and fourth quarters of FY2011.
- ◆ **DOC Unemployment Bonus 2 Additional Quarters:** The Governor is recommending a decrease of \$119,749 in general funds due to the extension of the Medicaid Unemployment Bonus for the third and fourth quarters of FY2011.
- ◆ **DSS FMAP Stimulus 3:** The Governor is recommending a decrease of \$16,444,012 in general funds due to additional Medicaid federal funds received from Stimulus 3.

- ◆ **DHS FMAP Stimulus 3:** The Governor is recommending a decrease of \$4,102,887 in general funds due to additional Medicaid federal funds received from Stimulus 3.
- ◆ **DOC FMAP Stimulus 3:** The Governor is recommending a decrease of \$331,705 in general funds due to additional Medicaid federal funds received from Stimulus 3.
- ◆ **DHS Human Services Center Medicaid/Medicare Realignment:** The Governor is recommending a decrease of \$1,537,963 in general funds and a corresponding increase in federal fund expenditure authority to realign projected expenses with Medicare and Medicaid revenues.
- ◆ **DHS Alcohol & Drug Abuse Maintenance of Effort:** The Governor is recommending a decrease of \$813,111 in general funds in order to decrease the FY2012 maintenance of effort requirements.
- ◆ **DHS Mental Health Maintenance of Effort:** The Governor is recommending a decrease of \$573,298 in general funds in order to decrease the FY2012 maintenance of effort requirements.
- ◆ **DHS Utilities:** The Governor is recommending (\$272,178) in general funds and (\$112,627) in federal fund expenditure authority due to revised FY2011 energy projections.
- ◆ **DOC Utilities:** The Governor is recommending (\$133,534) in general funds and (\$5,839) in federal fund expenditure authority due to revised FY2011 energy projections.
- ◆ **DOT Utilities:** The Governor is recommending (\$259,003) in other fund expenditure authority due to revised FY2011 energy projections.
- ◆ **DOC Reductions** The Governor is recommending (\$700,000) in general funds due to anticipated savings as a result of implementing efficiencies throughout the correctional system.
- ◆ **DOT TIGER II ARRA Grant for Railroads:** The Governor is recommending \$16,000,000 in American Recovery and Reinvestment Act federal fund expenditure authority and \$4,000,000 in other fund expenditure authority to repair the rail line from Mitchell to Chamberlain.
- ◆ **DOE College Access Grant:** The Governor is recommending \$1,170,000 in federal fund expenditure authority due to an increase in the College Access Grant from the US Department of Education.
- ◆ **DOE EPSCoR Grant:** The Governor is recommending \$200,000 in federal fund expenditure authority for EPSCoR (Experimental Program to Stimulate Competitive Research) funding that will support science, technology, engineering, and math career related programs.
- ◆ **DRR Federal Insurance Grant:** The Governor is recommending \$585,198 in federal fund expenditure authority for a federal grant that will assist with the oversight of health insurance premiums.
- ◆ **GOV Health Insurance Exchange:** The Governor is recommending \$154,371 in federal fund expenditure authority to research South Dakota's need for a health insurance exchange.
- ◆ **BIT Health Insurance Exchange:** The Governor is recommending \$303,558 in federal fund expenditure authority to research South Dakota's need for a health insurance exchange.
- ◆ **DRR Health Insurance Exchange:** The Governor is recommending \$56,998 in federal fund expenditure authority to research South Dakota's need for a health insurance exchange.
- ◆ **DSS Health Insurance Exchange:** The Governor is recommending 2.4 FTE and \$225,824 in federal fund expenditure authority to research South Dakota's need for a health insurance exchange.
- ◆ **MVA Air Guard Firefighters:** The Governor is recommending an increase of 3.0 FTE and \$174,405 in federal fund expenditure authority for 6.0 additional firefighters to work half of a year at Joe Foss Field in Sioux Falls.
- ◆ **DSS Medical Services Nurses:** The Governor is recommending increases of 2.0 FTE in order to hire four nurses to manage high cost Medicaid cases.
- ◆ **SPL FEMA Funding:** The Governor is recommending increases of \$34,381 in federal fund expenditure authority and \$14,610 in other fund expenditure authority to utilize FEMA funding for dam repairs.

