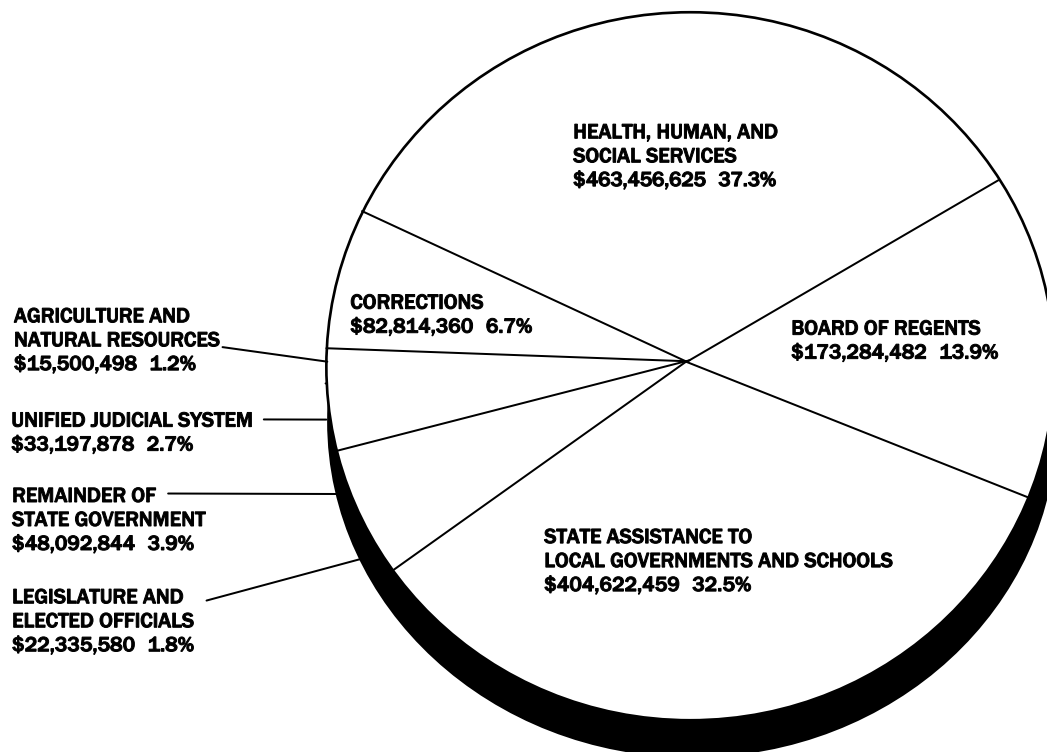


STATE OF SOUTH DAKOTA SUMMARY OF GOVERNOR'S BUDGET FISCAL YEAR 2013

BEGINNING JULY 1, 2012

ENDING JUNE 30, 2013

OUR 123rd YEAR OF A BALANCED BUDGET



DENNIS DAUGAARD, GOVERNOR

TABLE OF CONTENTS

SUMMARY OVERVIEW	1
U.S. AND SOUTH DAKOTA ECONOMIC FORECAST.....	2
U.S. ECONOMY	2
SOUTH DAKOTA ECONOMY.....	6
REVENUE ESTIMATES.....	10
BUDGET RESERVE.....	13
COMPARISON BETWEEN LEGISLATIVE AND REVISED ESTIMATE FOR FY2012.....	14
COMPARISON BETWEEN FY2011 AND FY2012 REVENUE COLLECTIONS	15
COMPARISON BETWEEN FY2012 AND FY2013 REVENUE COLLECTIONS	16
GENERAL FUND RECEIPTS.....	17
RECOMMENDED EXPENDITURES	18
SUMMARY OF RECOMMENDED BUDGET ADJUSTMENTS	20
SPECIAL APPROPRIATION RECOMMENDATIONS	41
GOVERNOR'S RECOMMENDATION FOR STATE EMPLOYEE COMPENSATION.....	45
GOVERNOR'S FY2013 GENERAL FUND RECOMMENDATIONS	46
GENERAL FUND CONDITION STATEMENT.....	47
TOTAL STATE GOVERNMENT BUDGET (EXCLUDING INFORMATION BUDGETS).....	48
INFORMATION BUDGETS CONTAINED IN THE GENERAL APPROPRIATIONS BILL.....	49
TOTAL STATE GOVERNMENT BUDGET (INCLUDING INFORMATION BUDGETS).....	50

250 Copies printed by the Bureau of Finance and Management on recycled paper for \$1.99 each at Central Duplicating Services.

SUMMARY OVERVIEW

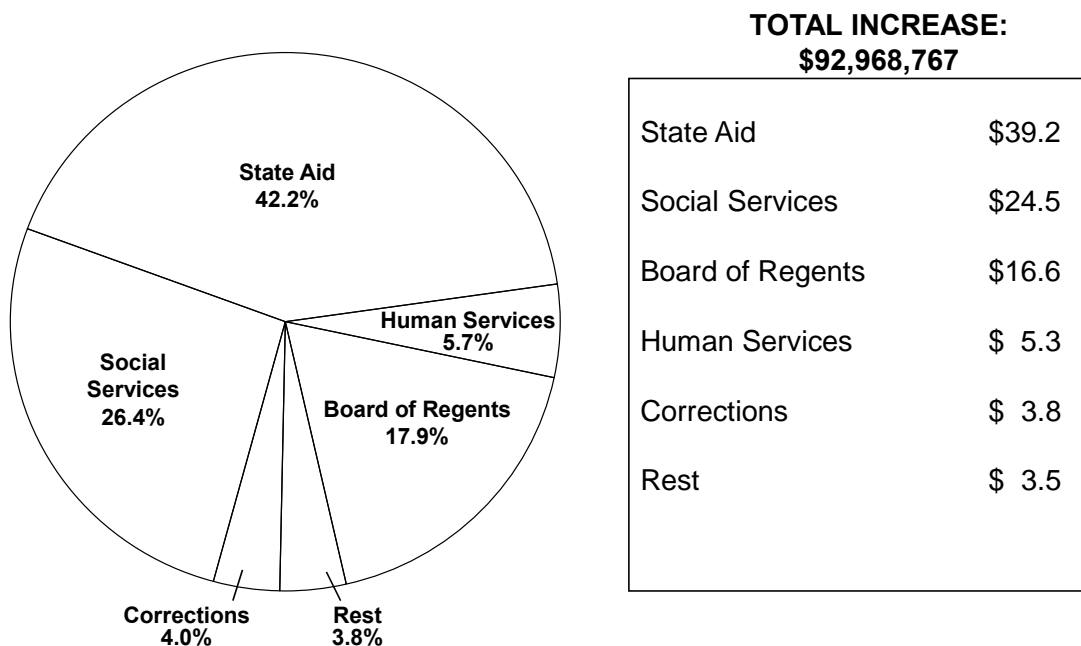
Governor Daugaard is recommending a budget (including special appropriations) for FY2013 totaling \$4,046,649,040, and 13,693.8 FTE. This represents an overall decrease of \$51,480,469 in total funds and an increase of 54.3 FTE over FY2012. For FY2013, the Governor is proposing a general fund budget of \$1,243,304,726, which is an increase of \$44,992,872 over the FY2012 budget. The proposed FY2013 general fund budget is distributed as follows:

- \$402.3 million, or 32.4% for Aid to Schools;
- \$463.5 million, or 37.3% for Health, Human, and Social Services;
- \$173.3 million, or 13.9% for Higher Education;
- \$ 82.8 million, or 6.7% for Corrections;
- \$ 55.5 million, or 4.5% for the Legislature, Unified Judicial System, Public Utilities Commission, and Elected Officials;
- \$ 15.5 million, or 1.2% for Agriculture; Environment and Natural Resources; and Game, Fish, and Parks; and,
- \$ 50.5 million, or 4.0% for the Remainder of State Government.

The graph below depicts the FY2013 recommended general fund increases, excluding special appropriations and including the employee compensation package.

FY2013 General Fund Increases

Excluding Special Appropriations and Including Employee Compensation Package



U.S. AND SOUTH DAKOTA ECONOMIC FORECASTS

U.S. ECONOMY

RECENT ECONOMIC ACTIVITY

The US economy has shown signs of modest growth during the second half of 2011 after nearly coming to a halt during the first two quarters of the year. At this point, the economy appears to have avoided a “double-dip” recession, but there are still pessimistic risks to the economic outlook. While consumer spending has proved resilient recently, confidence and sentiment for businesses and consumers continues to be depressed. The US economy continues to recover from the 2007-2009 economic recession which was worse than an ordinary business cycle recession. Although the US economy has technically been in the recovery phase for more than two years, the unemployment rate remains elevated at 9.0%, and, of the 8.75 million jobs lost from the recession, only 2.27 million have been added back since the employment low. These factors combined with other uncertainties such as the US federal budget/debt issues and the sovereign debt difficulties in Europe have led to volatile financial markets and created uncertainty for the economic outlook.

The situation in Europe, which has been the focus of the financial markets lately, seems to change on a daily basis. Recently, European leaders announced additional measures to contain the Greek debt crisis and stabilize the other European governments and banks. The announcement included private investors taking a 50% reduction in principal on Greek debt, required European banks to increase capital reserves, and further leveraging the European Financial Stability Facility. It remains to be seen how the European debt issues will unfold, and the uncertainty will likely lead to volatile financial markets for months to come.

The Federal Reserve continues to have limited monetary options to help support the US economy as the primary tools were exhausted during the recession. The most recent change in policy by the Federal Reserve is a maturity extension program, which was announced during September. This policy change is intended to keep long term interest rates low to help support economic growth.

The Fed continues to promote a low interest rate policy as the target range for the federal funds rate continues to be 0%-0.25%, and it is anticipated it will remain at this low level at least through mid-2013.

Although US economic growth lost some momentum during early 2011, recent signs indicate the economy continues to grow in the second half of 2011.

The following are recent key national economic statistics:

- Advance estimates indicate that real GDP grew 2.5% in the third quarter of 2011, stronger growth than when economic growth nearly stalled at 0.4% and 1.3% in the first and second quarters of 2011.
- The unemployment rate was 9.0% in October, which was 0.1% lower than the prior month. The current rate is 0.7% lower than October of 2010.
- The Institute of Supply Management's (ISM) manufacturing report on business was 50.8 in October, down from 51.6 in September. This was the 27th 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 remained relatively stable at 52.9 in October compared to 53.0 in September. A reading above 50 indicates the non-manufacturing sector is expanding.
- Business sector labor productivity declined 0.1% in the second quarter and then grew by 3.1% in the third quarter of 2011. The labor productivity gains were primarily due to a 3.8% increase in hourly output for the third quarter.
- U.S. personal income increased at an annual rate of 1.1% in the second quarter, but growth softened to just 0.2% in the third quarter of 2011. Personal income grew 4.6% in 2008, declined 4.3% in 2009, and grew by 3.7% in 2010.
- Real personal spending increased 0.7% in the second quarter and increased 2.4% in the third quarter of 2011. The increase realized in the third quarter was led by a solid increase in durable goods spending of 4.1% as well as a 3.0% increase in services spending.
- Total construction spending was up 0.2% in September compared to August. Private construction was up 0.6%, while public construction declined 0.6% compared to the prior month.

