



STATE OF SOUTH DAKOTA  
DENNIS DAUGAARD, GOVERNOR

MEMBERS OF THE 87<sup>th</sup> LEGISLATURE  
OF THE STATE OF SOUTH DAKOTA

I am pleased to present the state budget report for Fiscal Year 2013. This proposal will fund necessary state government services and special appropriations for the fiscal period beginning July 1, 2012, and ending June 30, 2013.

Last year, we adopted a state budget that required tough choices but placed our state on a strong financial footing. Together, we eliminated the structural deficit and ended the use of one-time funds to fund ongoing operations, recognizing that ongoing expenses should not exceed ongoing revenue.

When I proposed last year's budget, I promised that tough choices one year would lead to a brighter future when we could talk about increases, not more cuts. This year, we have the opportunity to build from a new base and consider investments in key areas. At the same time, we must continue to be cautious, as many external factors – the world economy, federal budget cuts, and continued questions surrounding federal healthcare reform – could dramatically change our current projections.

My proposed budget heeds the principles I set forth last year: ongoing revenue pays for ongoing expenses, one-time funds pay for one-time expenses, and reserve funds are used only for emergencies.

This budget will fund essential government services and proposes modest ongoing funding increases for education, Medicaid providers, and state employees. I am proposing that these same three key sectors also receive one-time funds that are the result of strong revenue growth. As we move into the future, it is important that we use funding increases as an opportunity to build better institutions and systems, rather than simply increasing funding to the same approaches.

I have also proposed the use of reserve funds to pay for disaster response efforts – the historic flooding we suffered this spring and summer and the looming threat of devastation in the Black Hills because of mountain pine beetles.

**Key among my recommendations:**

- **Funding increase for K-12 according to the statutory funding formula, and additional one-time funds for schools.** I am committed to the notion that, in years where new dollars are available, education should receive “the first dollar and the last dollar” of state funds. This year, I propose to give K-12 education “the first dollar” by increasing the per-student allocation for K-12 education by 2.3 percent, at an estimated ongoing cost of \$9,834,158 in