**GOVERNOR'S FY2012 GENERAL FUND
BASE BUDGET RECOMMENDATIONS**

GENERAL BILL	FTE EXPANSION/ (REDUCTION)	GENERAL FUND EXPANSION/ (REDUCTION)	TOTAL GENERAL FUND RECOMMENDATION
Administration	(8.5)	(405,319)	4,127,101
Agriculture	(6.0)	(664,502)	5,480,518
Attorney General	2.0	(923,548)	8,963,331
Corrections	(39.7)	2,053,740	78,416,278
Education (Excluding State Aid and Postsecondary Education)	(5.0)	(1,524,658)	9,564,205
State Aid to Education		(38,913,040)	329,331,804
Postsecondary Vocational Education		(575,543)	20,540,284
Environment and Natural Resources	0.8	(582,006)	5,225,102
Finance and Management	0.0	(710,185)	7,424,445
Game, Fish, and Parks	(0.5)	(410,274)	4,677,282
Gubernatorial Division	(65.2)	(561,213)	8,292,702
Health	1.0	(803,160)	6,979,125
Human Services	(9.0)	2,317,586	53,705,117
Information and Telecommunications	(27.8)	423,131	6,191,817
Labor and Regulation (Includes SD Retirement System)	(6.3)	(104,184)	771,983
Legislature	(2.0)	(654,274)	6,848,462
Military	6.0	(133,516)	2,751,572
Personnel	(1.0)	(99,162)	871,787
Public Safety	(3.5)	(378,799)	3,290,257
Public Utilities Commission	0.0	(51,420)	462,779
Regents	178.9	(16,554,168)	150,748,788
Revenue	(7.1)	(187,919)	954,692
School and Public Lands	0.0	(54,704)	492,343
Secretary of State	0.0	(97,416)	876,741
Social Services	6.3	22,654,302	364,325,077
State Auditor	0.0	(120,594)	1,085,349
State Treasurer (Including Investment Council)	0.0	(50,856)	457,700
Tourism & State Development	2.2	(348,403)	1,675,254
Transportation	0.0	(52,240)	470,159
Tribal Government Relations	0.0	(673)	224,644
Unified Judicial System	0.0	(3,528,121)	31,753,092
Veterans' Affairs	0.0	(377,433)	3,008,290
TOTAL FY2012 GENERAL BILL RECOMMENDATIONS	15.6	(41,418,571)	1,119,988,080
BREAKDOWN			
Executive Branch	(98.1)	20,666,326	560,134,705
Unified Judicial System and Other Elected Officials	(65.2)	(6,042,146)	59,232,499
State Aid		(38,913,040)	329,331,804
Postsecondary Vocational Education		(575,543)	20,540,284
Board of Regents	178.9	(16,554,168)	150,748,788
TOTAL FY2012 GENERAL BILL RECOMMENDATIONS	15.6	(41,418,571)	1,119,988,080

GENERAL FUND CONDITION STATEMENT

	ACTUAL FY2009	ACTUAL FY2010	REVISED FY2011	PROJECTED FY2012
RECEIPTS				
Sales and Use Tax	\$ 659,735,445	\$ 652,115,527	\$ 688,528,486	\$ 709,340,328
Contractor's Excise Tax	70,373,945	61,137,330	62,463,610	67,982,420
Property Tax Reduction Fund	125,463,350	123,174,513	112,709,977	112,247,778
Bank Franchise Tax	33,409,213	21,669,223	3,909,411	4,047,921
Insurance Company Tax	61,823,150	61,734,032	62,261,705	64,560,250
Other	189,792,064	189,965,121	209,019,035	207,064,601
One-Time Receipts	12,800,898	21,838,270	9,936,588	(26,475,000)
Transfer from Property Tax Reserves	0	0	0	0
Obligated Cash Carried Forward	150,957	0	0	0
TOTAL RECEIPTS	\$1,153,549,022	\$1,131,634,016	\$1,148,828,812	\$1,138,768,298
EXPENDITURES				
General Bill Excl. State Aid				
to Education	\$ 771,653,938	\$ 747,170,308	\$ 772,509,425	\$ 790,656,276
State Aid to Education	365,522,412	374,658,478	373,153,313	329,331,804
Special Appropriations	10,008,647	3,523,237	836,656	14,123,160
Emergency Special Appropriations	3,712,079	3,974,959		0
Continuing Appropriations	2,500,989	2,307,035	2,329,418	2,351,912
TOTAL EXPENDITURES	\$1,153,398,065	\$1,131,634,016	\$1,148,828,812	\$1,136,463,152
TRANSFERS				
Budget Reserve Fund	\$ 150,957	\$ 0	\$ 0	\$ 0
Property Tax Reduction Fund	0	0	0	0
TOTAL TRANSFERS	\$ 150,957	\$ 0	\$ 0	\$ 0
Beginning Unobligated Cash Balance	\$ 0	\$ 0	\$ 0	\$ 0
Net (Receipts less Expend./Transfers)	0	0	0	2,305,146
OBLIGATIONS AGAINST CASH				
Budget Reserve Fund	0	0	0	0
Property Tax Reduction Fund	0	0	0	0
Total Obligations Against Cash	0	0	0	0
Ending Unobligated Cash Balance	\$ 0	\$ 0	\$ 0	\$ 2,305,146