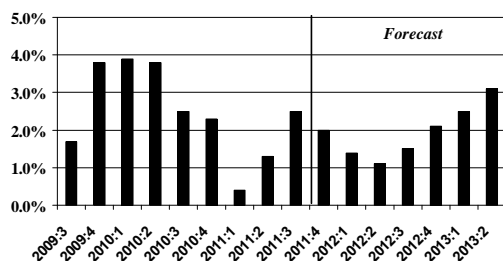
NATIONAL FORECAST HIGHLIGHTS

This section summarizes IHS Global Insight's forecast as of November 2011 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 momentum during the first and second quarter as commodity price increases and supply-chain disruptions slowed consumer spending and employment growth in the first half of 2011. Supply shocks from the Japan earthquake, as well as spending reductions from state and local governments, slowed economic growth. This slowdown escalated the prospects that the US economy would enter into an economic recession again in late 2011 or 2012. Currently, IHS Global Insight believes the economy remains vulnerable in the short term, mainly due to risks associated with the European debt crisis. Global Insight's baseline forecast is for continued sluggish, yet positive, economic growth over the next several quarters. Growth is expected to be slow through the remainder of 2011 and the first half of 2012 due to cautious consumers and businesses. In addition, state and local governments are expected to continue to cut spending which will be an additional obstacle to economic growth in 2012.

In the first three quarters of this year, GDP grew 0.4%, 1.3%, and 2.5%, respectively. In the fourth quarter, GDP growth is forecast to grow 2.0%. In the four quarters in 2012, IHS Global Insight is projecting GDP growth of 1.4%, 1.1%, 1.5%, and 2.1%. In 2013, GDP is forecast to increase 2.5% in the first quarter and 3.1% in the second quarter.

IHS Global Insight's Baseline
Forecast of Quarterly GDP



On an annual basis, GDP grew 2.7% in 2006 and 1.9% in 2007, decreased 0.3% in 2008 and 3.5% in 2009, and grew 3.0% in 2010. IHS Global Insight's latest forecast projects GDP to grow 1.8% in 2011, 1.6% in 2012, and 2.5% in 2013.

CONSUMERS: Consumer spending is a key component causing economic growth, as

consumption accounts for over two-thirds of economic activity as measured by GDP. Real consumer spending rose 2.9% in 2006 and 2.3% in 2007. In 2008 and 2009 consumer spending declined 0.6% and 1.9%, respectively, as the recession caused consumer spending to decrease. In 2010, consumer spending growth returned at a 2.0% rate. In 2011, real consumption growth has been 2.1%, 0.7%, and 2.4% the first three quarters, and is anticipated to be 2.1% in the fourth quarter. The growth of 2.4% realized in the third quarter was led by an increase in spending on durable goods. This recent growth is good news as spending has increased while consumer confidence continues to be depressed. Consumer confidence readings have been mixed recently as the Reuters/University of Michigan's index of consumer confidence improved by 3.3 points in November, while the Conference Board's consumer confidence index decreased by 6.6 points in October. Both indexes are considered to be in "recessionary" levels. Due to the lack of confidence, consumers are anticipated to remain cautious. A portion of the increased spending is because consumers lowered their savings rate during the third quarter. IHS Global Insight expects the 2% payroll tax cut will be extended for 2012 and 2013 to help support consumer spending over the forecast period. On an annual basis, real consumption is projected to increase by 2.3% in 2011, with growth slowing to 2.1% and 1.9% for 2012 and 2013, respectively.

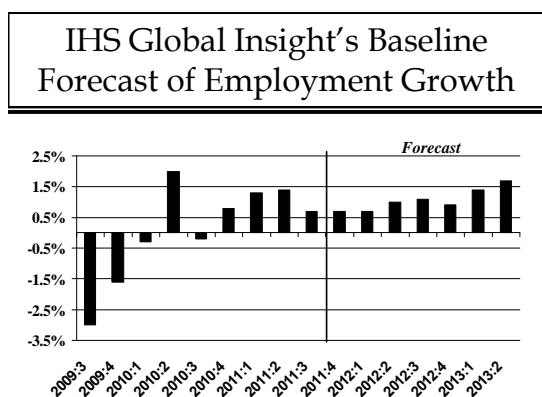
The personal savings rate (as a percentage of disposable income) was 4.1% in the third quarter of 2011. This was a decline from the 5.1% savings rate registered in the second quarter meaning that consumers spent more from savings during the third quarter, a trend that cannot continue over the long term. The savings rate is projected to be 4.5% in 2011, 3.9% in 2012, and 3.0% in 2013. In 2008, 2009, and 2010, the savings rate was 5.4%, 5.2%, and 5.3%, respectively.

EMPLOYMENT: The latest U.S. payroll employment report indicated total nonfarm employment grew by 80,000 jobs in October. Private-sector employment increased by 104,000, which increased the total gains for private payrolls to slightly more than 1.4 million since January of 2011. Modest growth is expected in 2012, while employment growth is expected to accelerate in 2013 and 2014. The sectors showing gains over the past several months include: wholesale and retail trade, professional and business services, education and health services, and leisure and hospitality. Job gains are expected to continue in the fourth quarter of 2011, and total employment is expected to be 1,342,000 jobs higher than the fourth quarter of 2010, representing just a fraction of the 8.75 million jobs lost during the recession. IHS Global Insight is forecasting employment to return to the original peak level during

the fourth quarter of 2014, nearly seven years after the peak was reached in the first quarter of 2008. The current forecast shows total employment to grow 1.2 million jobs in 2011 on an annual basis compared to 2010. In 2012 and 2013, employment growth is estimated to be 1.1 million and 1.8 million jobs, respectively.

The unemployment rate in October declined slightly to 9.0%, which was 0.1% lower than the prior month, and 0.7% lower than a year ago. The unemployment rate is expected to remain elevated during 2012 and will begin to recede in 2013 as employment growth becomes more robust. On an annual basis, the unemployment rate was 5.8% in 2008, 9.3% in 2009, and 9.6% in 2010. In 2011 and 2012, the unemployment rate is projected to be 9.1% and 9.2%, respectively. In 2013, the unemployment rate is projected to decline to 9.0% and gradually improve thereafter. However, according to the most recent forecast, the unemployment rate is not expected to fall below 7% until 2016.

In the first and second quarter of 2011, nonfarm payroll employment realized growth of 1.3% and 1.4%, (seasonally adjusted annual rate). During the third quarter, the growth rate slowed to 0.7% as economic uncertainty restricted job growth. Positive employment growth is projected at 0.7% in the fourth quarter of 2011, and is expected to continue into 2012 with growth rates of 0.7%, 1.0%, 1.1%, and 0.9% in the four quarters of 2012. In the first two quarters of 2013, payroll employment growth is projected to accelerate with growth rates of 1.4% and 1.7%, respectively.



On an annual basis, payroll employment in the US decreased 0.6% in 2008, 4.4% in 2009 and 0.7% in 2010. Payroll employment is forecasted to grow 1.0% in 2011, 0.9% in 2012, and 1.4% in 2013.

HOUSING: Recent data for housing starts remains mixed as single family starts continue to be depressed but multi-family starts have started to rebound. The 2011 single-family housing market is likely to be one of the worst years on record as starts and permits will likely be the lowest since data

started being collected in the 1960's. However, multi-family housing continued to show improvement as September multi-family starts were up 51% nationally. Multi-family starts registered a 190,000 unit annual rate in the third quarter, which was the highest reading in 11 quarters. Existing home sales fell in September, even with mortgage rates at record lows. The housing market is expected to improve slowly in 2012 and should post bigger gains in 2013 as employment growth accelerates. Improved employment growth will eventually lower the supply of housing units to a more balanced level.

Total housing starts are projected to be 0.60 million units in 2011 and 0.67 million units in 2012, then grow to 0.95 million units in 2013 as job growth accelerates. In 2008, 2009, and 2010, total housing starts were 0.90, 0.55, and 0.59 million units, respectively. IHS Global Insight is forecasting the median price of existing homes to decline by 4.1% in 2011, mainly due to the homebuyer tax credit no longer propping up prices like it did in 2010. In 2012 and 2013, prices are expected to increase by 1.9% and 4.0%, respectively.

INFLATION: The third quarter CPI increased at a 3.1% annual rate as food and energy prices helped boost the headline inflation rate. Core CPI (excludes food and energy prices) increased at a 2.7% rate in the third quarter. Global Insight expects prices to ease in the fourth quarter since energy inflation has started to ease and wage inflation is nearly non-existent. Global Insight expects inflation to ease to 1.1% in the fourth quarter, with the core CPI lowering to a 1.5% rate. The October CPI decreased 0.1% from September to October on a seasonally adjusted basis, an early signal that inflation should decrease in the fourth quarter. IHS Global Insight believes high inflation is not a concern in the short term as the labor market remains weak and cost pressures have eased as evident from recent lower producer prices recently.

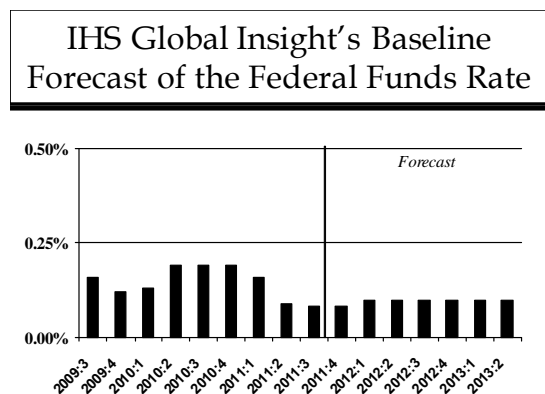
The CPI increased 3.8% in 2008, decreased 0.3% in 2009, and increased 1.6% in 2010. The CPI is forecasted to increase 3.2% in 2011, 1.5% in 2012, and 1.7% in 2013. The producer price index for finished goods rose 6.4% in 2008, declined 2.5% in 2009, and then increased 4.2% in 2010. It is expected to increase 5.9% in 2011, 0.6% in 2012, and 1.4% in 2013.

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 as well as a temporary cut in payroll taxes for employees in

2011. Many of these actions helped stabilize the economy during and after the recession.

Recently, the Federal Reserve announced a maturity extension program in September, which has been commonly referred to as “operation twist”. Under this program, the Federal Reserve intends to sell \$400 billion of shorter-term Treasury securities by the end of June 2012 and use the proceeds to purchase longer-term Treasury securities. This will increase the average maturity of securities in the Federal Reserve’s balance sheet. The goal of this action is to lower longer-term interest rates to support the economic recovery. The Federal Reserve continues to reiterate how there are significant negative risks to the outlook, and they plan to keep the federal funds rate exceptionally low until at least mid-2013. One other potential tool the Federal Reserve could utilize to try to support growth is another round of quantitative easing, similar to what was done in 2010. However, IHS Global Insight does not expect “operation twist” or another round of quantitative easing to give much support to economic growth as the primary tools have already been utilized, which did not support economic growth as much as expected.

Currently, the federal funds target rate remains at the record low range of 0%-0.25% since it was set in December of 2008. Global Insight expects the Federal Reserve to leave the federal funds rate at the current range until January 2014 when it will begin to gradually raise rates.



The unified federal deficit for fiscal year 2011 is \$1,299 billion which is \$4 billion higher than fiscal year 2010. This deficit represents approximately 8.7% of GDP, a historically high level for the US. IHS Global Insight forecasts a slightly smaller deficit of \$1,060 billion in federal fiscal year 2012 assuming the 2% payroll tax cut and emergency unemployment benefits will be extended into 2012. The Joint Select Committee, commonly referred to as the “super committee”, was tasked with proposing debt-reduction measures of at least \$1.2 trillion over 10 years by November 23. The “super committee”

failed to deliver, so the result is be that an automatic sequester would start in early 2013. However, IHS Global Insight does not believe the sequester will take effect as Congress will likely overrule and propose an alternative to the sequester before it actually takes effect.

After growing 1.2% in 2007, 7.2% in 2008, 6.0% in 2009, and 4.5% in 2010, real federal government purchases are expected to decline 1.7% in 2011, 2.9% in 2012, and 3.6% in 2013, as both defense and non-defense spending is expected to decrease.

INTERNATIONAL: European debt issues continue to dominate global headlines recently as the crisis continues to unfold. In addition, the Eurozone economy is expected to be in a recession during the fourth quarter. In response, the European central bank cut its policy rate by 0.25% in early November, and an additional rate cut is expected early in 2012. European real GDP is expected to decline in the fourth quarter of 2011, and GDP is forecasted to grow just 0.2% growth in 2012.

In terms of GDP, global economic growth is expected to slow from 4.2% in 2011 to 3.0% growth in 2012 and 2013. World GDP is expected to accelerate to 3.8% growth in 2014. Recently, Thailand experienced major flooding, which is expected to disrupt supply chains in the electronics and automotive industries in the short term. China’s economy is expected to slow slightly due to weak export growth to the United States and Europe over the course of 2012. China’s real GDP grew 10.3% in 2010, is expected to decrease to 9.2% in 2011, and then further slow to 8.1% growth in 2012. The forecasts for real GDP growth for 2012 for the United States, Eurozone, Japan, and Canada are 1.6%, 0.2%, 2.7%, and 1.9%, respectively.

The U.S. trade deficit improved in September to \$43.1 billion compared to \$44.9 billion in August as exports grew at a faster rate than imports. Foreign trade contribution to real GDP in the third quarter is expected to be revised higher than the initial estimate, which may increase revised GDP estimates. After growing an estimated 6.6% in 2011, real export growth is expected to slow to 3.4% in 2012 due to a Eurozone recession and slower emerging market growth. Overall, IHS Global Insight forecasts the real trade deficit to be \$412.6 billion in 2011, and then improve to \$407.1 billion in 2012 and \$341.7 billion in 2013.

RISKS TO THE FORECAST

The US economy proved to be resilient in the third quarter, after nearly stalling in the first and second quarters of this year. Stronger business and consumer spending helped push the economy to 2.5% GDP growth in the third quarter, which was the

highest growth rate of 2011. However, at present, negative risks remain high, most notably the European debt crisis. These risks in the global economy have a direct impact on the outlook that is uncertain at this time. A 10% probability exists that U.S. economic growth is much stronger than the baseline forecast if Europe narrowly avoids a recession and the debt crisis in Europe is contained. In IHS Global Insight's optimistic scenario, GDP is projected to grow 1.9% in 2011, followed by robust growth of 3.6% in 2012 and 4.0% in 2013. The optimistic scenario assumes financial markets stabilize and private-sector confidence rebounds leading to increased spending by both businesses and consumers. This increased activity would cause businesses to increase employment in order to meet increased demand. In the optimistic scenario, residential construction and the housing market see a quicker, sustained recovery. This leads to an 18.2% increase in fixed residential investment in 2012 and housing starts increasing to 914,000 units. Overall, the optimistic assumptions anticipate a much better economic outlook than the baseline scenario and assume the economy will return to strong growth in 2012 and 2013.

While some signs of improvement exist, concerns still remain including the European sovereign debt crisis, extreme weakness in the housing market, high unemployment, and uncertainty for businesses and consumers. IHS Global Insight's pessimistic scenario has a 40% probability of occurring. The pessimistic scenario forecasts the US economy would slip into another recession in early 2012. In this scenario, the European debt crisis worsens with Greece exiting the Eurozone. This creates panic in financial markets and cause banks, businesses, and consumers to become extremely cautious. This combined with fiscal tightening in the United States, such as allowing the payroll tax cut to expire, push the US economy into a recession. In the pessimistic scenario, GDP falls 0.5% in 2012 as growth is negative for the first three quarters of the year and the unemployment rate creeps up to 10.2% by late 2012. In the pessimistic forecast, GDP grows 1.7% in 2011, declines 0.5% in 2012, and grows 1.0% in 2013.

Currently, IHS Global Insight assigns the baseline forecast a 50% probability of occurring. The November forecast is different from a typical forecast due to increased negative risks. Currently the pessimistic scenario is assigned a 40% probability and the optimistic scenario is assigned just a 10% probability of occurring. In a normal economic expansion, when risks are more balanced, the pessimistic and optimistic scenarios are typically equally weighted.

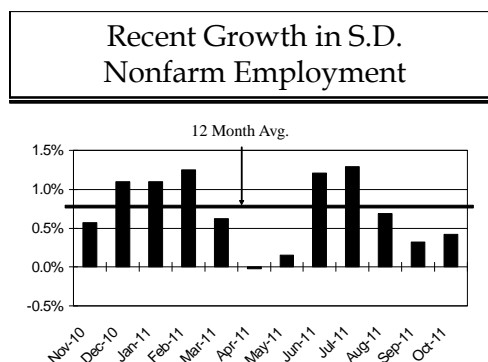
SOUTH DAKOTA ECONOMY

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 2007-2009 economic recession caused declines of 1.9% and 0.2% during 2009 and 2010 in South Dakota's employment. So far in 2011, employment growth has registered positive gains as the South Dakota economy recovers from the severe national recession.

South Dakota had relatively strong employment growth in 2006, 2007, and 2008, adding 8,500, 7,900 and 4,900 jobs, respectively. However, the national recession led to 7,700 job losses during 2009 and 900 jobs losses in 2010. In 2011, nonfarm employment is on track to register positive job growth for the year. In October 2011, nonfarm employment was up 0.42% over October 2010. The current forecast indicates a growth of 2,900 jobs for 2011 compared to 2010.



The following are some recent key South Dakota economic statistics:

- In the last twelve months (November 2010 through October 2011), nonfarm employment (seasonally adjusted) in South Dakota grew by 0.73% over the same period a year ago. Sectors that experienced growth in the last twelve months were professional and business services (3.30%); manufacturing (3.29%); education and health services (1.93%); leisure and hospitality (1.44%); trade, transportation, and utilities

(1.03%); and other services (0.48%). Sectors which have experienced losses over the past 12 months include: financial activities (-3.05%); mining, logging, and construction (-1.56%); and government (-0.88%).

- The unemployment rate in South Dakota was the third lowest in the U.S. in October at 4.5%. This was 4.5% below the national rate of 9.0% in October, and 0.1% lower than South Dakota's unemployment rate from October of 2010.
- During the twelve-month period from November 2010 through October 2011, the number of titles issued for new noncommercial vehicles was 34,708, which is an increase of 5,868, or 20%, over the prior twelve-month period.
- The total number of residential units authorized by building permits issued January through September of 2011 was 2,460, which was up 64 units from the same months in 2010. The value of residential building permits issued year-to-date in 2011 was \$366.1 million. This is an increase of \$19.3 million from the first 9 months of 2010.

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 \$1,059.2 million in 2010, a record high in South Dakota. This was a 10.0% increase in visitor spending compared to 2009, as the tourism industry saw robust growth after a soft 2009. The Black Hills, Badlands, and Lakes region experienced the largest percentage increase in visitor spending in 2011 over 2010 at 12.5%.

Tourism has been mixed so far in 2011 as Missouri River flooding had an adverse impact on tourism destinations in South Dakota. One of the most impacted areas was attendance at state parks as multiple parks were partially or completely closed during the peak visitation period. As a result, visitation at South Dakota state parks decreased 10% over the first 9 months of 2011, while national parks registered a decrease of 11% through the first 9 months of 2011 compared to 2010. The flooding experienced in many areas of South Dakota, as well as surrounding states, had an adverse impact on visitation at nearly all attractions in 2011. Although visitation was down, spending was not. The tourism promotion tax revenue registered a 1.0% year-to-

date increase (January through September) in 2011 compared to 2010. Hotel occupancy rates for three of four regions in South Dakota are experiencing increases compared to 2010. The outlook for the South Dakota tourism industry is cautiously optimistic heading into 2012 as the economy continues to recover and the tourism sector rebounds from the 2011 flooding.

AGRICULTURE: In 2010, the agricultural economy in South Dakota produced cash receipts of \$7.69 billion, which was a decrease of \$0.30 billion from 2009 (excludes government payments). Crops generated \$4.66 billion and livestock generated \$3.02 billion in 2010. The high level of receipts realized in 2010 is due to good production and relatively high crop and livestock prices for much of the year.

Although crop production in 2010 was down compared to 2009, it was a good overall year as 2009 was a record production year for both corn and soybeans. In 2010, corn for grain production totaled 569.7 million bushels with an average yield of 135 bushels per acre, slightly better than the five year average yield of 127 bushels, but down from 2009's record yield of 151 bushels. Soybean production was 157.3 million bushels, a decrease compared to 2009's record production of 176.0 million bushels. The decrease is mainly due to lower yield in 2010. Wheat production was down in 2010 compared to 2009 due to fewer acres harvested. Livestock production in 2010 was similar to 2009 levels. The 2010 calf crop totaled 1.65 million head compared to 2009's production of 1.66 million head. The pig crop in 2010 was 3.49 million head, which was up 5.4% from 2009.

Production levels are expected to be good for South Dakota producers in 2011, 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 648.0 million bushels. The corn yield is estimated to be 135 bushels per acre, the same as the 2010 yield. Corn acres harvested for grain is estimated at 4.80 million, which is up 13.7% from the 2010 level. Soybean production is expected to be 153.9 million bushels with a yield of about 38 bushels per acre, equal to the 2010 yield. Overall farm income for 2011 is expected to be higher compared to 2010 as higher average prices for both crops and livestock is expected to push income higher in 2011. As of November 1, South Dakota's 1,000+ capacity feedlots reported 240,000 cattle on feed for the slaughter market, which was up 10,000 head of cattle from a year earlier and up 35,000 from a month earlier.

The Council's outlook for the agricultural economy is optimistic for 2011. Strong domestic and worldwide demand is expected to continue to keep prices high leading to a healthy agriculture economy in the future. Solid production levels during 2011 with relatively high prices will benefit 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's housing and construction activity was not impacted as greatly as the nation, activity still remains depressed compared to before the 2007-2009 recession. Residential building permits over the past 12 months (October 2010 – September 2011) were lower by 477 units and the value of permits was \$19.09 million lower 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 improve as long as the US economic recovery continues in 2012.

SOUTH DAKOTA FORECAST HIGHLIGHTS

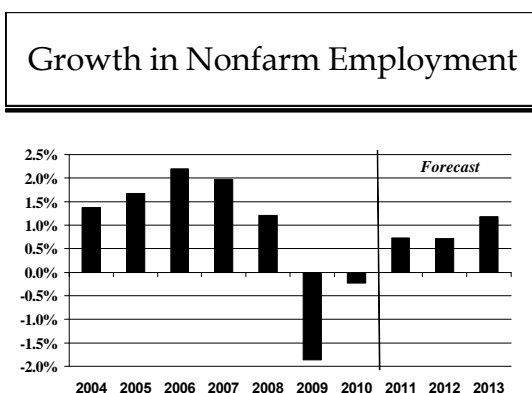
IHS Global Insight's forecast of the national and state economy and the input of the Council of Economic Advisors were incorporated into the forecast of South Dakota's economy. This section summarizes various categories of the latest forecast for the South Dakota economy.

The South Dakota economy has been in a recovery phase for nearly two years as increases in employment, income, and overall spending have been rebounding since early 2010. However, the pace of the recovery has been mixed with employment growth being sluggish but income growth being stronger during the recovery phase. Strength in the agriculture sector has supported income growth directly and indirectly as high prices combined with healthy farm production have helped boost South Dakota's economy in an uncertain national and global economy. Overall, South Dakota's economy is expected to continue to grow in 2012 and into 2013.