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 2009	ACTUAL FY 2010	BUDGETED FY 2011	REQUESTED FY 2012	GOVERNOR'S RECOMMENDED FY 2012	RECOMMENDED INC/(DEC) FY 2012
FUNDING SOURCE:						
General Funds	\$ 1,137,176,349	\$ 1,121,828,785	\$ 1,161,406,651	\$ 1,223,921,131	\$ 1,119,988,080	(\$ 41,418,571)
Federal Funds	1,120,571,111	1,329,289,267	1,517,447,230	1,467,287,653	1,393,498,488	(123,948,742)
Other Funds	606,954,817	602,767,460	716,771,122	727,690,220	708,164,687	(8,606,435)
Total	<u>\$ 2,864,702,278</u>	<u>\$ 3,053,885,512</u>	<u>\$ 3,395,625,003</u>	<u>\$ 3,418,899,004</u>	<u>\$ 3,221,651,255</u>	<u>(\$ 173,973,748)</u>
EXPENDITURE DETAIL:						
Personal Services	\$ 698,797,416	\$ 710,019,208	\$ 746,826,645	\$ 769,323,675	\$ 741,626,396	(\$ 5,200,249)
Operating Expenses	2,165,904,862	2,343,866,303	2,648,798,358	2,649,575,329	2,480,024,859	(168,773,499)
Total	<u>\$ 2,864,702,278</u>	<u>\$ 3,053,885,512</u>	<u>\$ 3,395,625,003</u>	<u>\$ 3,418,899,004</u>	<u>\$ 3,221,651,255</u>	<u>(\$ 173,973,748)</u>
Staffing Level FTE:	12,504.6	12,845.6	12,291.2	12,421.2	12,373.3	82.1

SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2011	GOVERNOR'S RECOMMENDED FY 2012	RECOMMENDED INC/(DEC) FY 2012
General Funds	\$ -12,577,839	\$ 16,475,072	\$ 29,052,911
Federal Funds	26,679,232	6,100,000	(20,579,232)
Other Funds	30,853,717	1,283,270	(29,570,447)
Total	<u>\$ 44,955,110</u>	<u>\$ 23,858,342</u>	<u>(\$ 21,096,768)</u>
Staffing Level FTE:	7.4	0.0	(7.4)

TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2011	GOVERNOR'S RECOMMENDED FY 2012	RECOMMENDED INC/(DEC) FY 2012
General Funds	\$ 1,148,828,812	\$ 1,136,463,152	(\$ 12,365,660)
Federal Funds	1,544,126,462	1,399,598,488	(144,527,974)
Other Funds	747,624,839	709,447,957	(38,176,882)
Total	<u>\$ 3,440,580,113</u>	<u>\$ 3,245,509,597</u>	<u>(\$ 195,070,516)</u>
Staffing Level FTE:	12,298.6	12,373.3	74.7