EMPLOYMENT: 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 to enhance employment growth during the economic recovery phase.

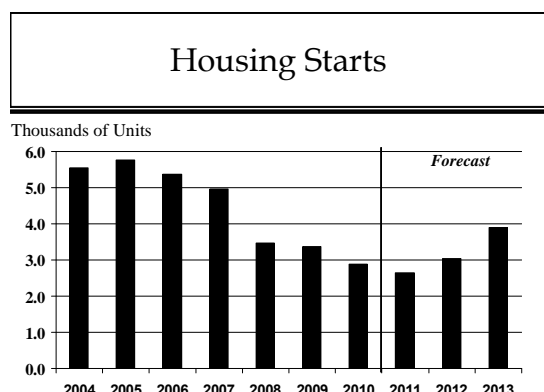
Between 1990 and 2000, nonfarm employment in South Dakota grew at an average annual rate of 2.7%, which was significantly higher than the national average annual growth rate of 1.9% over the 10 year period. The majority of additional jobs in South Dakota during this period occurred in the manufacturing, 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 and 2010, employment declined 1.9% and 0.2%, respectively, as the national recession caused major job losses in manufacturing, construction, and professional and business services sectors. In addition to the economic recession, changes in credit card laws at the national level caused declines in the financial services sector during this time. For 2011, the employment levels are expected to grow 0.7% compared to 2010 on an annual basis. In 2012 and 2013, nonfarm employment growth is projected to slowly recover, growing 0.7% and 1.2%, respectively. In 2011, on an annual basis, the sectors projected to post gains are manufacturing; professional and business services; wholesale and retail trade; health and education services; and leisure and hospitality. Employment losses projected on an annual basis in 2011 are in logging, mining, and construction; financial activities; and government. In 2012, annual employment increases are projected across all sectors with the exception of financial activities and government. In 2013, the recovery is projected to improve with growth expected to return in all major employment sectors.



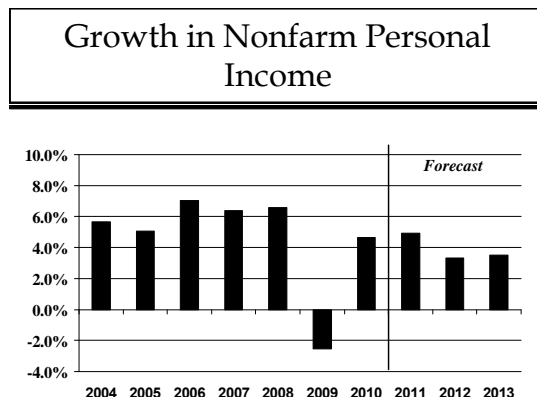
HOUSING: Favorable interest rates and changing demographics in the state contributed to a strong

housing sector from 1998 through 2005 with the number of housing starts in South Dakota increasing each year. Since 2005, the number of housing starts in South Dakota has declined each year.

The housing market is expected to slowly recover in 2012 and 2013 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 2012 and 2013, housing starts are expected to improve, but will continue to be below levels realized during the early part of this decade. Housing starts were 2,890 in 2010 and are projected to be 2,640 in 2011, 3,040 in 2012, and 3,900 in 2013.



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 US 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 US. Nonfarm personal income in South Dakota grew 7.2% in 2001, 4.5% in 2002, and 4.0% in 2003. From 2004 through 2008, nonfarm income growth rebounded with growth rates of 5.6%, 5.1%, 7.0%, 6.4%, and 6.6%, respectively. The higher growth rates in those years were due to strong employment increases and a growing economy. However, in 2009, the national economic recession caused nonfarm personal income to decline 2.5%. This was the first annual decrease in nonfarm personal income in South Dakota since 1937. In 2010, nonfarm personal income increased by 4.6% in South Dakota as the economy recovered. Nonfarm income growth is forecasted to increase by 4.9% in 2011, due to stabilizing employment and increased confidence in the economy. In 2012 and 2013, the forecast is for below average growth of 3.3% and 3.5%, reflecting a slow economic recovery and low inflation expectations.



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 2012. The national economy is growing, but is still vulnerable to external shocks such as the European debt-crisis which continues to unfold as well as uncertainties of federal spending and taxation in the short term. Another 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. Also, a risk to the agriculture economy is the possibility of declining commodity prices or 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 FY2012 are forecasted at \$1,236.1 million. Ongoing receipts comprise \$1,204.1 million of the total, and one-time revenues comprise \$32.0 million of the total, which includes \$20.2 million from the Budget Reserve Fund. The ongoing estimate for FY2012 includes an increase of \$41.1 million from actual FY2011 ongoing receipts. Categories forecasted to show major increases in FY2012 include the bank franchise tax (+\$21.9M), the sales and use tax (+\$19.0M), the contractor's excise tax (+\$11.2M), and the insurance company tax (+\$2.3M). Major forecasted decreases between actual FY2011 and estimated FY2012 ongoing revenue are forecasted property tax reduction fund receipts (-\$9.3M), investment income and interest (-\$3.8M) and severance taxes (-\$1.4M).

The revised ongoing estimate for FY2012 is \$38.8 million more than the ongoing estimate adopted during the 2011 legislative session. Major positive adjustments for the revised FY2012 estimate are for the bank franchise tax (+\$22.7M), the contractor's excise tax (+\$10.9M), the sales and use tax (+\$9.6M), and licenses, permits, and fees (+\$2.4M). The most significant downward revisions are for the property tax reduction fund (-\$3.9M), severance taxes (-\$2.5M), investment income and interest (-\$1.5M), and charges for goods and services (-\$1.3M).

General fund receipts for FY2013 are projected to be \$1,265.4 million. Ongoing revenues are forecasted to be \$1,226.6 million. One-time receipts are expected to be \$38.8 million including \$37.8 million of obligated cash carried forward from the FY2012 budget. The forecast for ongoing receipts in FY2013 is an increase of \$22.5 million from the revised FY2012 projection of ongoing receipts. The most significant sources of growth between the revised FY2012 estimate and the FY2013 forecast are the sales and use tax (+\$27.6M), the insurance company tax (+\$1.9M), and the property tax reduction fund (+\$1.9M). The sources forecasted to have the most significant decrease in collections between FY2012 and FY2013 are the contractor's excise tax (-\$5.1M), the bank franchise tax (-\$1.3M), and investment income and interest earnings (-\$1.2M).

CURRENT REVENUE FORECAST (Dollars in Millions)

	<u>FY2012</u>	<u>FY2013</u>
Sales and Use Tax	729.2	756.9
Contractor's Excise Tax	76.9	71.8
Bank Franchise Tax	26.7	25.4
Insurance Company Tax	65.9	67.8
Property Tax Reduction Fund	101.1	103.0
Other Ongoing Revenues	204.3	201.7
One-Time Receipts	11.8	1.0
Budget Reserves	20.2	0.0
Obligated Cash Carried Forward	0.0	37.8
Total Revenue	<u>1,236.1</u>	<u>1,265.4</u>

SALES AND USE TAX

The sales and use tax is the single largest revenue source for the state's general fund and accounts for approximately 61% of ongoing general fund revenue. Between FY1980 and FY2011, the sales and use tax grew from \$140.6 million to \$710.2 million, which was an average annual increase of 5.4%. 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. In FY2011, growth was strong (8.9%) with a strong agriculture economy combined with a recovering non-agriculture sector contributing to this.

Net collections from the sales and use tax in FY2011 were \$710.2 million, which was an increase of \$58.1 million, or 8.9%, compared to FY2010. Through the first five months of FY2012, net sales and use tax collections to the general fund were \$256.5 million, which is an increase of 4.4% from the first five months of FY2011 as the economy continues to slowly recover. For the revised FY2012 estimate, the sales and use tax is forecasted at \$729.2 million, which is an increase of \$19.0 million, or 2.7%, compared to FY2011. For FY2013, the sales and use tax is forecasted at \$756.9 million, which is an increase of \$27.6 million, or 3.8%, over the revised FY2012 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. Expansion in this activity contributed to the increase in contractor's excise tax collections from \$16.2 million in FY1988 to \$65.7 million in FY2011. In FY2011, net collections to the general fund from the contractor's excise tax grew \$4.6 million, or 7.5%, from FY2010 after adjusting for large construction project refunds. The increase in FY2011 is attributed to a slight increase in construction activity as well as a smaller amount of taxes reserved for large construction project refunds. Through the first five months of FY2012, net contractor's excise tax collections were \$32.4 million, an increase of 23.6% compared to the first five months of FY2011. The increase in FY2012 is primarily due to less taxes being reserved for large project refunds compared to FY2011. Contractor's excise tax collections for FY2012 are forecasted to be \$76.9 million, which is an increase of \$11.2 million, or 17.1%, over FY2011 collections. FY2013 collections are forecasted at \$71.8 million, which is a decrease of \$5.1 million, or 6.7% compared to the revised FY2012 estimate. The estimate for FY2013 assumes that HB 1230, which passed during the 2011 legislative session and is being referred to a public vote in November of 2012, will pass the public vote. If the referred law passes, 22% of contractor's excise tax collections will be allocated to the large project development fund beginning on January 1, 2013.

BANK FRANCHISE TAX

Collections from the bank franchise tax historically account for approximately 2% of ongoing general fund revenues. The bank franchise tax is one of the general fund revenue sources impacted more by the national economy than by the South Dakota economy. Historically, 80% of the bank franchise tax collections deposited in the general fund have been 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. From FY2008 through FY2011 collections decreased each year as the severe national recession negatively impacted bank franchise tax collections.

Collections from the bank franchise tax were \$4.7 million in FY2011, which was a decrease of \$16.9 million, or 78.2%, from FY2010. Collections declined in FY2011 as the national recession as well as changes in bank card regulations continued to pressure bank income. However, so far in FY2012, bank income has recovered as collections have increased. Through the first five months of FY2012, ongoing bank franchise tax collections were \$11.2 million, which was an increase of \$9.9 million compared to the same time period last year. FY2012 ongoing collections are projected to be \$26.7 million, which is an increase of \$21.9 million, or 463.6%, compared to FY2011 collections. Ongoing collections are expected to be \$25.4 million in FY2013, which is a decrease of \$1.3 million, or 4.8%, compared to the revised FY2012 estimate. Please note, in FY2012, a reallocation of income from prior tax years caused a one-time increase in bank franchise tax collections. This one-time receipt has been accounted for in the one-time receipts category.

INSURANCE COMPANY TAX

Collections from the insurance company tax account for approximately 5.5% of ongoing general fund revenues. From FY1985 to FY2011, insurance company tax collections grew from \$17.2 million to \$63.6 million, which was an average annual increase of 5.2%. In FY2011, insurance company tax collections were \$63.6 million, which was an increase of \$1.9 million, or 3.0%, compared to FY2010 collections. During the first five months of FY2012, insurance company tax collections were \$24.2 million, which is a decrease of 1.8% over the same period in FY2011. For FY2012, insurance company tax collections are forecasted at \$65.9 million, which is an increase of \$2.3 million, or 3.6%, over FY2011 collections. For FY2013, insurance company tax collections are forecasted to be \$67.8 million, which is an increase of \$1.9 million, or 2.9%, over the revised FY2012 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. The transfers to the general fund from the PTRF historically accounted for approximately 10% of ongoing general fund revenue. In 1996, the Legislature directed receipts

from video lottery to 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 the 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, imposed 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 \$110.4 million in FY2011, which was a 10.4% decline from FY2010. The decline in receipts in FY2011 was mainly due to lower video lottery receipts as a result of the statewide public smoking ban passed in November of 2010. Video lottery receipts declined approximately 18% for the first full year of the expanded public smoking ban. In FY2012, new video lottery line games are being offered to help offset the decline in video lottery revenue, although the impact on receipts at this time is unknown. In FY2012 and FY2013, ongoing receipts of \$101.1 million and \$103.0 million, respectively, are expected to be transferred from the PTRF to the general fund. Included in the FY2012 and FY2013 PTRF estimates are \$7.8 million and \$8.2 million, respectively, from the telecommunications tax as well as \$7.7 million and \$7.5 million, respectively, from the 33% share of the excess tobacco tax. Video lottery receipts to the PTRF in FY2012 and FY2013 are projected to be \$85.6 million and \$87.3 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 (including 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 FY2012, collections from other ongoing revenues are projected to be \$204.3 million, approximately 17% of total ongoing general fund revenues.

In FY2013, collections from other ongoing revenues are expected to decrease compared to FY2012, mainly in the investment income and interest earnings (-\$1.2M) and charges for goods and services (-\$1.0M) categories. In FY2013, transfers are anticipated to be available from both the Education Enhancement Trust Fund and the Health Care Trust Fund. For FY2013, collections from other ongoing revenue are projected at \$201.7 million, approximately 16.4% of total ongoing general fund revenues.

ONE-TIME RECEIPTS

In FY2012, collections from one-time receipts, excluding reserves, are projected to be \$11.8 million. This includes \$10.0 million of one-time bank franchise tax revenue, \$1.0 million from the Tobacco Prevention and Reduction Trust Fund, \$0.4 million from a securities settlement, and \$0.4 million as a result of the Conservation Reserve Enhancement Program (CREP) bonds being paid in full. In FY2013, collections from one-time receipts are projected to be \$1.0 million from the Tobacco Prevention and Reduction Trust fund.

BUDGET RESERVES

In FY2012, the Governor is recommending to transfer \$20.2 million from the Budget Reserve Fund to pay for emergency expenses. For FY2013, no transfer is expected to be needed.

OBLIGATED CASH CARRIED FORWARD

This is the amount of prior year cash carried forward to meet obligations existing at the end of the previous year. Included in the FY2013 estimate is \$27.8 million of cash from the FY2012 budget which is committed for FY2013 expenses and \$10.0 million which is obligated to the Budget Reserve Fund. At the end of FY2013, there is anticipated to be \$12.1 million of cash that will be carried forward to FY2014, which is also obligated to the Budget Reserve Fund.

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 which 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 Governor is recommending transferring \$20.2 million from the Budget Reserve Fund to the general fund in FY2012 to pay for emergency expenses. The ending cash balance for FY2012 and FY2013 assumes \$10.0 million and \$12.1 million, respectively, will be available to be transferred back into the Budget Reserve Fund in FY2013 and FY2014.

BUDGET RESERVE FUND CONDITION STATEMENT

	ACTUAL FY2010	ACTUAL FY2011	ESTIMATED FY2012	ESTIMATED FY2013	ESTIMATED FY2014
Beginning Balance	\$ 43,398,446	\$ 43,398,446	\$ 43,398,446	\$ 23,243,431	\$ 33,243,431
Calculations for Maximum Balance in the Fund:					
General Bill Appropriation for Prior Year	\$1,137,710,565	\$1,122,304,350	\$1,145,662,738	\$1,143,537,166	\$1,213,056,847
Budget Reserve Fund Percentage	10%	10%	10%	10%	10%
Maximum Amount in the Fund	<u>\$ 113,771,057</u>	<u>\$ 112,230,435</u>	<u>\$ 114,566,274</u>	<u>\$ 114,353,717</u>	<u>\$ 121,305,685</u>
Maximum Transferable Amount	<u>\$ 70,372,611</u>	<u>\$ 68,831,989</u>	<u>\$ 71,167,828</u>	<u>\$ 91,110,286</u>	<u>\$ 88,062,254</u>
Amount of General Funds Available					
End of Prior Year	\$ 0	\$ 0	\$ 0	\$ 10,000,000	\$ 12,108,103
Transferred in from General Fund	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,000,000</u>	<u>\$ 12,108,103</u>
Transferred out to General Fund	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (20,155,015)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Ending Balance	<u>\$ 43,398,446</u>	<u>\$ 43,398,446</u>	<u>\$ 23,243,431</u>	<u>\$ 33,243,431</u>	<u>\$ 45,351,534</u>

NOTE: The totals may not add due to rounding.

**COMPARISON BETWEEN LEGISLATIVE ADOPTED AND
REVISED ESTIMATE FOR FY2012**

	LEGISLATIVE ADOPTED FY2012	REVISED FY2012	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 719,637,982	\$ 729,226,022	\$ 9,588,040	1.33
Contractor's Excise Tax	66,000,000	76,903,027	10,903,027	16.52
Alcohol Beverage Tax	10,273,750	10,199,407	(74,343)	(0.72)
Alcohol Beverage 2% Wholesale Tax	1,498,201	1,507,918	9,717	0.65
Cigarette Tax	30,000,000	30,000,000	0	0.00
Bank Franchise Tax	3,976,766	26,683,829	22,707,063	570.99
Insurance Company Tax	64,941,467	65,891,970	950,503	1.46
Licenses, Permits, and Fees	44,443,352	46,840,671	2,397,319	5.39
Investment Income and Interest	11,800,000	10,263,684	(1,536,316)	(13.02)
Charges for Goods and Services	24,681,189	23,352,213	(1,328,976)	(5.38)
Net Transfers In	30,469,026	31,217,480	748,454	2.46
Trust Funds	30,345,686	30,345,686	0	0.00
Severance Taxes	9,012,350	6,526,686	(2,485,664)	(27.58)
Lottery	6,188,500	7,005,000	816,500	13.19
Property Tax Reduction Fund	105,000,000	101,069,637	(3,930,363)	(3.74)
Sale-Leaseback	7,111,219	7,111,219	0	0.00
SUBTOTAL (ONGOING RECEIPTS)	\$ 1,165,379,488	\$ 1,204,144,449	\$ 38,764,961	3.33
ONE-TIME RECEIPTS				
Transfer from Tobacco Prev. and Red. Trust Fund	1,000,000	1,000,000	0	0.00
One-time Bank Franchise tax	0	10,000,000	10,000,000	100.00
CREP Savings	0	400,000	400,000	100.00
Securities Settlement	0	418,500	418,500	100.00
One-time Refund	(13,598,094)	0	13,598,094	(100.00)
Transfer from Budget Reserves	0	20,155,015	20,155,015	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	\$ (12,598,094)	\$ 31,973,515	\$ 44,571,609	
GRAND TOTAL	\$ 1,152,781,394	\$ 1,236,117,964	\$ 83,336,570	7.23

NOTE: The totals may not add due to rounding.

COMPARISON BETWEEN FY2011 AND REVISED FY2012 REVENUE COLLECTIONS

	ACTUAL FY2011	REVISED FY2012	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 710,196,255	\$ 729,226,022	\$ 19,029,767	2.68
Contractor's Excise Tax	65,697,771	76,903,027	11,205,256	17.06
Alcohol Beverage Tax	9,916,603	10,199,407	282,804	2.85
Alcohol Beverage 2% Wholesale Tax	1,431,373	1,507,918	76,545	5.35
Cigarette Tax	30,000,000	30,000,000	0	0.00
Bank Franchise Tax	4,734,918	26,683,829	21,948,911	463.55
Insurance Company Tax	63,609,227	65,891,970	2,282,743	3.59
Licenses, Permits, and Fees	46,102,423	46,840,671	738,248	1.60
Investment Income and Interest	14,096,898	10,263,684	(3,833,214)	(27.19)
Charges for Goods and Services	23,049,390	23,352,213	302,823	1.31
Net Transfers In	31,191,097	31,217,480	26,383	0.08
Trust Funds	30,689,216	30,345,686	(343,530)	(1.12)
Severance Taxes	7,956,574	6,526,686	(1,429,888)	(17.97)
Lottery	6,212,123	7,005,000	792,877	12.76
Property Tax Reduction Fund	110,380,262	101,069,637	(9,310,625)	(8.44)
Sale-Leaseback	7,782,263	7,111,219	(671,044)	(8.62)
SUBTOTAL (ONGOING RECEIPTS)	\$ 1,163,046,393	\$ 1,204,144,449	\$ 41,098,056	3.53
ONE-TIME RECEIPTS				
Transfer from Tobacco Prev. and Red. Trust Fund	1,500,000	1,000,000	(500,000)	(33.33)
One-time Bank Franchise tax	0	10,000,000	10,000,000	100.00
CREP Savings	0	400,000	400,000	100.00
Securities Settlement	0	418,500	418,500	100.00
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 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	(26,101,108)	0	26,101,108	(100.00)
Unexpended Carryovers and Specials	1,420,466	0	(1,420,466)	(100.00)
Transfer from Budget Reserves	0	20,155,015	20,155,015	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	\$ (14,744,054)	\$ 31,973,515	\$ 46,717,569	
GRAND TOTAL	\$ 1,148,302,339	\$ 1,236,117,964	\$ 87,815,625	7.65

NOTE: The totals may not add due to rounding.

COMPARISON BETWEEN REVISED FY2012 AND FY2013 REVENUE COLLECTIONS

	REVISED FY2012	PROJECTED FY2013	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 729,226,022	\$ 756,856,366	\$ 27,630,344	3.79
Contractor's Excise Tax	76,903,027	71,760,414	(5,142,613)	(6.69)
Alcohol Beverage Tax	10,199,407	10,424,164	224,757	2.20
Alcohol Beverage 2% Wholesale Tax	1,507,918	1,583,316	75,398	5.00
Cigarette Tax	30,000,000	30,000,000	0	0.00
Bank Franchise Tax	26,683,829	25,389,040	(1,294,789)	(4.85)
Insurance Company Tax	65,891,970	67,816,650	1,924,680	2.92
Licenses, Permits, and Fees	46,840,671	47,595,097	754,426	1.61
Investment Income and Interest	10,263,684	9,098,239	(1,165,445)	(11.36)
Charges for Goods and Services	23,352,213	22,377,359	(974,854)	(4.17)
Net Transfers In	31,217,480	30,371,404	(846,076)	(2.71)
Trust Funds	30,345,686	29,832,292	(513,394)	(1.69)
Severance Taxes	6,526,686	6,994,265	467,579	7.16
Lottery	7,005,000	7,090,000	85,000	1.21
Property Tax Reduction Fund	101,069,637	102,953,026	1,883,389	1.86
Sale-Leaseback	7,111,219	6,465,087	(646,132)	(9.09)
SUBTOTAL (ONGOING RECEIPTS)	\$ 1,204,144,449	\$ 1,226,606,719	\$ 22,462,270	1.87
ONE-TIME RECEIPTS				
Transfer from Tobacco Prev. and Red. Trust Fund	1,000,000	1,000,000	0	0.00
One-time Bank Franchise tax	10,000,000	0	(10,000,000)	(100.00)
CREP Savings	400,000	0	(400,000)	(100.00)
Securities Settlement	418,500	0	(418,500)	(100.00)
Transfer from Budget Reserves	20,155,015	0	(20,155,015)	(100.00)
Obligated Cash Carried Forward	0	37,806,110	37,806,110	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 31,973,515	\$ 38,806,110	\$ 6,832,595	21.37
GRAND TOTAL	\$ 1,236,117,964	\$ 1,265,412,829	\$ 29,294,865	2.37

NOTE: The totals may not add due to rounding.