INFORMATION BUDGETS CONTAINED IN THE GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2009	ACTUAL FY 2010	BUDGETED FY 2011	REQUESTED FY 2012	GOVERNOR'S RECOMMENDED FY 2012	RECOMMENDED INC/(DEC) FY 2012
FUNDING SOURCE:						
General Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal Funds	275,085,944	393,928,949	393,150,914	402,746,125	403,371,306	10,220,392
Other Funds	291,860,946	256,568,438	260,965,766	273,942,831	272,862,739	11,896,973
Total	\$ 566,946,891	\$ 650,497,388	\$ 654,116,680	\$ 676,688,956	\$ 676,234,045	\$ 22,117,365
EXPENDITURE DETAIL:						
Personal Services	\$ 83,135,374	\$ 85,530,827	\$ 99,954,853	\$ 90,233,004	\$ 90,408,530	(\$ 9,546,323)
Operating Expenses	483,811,516	564,966,560	554,161,827	586,455,952	585,825,515	31,663,688
Total	\$ 566,946,891	\$ 650,497,388	\$ 654,116,680	\$ 676,688,956	\$ 676,234,045	\$ 22,117,365
Staffing Level FTE:	1,276.3	1,307.4	1,320.9	1,256.9	1,254.4	(66.5)

INFORMATION BUDGETS

South Dakota Building Authority
 South Dakota Health and Educational Facilities Authority
 Public Entity Pool for Liability (PEPL) Administration
 PEPL Fund Claims
 Insurance Fraud Unit
 Petroleum Release Fund
 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
 PUC Administration
 Grain Warehouse
 Fixed Utilities
 Pipeline Safety
 One-Call Notification Board
 State Bar Association
 Unclaimed Property Fund

TOTAL STATE GOVERNMENT BUDGET (Including Information Budgets)

GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2009	ACTUAL FY 2010	BUDGETED FY 2011	REQUESTED FY 2012	GOVERNOR'S RECOMMENDED FY 2012	RECOMMENDED INC/(DEC) FY 2012
FUNDING SOURCE:						
General Funds	\$ 1,137,176,349	\$ 1,121,828,785	\$ 1,161,406,651	\$ 1,223,921,131	\$ 1,119,988,080	(\$ 41,418,571)
Federal Funds	1,395,657,056	1,723,218,216	1,910,598,144	1,870,033,778	1,796,869,794	(113,728,350)
Other Funds	898,815,763	859,335,899	977,736,888	1,001,633,051	981,027,426	3,290,538
Total	<u>\$ 3,431,649,168</u>	<u>\$ 3,704,382,899</u>	<u>\$ 4,049,741,683</u>	<u>\$ 4,095,587,960</u>	<u>\$ 3,897,885,300</u>	<u>(\$ 151,856,383)</u>
EXPENDITURE DETAIL:						
Personal Services	\$ 781,932,790	\$ 795,550,035	\$ 846,781,498	\$ 859,556,679	\$ 832,034,926	(\$ 14,746,572)
Operating Expenses	2,649,716,378	2,908,832,864	3,202,960,185	3,236,031,281	3,065,850,374	(137,109,811)
Total	<u>\$ 3,431,649,168</u>	<u>\$ 3,704,382,899</u>	<u>\$ 4,049,741,683</u>	<u>\$ 4,095,587,960</u>	<u>\$ 3,897,885,300</u>	<u>(\$ 151,856,383)</u>
Staffing Level FTE:	13,780.8	14,153.0	13,612.1	13,678.1	13,627.7	15.6

SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2011	GOVERNOR'S RECOMMENDED FY 2012	RECOMMENDED INC/(DEC) FY 2012
General Funds	\$ -12,577,839	\$ 16,475,072	\$ 29,052,911
Federal Funds	26,679,232	6,100,000	(20,579,232)
Other Funds	30,853,717	1,283,270	(29,570,447)
Total	<u>\$ 44,955,110</u>	<u>\$ 23,858,342</u>	<u>(\$ 21,096,768)</u>
Staffing Level FTE:	7.4	0.0	(7.4)

TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2011	GOVERNOR'S RECOMMENDED FY 2012	RECOMMENDED INC/(DEC) FY 2012
General Funds	\$ 1,148,828,812	\$ 1,136,463,152	(\$ 12,365,660)
Federal Funds	1,937,277,376	1,802,969,794	(134,307,582)
Other Funds	1,008,590,605	982,310,696	(26,279,909)
Total	<u>\$ 4,094,696,793</u>	<u>\$ 3,921,743,642</u>	<u>(\$ 172,953,151)</u>
Staffing Level FTE:	13,619.5	13,627.7	8.2