GENERAL FUND RECEIPTS

	ACTUAL FY2010	ACTUAL FY2011	REVISED FY2012	PROJECTED FY2013
ONGOING RECEIPTS				
Sales and Use Tax	\$ 652,115,527	\$ 710,196,255	\$ 729,226,022	\$ 756,856,366
Contractor's Excise Tax	61,137,330	65,697,771	76,903,027	71,760,414
Alcohol Beverage Tax	9,822,974	9,916,603	10,199,407	10,424,164
Alcohol Beverage 2% Wholesale Tax	1,354,595	1,431,373	1,507,918	1,583,316
Cigarette Tax	30,000,000	30,000,000	30,000,000	30,000,000
Bank Franchise Tax	21,669,223	4,734,918	26,683,829	25,389,040
Insurance Company Tax	61,734,032	63,609,227	65,891,970	67,816,650
Licenses, Permits, and Fees	42,700,249	46,102,423	46,840,671	47,595,097
Investment Income and Interest	20,586,431	14,096,898	10,263,684	9,098,239
Charges for Goods and Services	16,856,600	23,049,390	23,352,213	22,377,359
Net Transfers In	35,507,852	31,191,097	31,217,480	30,371,404
Trust Funds	12,000,000	30,689,216	30,345,686	29,832,292
Severance Taxes	6,158,958	7,956,574	6,526,686	6,994,265
Lottery	5,979,831	6,212,123	7,005,000	7,090,000
Property Tax Reduction Fund	123,174,513	110,380,262	101,069,637	102,953,026
Sale-Leaseback	8,457,825	7,782,263	7,111,219	6,465,087
CRP Program	104,006	0	0	0
SUBTOTAL (ONGOING RECEIPTS)	\$1,109,359,945	\$1,163,046,393	\$1,204,144,449	\$1,226,606,719
ONE-TIME RECEIPTS				
Transfer from Tobacco Prev. and Red. Trust Fund	\$ 0	\$ 1,500,000	\$ 1,000,000	\$ 1,000,000
One-time Bank Franchise tax	0	0	10,000,000	0
CREP Savings	0	0	400,000	0
Securities Settlement	0	0	418,500	0
Transfer from Custer State Park Improvement Fund	2,433,637	4,466,930	0	0
Transfer from Tax Relief Fund	3,533,582	1,017,979	0	0
Transfer from Budgetary Accounting Fund	2,020,021	310,487	0	0
Transfer from Private Activity Bond Fee Fund	0	698,331	0	0
Transfer from Petroleum Release Fund	0	1,000,000	0	0
Transfer from Department of Corrections L&E Funds	0	650,000	0	0
Transfer from Other Disease Fund	0	292,861	0	0
Transfer from Aeronautics Fund	2,033,581	0	0	0
Refund of Prior Year's Expense	2,200,307	0	0	0
Transfer from Large Project Liability Account	9,617,142	0	0	0
One-Time Refund	0	(26,101,108)	0	0
Unexpended Carryovers and Specials	435,801	1,420,466	0	0
Transfer from Budget Reserve Fund	0	0	20,155,015	0
Obligated Cash Carried Forward	0	0	0	37,806,110
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 22,274,072	\$ (14,744,054)	\$ 31,973,515	\$ 38,806,110
GRAND TOTAL	\$1,131,634,016	\$1,148,302,339	\$1,236,117,964	\$1,265,412,829

NOTE: The totals may not add due to rounding.

RECOMMENDED EXPENDITURES

OVERVIEW

Governor Daugaard's FY2013 budget maintains a structurally balanced budget while making targeted investments in the areas of providing a quality education for our children, taking care of those who cannot take care of themselves, and protecting us from those who would do us harm. The Governor is also proposing to make an investment in the state employee workforce whose salaries have not increased in three years.

The Governor recommends a 2.3% inflationary increase to the per student allocation for state aid to general education and state aid to special education. This brings the ongoing per student allocation to \$4,490.92 for general education. The Governor is also recommending a 2.3% inflationary increase for Postsecondary Technical Institutes which brings the per student allocation to \$3,116.90. Included is a general fund increase of \$26,292,261 for the replacement of American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Funds (SFSF). Funding is also recommended for SD MyLife, technology in schools, Sparsity, and high school remediation.

The ongoing budget for the Board of Regents contains an increase of \$16.6 million in general funds. Included is a general fund increase of \$10,623,423 for the replacement of American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Funds (SFSF). Additional recommended increases include adding four physicians slots each year and a rural track program to the Sanford School of Medicine for \$1.0 million in general funds, adding five physician assistants slots and switching five non-resident slots to resident slots for \$0.1 million in general funds, and \$0.1 million in general funds for the South Dakota Opportunity Scholarship.

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 \$30.0 million of the \$93.0 million of overall ongoing increases. This portion of the total budget comprises of \$14.2 million of the \$28.1 million in ongoing total fund increases for FY2013.

Social Services will see ongoing increases of \$24.5 million in general funds, \$0.6 million in other fund expenditure authority and 5.5 FTE, along with a decrease of \$17.3 million in federal fund expenditure authority. This includes an increase of \$16.3 million in general funds with a corresponding decrease in federal fund expenditure authority due to the Federal Medical Assistance Percentage (FMAP) rate change. Increases of \$5.0 million in general funds, \$5.8 million in federal fund expenditure authority, and \$12,607 in other fund expenditure authority are for a 1.8% provider inflation increase. Increases of \$0.5 million in general funds and \$1.1 million in federal fund expenditure authority are for growth in clients and utilization in the Children's Health Insurance Program (CHIP) and decreases of \$2.7 million in general funds and \$4.7 million in federal fund expenditure authority are due to a projected decrease in number of Medicaid eligibles as well as changes in Medicaid service costs and utilization.

The Human Services ongoing budget is increasing by \$5.3 million in general funds along with decreasing by \$614,197 in federal fund expenditure authority and \$107,023 in other fund expenditure authority. Increases of \$1.0 million in general funds and \$1.3 million in federal fund expenditure authority are for additional eligibles served. An increase of \$3.1 million in general funds with a corresponding decrease in federal fund expenditure authority is due to the FMAP rate change. Also included in the budget is \$0.8 million in general funds and \$1.2 million in federal fund expenditure authority for a 1.8% provider inflation increase.

The ongoing budget for the Department of Health includes increases of \$0.2 million in general funds, \$1.7 million in federal fund expenditure authority, and 9.0 FTE, and a decrease of \$0.1 million in other fund expenditure authority. This includes an increase of \$1.0 million in federal fund expenditure authority and 9.0 FTE for five years for the Maternal, Infant, and Early Childhood Home Visiting grant. Also included, is a reduction of \$0.7 million in other fund expenditure authority due to Correctional Healthcare savings.

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 \$3.8 million in general funds, \$0.2 million in other fund expenditure authority, and 11.4 FTE, along with a decrease of \$0.7 million in federal fund expenditure authority. The primary increases in FY2013 are recommended to occur within Juvenile Corrections

including: \$1.0 million in general funds and \$1.2 million in federal fund expenditure authority based on the projected average daily count for Group and Residential Placement services, \$0.4 million in general funds and a corresponding decrease in federal fund expenditure authority based on the FMAP rate, and \$0.2 million in general funds and \$0.1 million in federal fund expenditure authority due to a 1.8% increase in provider inflation.

The Department of Public Safety and the Office of the Attorney General are also engaged in providing for the safety of the public. The Department of Public Safety's ongoing budget includes increases of \$90,172 in general funds and \$1.3 million in other fund expenditure authority, along with a decrease of \$0.5 million in federal fund expenditure authority. The Office of the Attorney General's ongoing general fund budget is increasing by \$0.2 million, for a total ongoing increase of \$0.5 million.

The safety of South Dakota's citizens is also addressed within the ongoing budget for the Unified Judicial System which is being increased by \$1.4 million in general funds and \$0.8 million in other fund expenditure authority.

The Governor is recommending that the Performance and Compensation Equity (PACE) system established in FY1990 be continued to include 2.5% adjustments to employees who are paid under the job worth of their pay range along with up to a maximum of a 7% adjustment to employees in the Career Banding families established in FY2010. The Governor is also recommending that all permanent state employees receive a 3.0% pay increase.

<u>Description</u>	<u>Inc/ (Dec)</u>	<u>FTE</u>
Executive Branch	\$ 34,449,622	35.4
Board of Regents	16,613,536	27.0
State Aid	39,243,867	
UJS/Legislature/Elected	2,305,169	3.5
Technical Institutes	356,573	
Special/Contin. Approp.	30,247,879	
	<u>\$123,216,646</u>	<u>65.9</u>

The Executive Branch, which is under direct control of the Governor, has the following funding changes for FY2013:

General Funds	\$ 34,449,622
Federal Funds	(\$ 76,468,577)
Other Funds	\$ 12,130,244
FTE	35.4

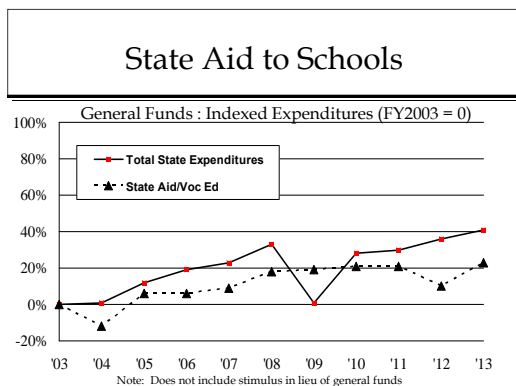
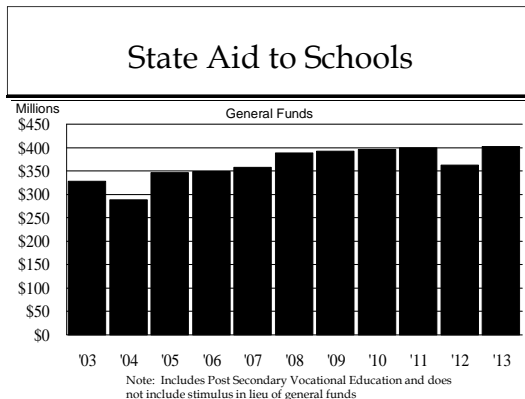
SUMMARY OF RECOMMENDED BUDGET ADJUSTMENTS

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 \$56.4 million increase out of the \$93.0 million in ongoing increases. This budget comprises of \$26.8 million of the \$28.1 million in ongoing total fund increases for FY2013. In terms of the total ongoing budget, the education category is 46.7% of the general funds and 34.6% of the total ongoing funds, which amounts to almost \$1.4 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.



In accordance with state law, the Governor is recommending a 2.3% inflationary increase to the base per student allocation for FY2013. This brings the per-student allocation for general education to

\$4,490.92 for FY2013, an increase of \$100.97 per student over the base FY2012 level.

The total recommended budgeted amount for state aid to general education is \$314,937,745 in general funds for FY2013, which is an increase of \$39,090,660 over FY2012. This increase includes \$26,292,261 in general funds replacing available Stimulus 3 dollars, with the remaining \$12,798,399 increase due to inflation and growth in students. The estimated FY2013 fall enrollment of 128,125 was used for calculating the FY2013 budget, which is a growth of 2,137 over the budgeted FY2012 level.

The funding for each disability level for state aid to special education is recommended to be re-based in accordance with state law, which is required every three years. In addition, the Governor is recommending a 2.3% inflationary increase for each re-based disability level for FY2013.

The total recommended amount for state aid to special education is \$45,613,203 in general funds for FY2013. No increase is recommended as funds available at the end of FY2012 within the special education budget are recommended to be carried forward to meet the local need as well as the federally required maintenance of effort level in FY2013.

The Governor is recommending \$1,690,708 of general funds for payments to sparse school districts. An estimated 27 schools will be eligible for sparse payments in FY2013.

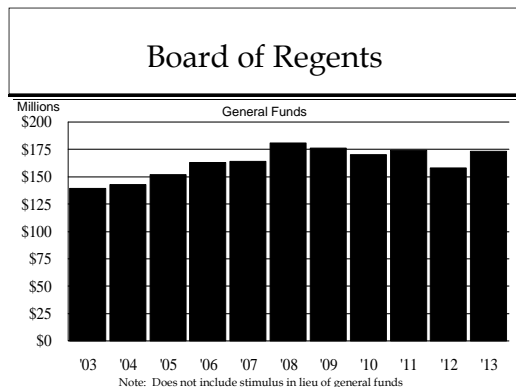
In accordance with SDCL 13-6-92 and 13-6-92.1, the Governor is recommending \$134,400 in general funds for consolidation incentive payments for those school districts who consolidated prior to July 1, 2010.

The Governor is recommending an increase of \$457,595 in general funds and a decrease of \$702,423 in other fund expenditure authority for the technology in schools budget in FY2013. This includes an increase of \$250,000 in general funds for funding the SMyLife website. A funding swap of \$200,000 from other fund expenditure authority to general funds is due to receiving less e-rate revenue. Since the Laptop in Schools Program was previously eliminated, a decrease of \$502,423 in other fund expenditure authority is recommended. The total recommended budget includes \$6,199,615 in general funds and \$1,800,000 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 increase of \$356,573 in general funds for the postsecondary technical institutes in FY2013. The increase is based on a per student funding level of \$3,116.90 for FY2013, which is a 2.3% increase from FY2012. The estimated number of students for the FY2013 budget is a decrease of 25 for a total of 6,175. The total recommended FY2013 budget for postsecondary technical institutes is \$20,896,857 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 Sioux Falls, the University Center Rapid City, and Capital University Center Pierre. 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 \$15,520,126 in total funds and 27.0 FTE over the FY2012 budget. The changes consist of increases of \$16,613,536 in general funds and \$18,145,161 in other fund expenditure authority, and a decrease of \$19,238,571 in federal fund expenditure authority. The total FY2013 recommended budget for the Board of Regents consists of \$167,362,324 in general funds, \$223,729,774 in federal fund expenditure authority, and \$407,105,979 in other fund expenditure authority, for a total FY2013 budget of \$798,198,077 and 5,039.4 FTE.

The FY2013 recommendation includes \$10,623,423 in general funds to replace available Stimulus 3 dollars. Also included in this budget are \$4,527,364 in general funds for the employee compensation package and \$60,035 in general funds due to changes in computer services billings.

The Governor is recommending an expansion of both the physician and physician assistants programs. The physician program will add an additional four students per year as well as a rural track program costing \$1,070,011 in general funds and 5.8 FTE. The physician assistant program will add five additional students as well as switching five non-resident slots to resident slots costing \$132,698 in general funds and 1.6 FTE.

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 \$120,658 to fund approximately 3,603 students in FY2013.

The Governor is recommending the E-Learning budget located at Northern State University be restored to its funding level at the inception of the program, resulting in an increase of \$83,774 in general funds.

The Board of Regents continues to grow in contract activity, along with student support and support staff increases. The recommended budget includes the addition of \$9,500,000 in other fund expenditure authority, and 35.0 FTE.

EDUCATION

The Governor's recommendation for the Department of Education, including the State Aid to Education formula, reflects an increase of \$39,832,085 in general funds and decreases of \$27,889,628 in federal fund expenditure authority and \$688,568 in other fund expenditure authority. Increases of \$152,231 in general funds, \$166,819 in federal fund expenditure authority, and \$8,688 in other fund expenditure authority are due to the recommended employee compensation package. Also, increases of \$24,509 in general funds, \$13,239 in federal fund expenditure authority, and \$5,167 in other fund expenditure authority are recommended due to changes in space billing and computer services billings throughout the department. The total recommended budget for FY2013 is \$399,268,378 in general funds, \$180,428,752 in federal fund expenditure authority, \$3,716,132 in other fund expenditure authority, and 133.0 FTE.

GENERAL ADMINISTRATION

The Governor recommends an increase of \$57,936 in general funds and a decrease of \$36,858 in federal fund expenditure authority. The total recommended FY2013 budget for this division is \$1,534,688 in general funds, \$5,338,800 in federal fund expenditure authority, \$88,674 in other fund expenditure authority, and 34.5 FTE. A decrease of \$88,909 in federal fund expenditure authority is due

to the end of funding from the American Recovery and Reinvestment Act (ARRA).

CURRICULUM, CAREER, AND TECHNICAL EDUCATION

The Governor recommends increases of \$90,773 in general funds and \$8,835 in federal fund expenditure authority. An increase of \$62,500 in general funds is to develop and deliver courses to address students' math and English deficiencies. The total recommended FY2013 budget for this division is \$1,059,482 in general funds, \$9,896,619 in federal fund expenditure authority, \$729,352 in other fund expenditure authority, and 15.0 FTE.

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 Governor recommends an increase of \$31,563 in general funds, a decrease of \$27,875,410 in federal fund expenditure authority, and an increase of \$13,855 in other fund expenditure authority. The total recommended FY2013 budget for this division is \$5,534,231 in general funds, \$163,992,688 in federal fund expenditure authority, \$912,023 in other fund expenditure authority, and 55.0 FTE. An increase of \$400,799 in federal fund expenditure authority is for the Birth to Three program due to 1.8% provider inflation, 7.5% growth in the number of children served, and ARRA funds no longer being available. A decrease of \$28,381,576 in federal fund expenditure authority is due to the end of funding from the ARRA.

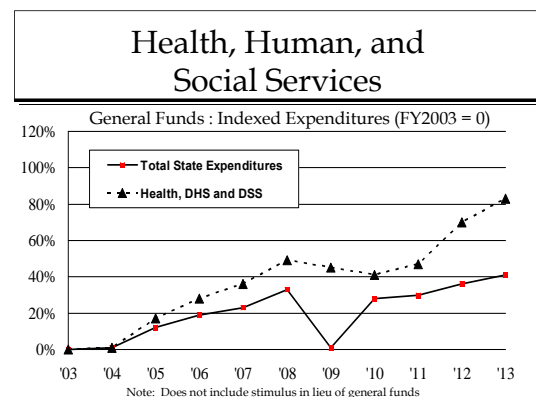
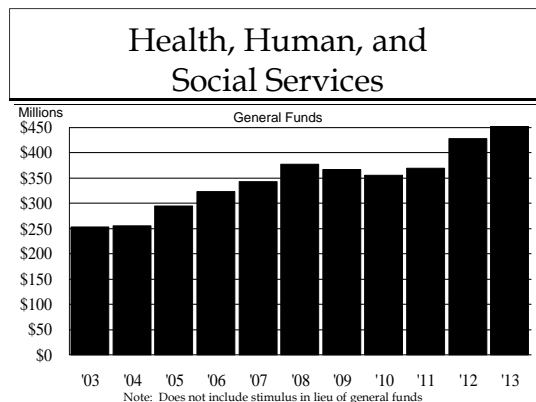
STATE LIBRARY

The Governor recommends increases of \$51,373 in general funds and \$13,805 in federal fund expenditure authority. The total recommended FY2013 budget for this division is \$1,667,449 in general funds, \$1,200,645 in federal fund expenditure authority, \$186,083 in other fund expenditure authority, and 28.5 FTE.

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 \$30.0 million increase out of the \$93.0 million in total ongoing increases. This budget comprises of \$14.2 million of the \$28.1 million in total ongoing fund decreases for FY2013. In terms of the total ongoing budget, this category is 37.5% of the general funds and 32.2% of the total

ongoing funds, which amounts to nearly \$1.3 billion in total ongoing funding.



HEALTH

The FY2013 Governor's recommended budget for the Department of Health includes increases of \$200,325 in general funds, \$1,747,504 in federal fund expenditure authority, and 9.0 FTE while including a decrease of \$92,845 in other fund expenditure authority. Included are increases of \$4,677 in general funds, \$27,795 in federal fund expenditure authority, and \$16,978 in other fund expenditure authority due to changes in space billing and computer services billings throughout the department. Also included are increases of \$195,648 in general funds, \$719,709 in federal fund expenditure authority, and \$597,020 in other fund expenditure authority for the employee compensation package. The total FY2013 budget is \$7,179,450 in general funds, \$44,923,137 in federal fund expenditure authority, and \$32,351,798 in other fund expenditure authority, for a total of \$84,454,385 and 411.2 FTE.

ADMINISTRATION

The FY2013 recommendation for Administration is \$1,138,004 in general funds, \$6,143,497 in federal fund expenditure authority, \$1,699,544 in other fund expenditure authority, and 31.0 FTE.

HEALTH SYSTEMS DEVELOPMENT AND REGULATION

The total recommended budget is \$2,272,967 in general funds, \$11,147,670 in federal fund expenditure authority, \$1,196,500 in other fund expenditure authority, and 62.5 FTE.

HEALTH AND MEDICAL SERVICES

The changes recommended for this division include an increase of \$1,000,000 in federal fund expenditure authority and 9.0 FTE. The Department of Health was awarded \$1,000,000 per year for five years for the Maternal, Infant, and Early Childhood Home Visiting Program. The Home Visiting Program is aimed at improving health and developmental outcomes for children and families in at-risk communities. The 9.0 FTE will provide for the additional nursing staff required to deliver home visiting services. The total recommended budget is \$3,768,479 in general funds, \$22,776,822 in federal fund expenditure authority, \$3,611,751 in other fund expenditure authority, and 185.5 FTE.

LABORATORY SERVICES

The total recommended budget is \$3,087,016 in federal fund expenditure authority, \$3,227,493 in other fund expenditure authority, and 28.0 FTE.

CORRECTIONAL HEALTH

A recommended decrease of \$706,843 in other fund expenditure authority is due to prescription drug savings resulting from new pharmacy practices. The total FY2013 budget for this division is \$15,380,602 in other fund expenditure authority and 81.0 FTE.

TOBACCO PREVENTION

The total recommended budget is \$1,572,311 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 FY2013 for the Boards is \$195,821 in federal fund expenditure authority, \$3,236,078 in other fund expenditure authority, and 20.2 FTE.

HUMAN SERVICES

The Governor is recommending an increase of \$5,318,580 in general funds and decreases of \$614,197 in federal fund expenditure authority and \$107,023 in other fund expenditure authority. The recommendation includes an increase of \$3,130,909 in general funds with a corresponding decrease in federal fund expenditure authority due to the change in the Federal Medical Assistance Percentage (FMAP) for the Medicaid program. Increases of \$454,367 in general funds, \$668,881 in federal fund expenditure authority, and \$5,346 in other fund expenditure authority are due to the recommended employee compensation package. Also, increases of \$6,708 in general funds, \$16,875 in federal fund expenditure authority, and \$131 in other fund expenditure authority are recommended due to changes in space billing and computer services billings throughout the department. For FY2013, a total budget consisting of \$60,268,232 in general funds, \$99,360,169 in federal fund expenditure authority, \$3,200,763 in other fund expenditure authority, and 557.4 FTE is recommended.

SECRETARIAT

The total recommended budget is \$760,118 in general funds, \$550,233 in federal fund expenditure authority, \$1,421 in other fund expenditure authority, and 15.0 FTE.

DEVELOPMENTAL DISABILITIES

The recommendation for the Division of Developmental Disabilities includes increases of \$4,229,496 in general funds and \$30,933 in federal fund expenditure authority and a decrease of \$112,500 in other fund expenditure authority. Increases of \$755,798 in general funds and \$1,156,176 in federal fund expenditure authority are for a 1.8% provider inflation increase. Also, increases of \$988,483 in general funds and \$1,306,579 in federal fund expenditure authority are to address growth in individuals needing services who have developmental disabilities. A decrease of \$112,500 in other fund expenditure authority is for eliminating the autism grant since no other funds are available. The total recommended budget for the Developmental Disabilities division is \$44,706,392 in general funds, \$68,108,620 in federal fund expenditure authority, and 18.5 FTE.

SOUTH DAKOTA DEVELOPMENTAL CENTER

The recommendation for the South Dakota Developmental Center includes an increase of \$814,595 in general funds and a decrease of \$303,662 in federal fund expenditure authority. The Governor's recommendation includes decreases of

\$30,961 in general funds and \$40,923 in federal fund expenditure authority for utility cost adjustments. Also included are decreases of \$86,195 in general funds and \$113,934 in federal fund expenditure authority due to a decrease in the division's Worker's Compensation rate. The total recommended budget is \$10,106,444 in general funds, \$13,347,809 in federal fund expenditure authority, \$992,145 in other fund expenditure authority, and 395.6 FTE.

REHABILITATION SERVICES

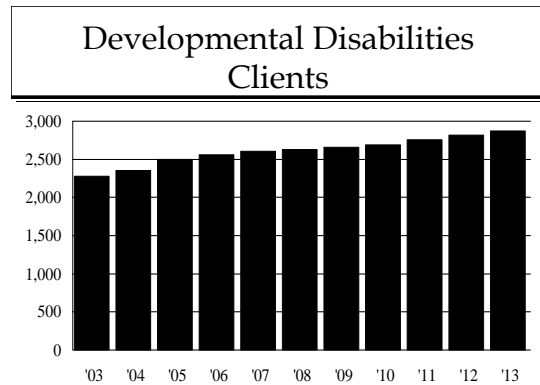
The Governor's recommended budget for Rehabilitation Services includes an increase of \$218,360 in general funds and a decrease of \$450,672 in federal fund expenditure authority. The Governor's recommendation includes increases of \$43,664 in general funds and \$36,860 in federal fund expenditure authority for 1.8% provider inflation. Also included are increases of \$44,645 in general funds and \$164,958 in federal fund expenditure authority due to an increase in the Vocational Rehabilitation grant. A decrease of \$720,000 in federal fund expenditure authority is due to the end of funding from the American Recovery and Reinvestment Act (ARRA). The total recommended budget is \$3,881,962 in general funds, \$15,213,144 in federal fund expenditure authority, \$698,339 in other fund expenditure authority, and 99.1 FTE.

TELECOMMUNICATION DEVICES FOR THE DEAF

The Governor is recommending no change to the Telecommunication Devices for the Deaf budget. The total FY2013 budget is \$1,251,680 in other fund expenditure authority.

SERVICE TO THE BLIND AND VISUALLY IMPAIRED

The Governor is recommending increases of \$29,415 in general funds, \$84,442 in federal fund expenditure authority, and \$5,477 in other fund expenditure authority. Included are increases of \$11,162 in general funds and \$41,240 in federal fund expenditure authority due to an increase in the Vocational Rehabilitation grant. The total recommended budget is \$813,316 in general funds, \$2,140,363 in federal fund expenditure authority, \$257,178 in other fund expenditure authority, and 29.2 FTE.



SOCIAL SERVICES

The Governor's recommended budget for the Department of Social Services is \$387,250,078 in general funds, \$644,190,304 in federal fund expenditure authority, and \$9,612,842 in other fund expenditure authority, for a total FY2013 budget of \$1,041,053,224 and 1,646.3 FTE. This recommendation includes an increase of \$24,511,912 in general funds, a decrease of \$17,336,810 in federal fund expenditure authority, and increases of \$562,382 in other fund expenditure authority and 5.5 FTE. This budget includes a swap of \$16,335,750 from federal fund expenditure authority to general funds due to the increase in the state's share in the Federal Medical Assistance Percentage (FMAP). The Governor's recommendation includes \$2,201,876 in general funds, \$1,685,790 in federal fund expenditure authority, and \$120,954 in other fund expenditure authority for the employee compensation package throughout the department. Increases of \$121,078 in general funds, \$160,288 in federal fund expenditure authority, and \$1,620 in other fund expenditure authority are recommended due to changes in space billing and computer services billings throughout the department.

ADMINISTRATION

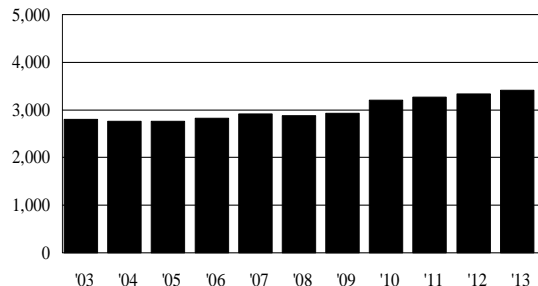
The total recommended budget is \$7,603,435 in general funds, \$19,643,816 in federal fund expenditure authority, \$17,616 in other fund expenditure authority, and 182.7 FTE.

ECONOMIC ASSISTANCE

The Governor's recommended budget for Economic Assistance includes an increase of \$571,443 in general funds and a decrease of \$7,604,903 in federal fund expenditure authority. A decrease of \$8,000,000 in federal fund expenditure authority in weatherization is due to an American Recovery and Reinvestment Act (ARRA) grant ending. An increase of \$97,423 in general funds is for mandatory inflation within the Auxiliary Placement program. Increases of \$182,109 in general funds and \$19,149 in federal fund expenditure authority

are for discretionary provider inflation. The total recommended budget is \$21,177,808 in general funds, \$59,282,039 in federal fund expenditure authority, \$317,021 in other fund expenditure authority, and 319.5 FTE.

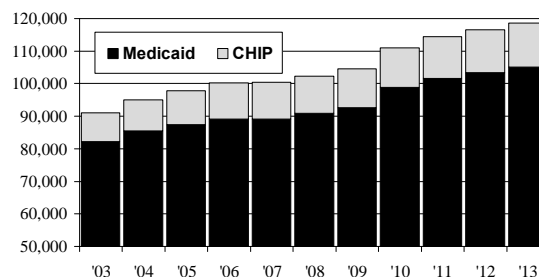
TANF Case Load in South Dakota



MEDICAL AND ADULT SERVICES

The recommended budget for Medical and Adult Services includes an increase of \$17,499,604 in general funds, a decrease of \$10,035,885 in federal fund expenditure authority, and an increase of \$6,287 in other fund expenditure authority. The FY2013 recommended budget is \$264,512,820 in general funds, \$477,974,149 in federal fund expenditure authority, \$1,769,838 in other fund expenditure authority, and 149.0 FTE. Increases of \$928,519 in general funds and \$2,483,121 in federal fund expenditure authority are for mandatory inflation. The Governor's recommendation includes \$4,121,222 in general funds and \$5,265,783 in federal fund expenditure authority for a 1.8% provider inflation increase. Increases of \$496,065 in general funds and \$1,149,255 in federal fund expenditure authority are due to the growth in the number of Children's Health Insurance Program (CHIP) eligibles. Decreases of \$2,752,553 in general funds and \$4,724,653 in federal fund expenditure authority are due to decreased projected number of Medicaid eligibles as well as changes in Medicaid services costs and utilization. Also included are increases of \$1,225,700 in general funds and \$1,620,132 in federal fund expenditure authority for the graduate medical education program that's being funded with one-time money in FY2012. Decreases of \$1,172,727 in general funds and \$1,550,111 in federal fund expenditure authority are for inpatient hospital cost saving initiatives and pharmacy and adult dental co-payment changes.

Medical Assistance Case Loads in South Dakota



CHILDREN'S SERVICES

The Governor's recommended FY2013 budget for Children's Services includes increases of \$2,860,949 in general funds, \$3,874 in federal fund expenditure authority, and \$65,879 in other fund expenditure authority. This includes increases of \$236,878 in general funds and \$250,882 in federal fund expenditure authority for additional subsidized adoptions and guardianships. Increases of \$1,319,684 in general funds, \$342,015 in federal fund expenditure authority, and \$6,639 in other fund expenditure authority are recommended for discretionary provider inflation. The total recommended budget is \$34,906,800 in general funds, \$50,132,198 in federal fund expenditure authority, \$4,447,268 in other fund expenditure authority, and 350.8 FTE.

BEHAVIORAL HEALTH

The Governor recommends an increase of \$3,303,731 in general funds, a decrease of \$56,400 in federal fund expenditure authority, and increases of \$461,709 in other fund expenditure authority and 5.5 FTE. Increases of \$852,214 in general funds and \$127,064 in federal fund expenditure authority are recommended for community mental health and alcohol and drug abuse services additional eligibles. Recommended decreases at the Human Services Center (HSC) include \$62,626 in general funds and \$63,959 in federal fund expenditure authority for utility cost adjustments, \$154,449 in general funds and \$6,294 in federal fund expenditure authority for a food services adjustment, and \$14,240 in general funds for bond payment adjustments. Increases of \$539,963 in general funds, \$231,744 in federal fund expenditure authority, and \$5,968 in other fund expenditure authority are recommended for a 1.8% increase for prescription drugs at HSC, along with community mental health and alcohol and drug abuse services receiving 1.8% provider inflation. An increase of 5.5 FTE and \$403,566 in other fund expenditure authority is also recommended at HSC in order to implement centralized correctional health pharmacy services. The total recommended FY2013 budget is \$59,049,215 in general funds, \$37,158,102 in

federal fund expenditure authority, and \$2,642,358 in other fund expenditure authority, for a total of \$98,849,675 and 643.0 FTE.

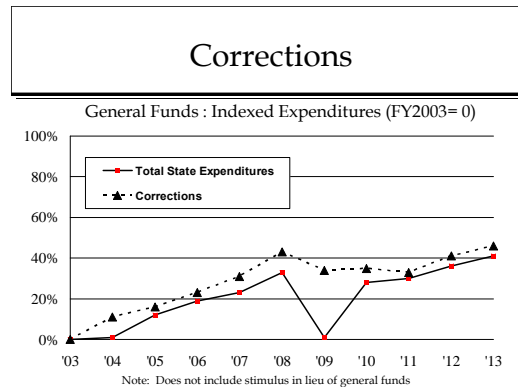
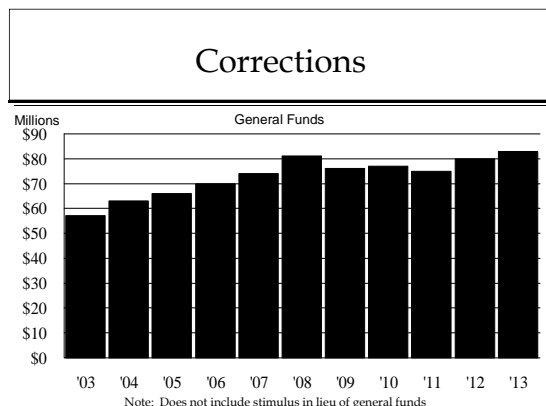
BOARDS – INFORMATIONAL

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 FY2013 for the Boards is \$418,741 in other fund expenditure authority and 1.3 FTE.

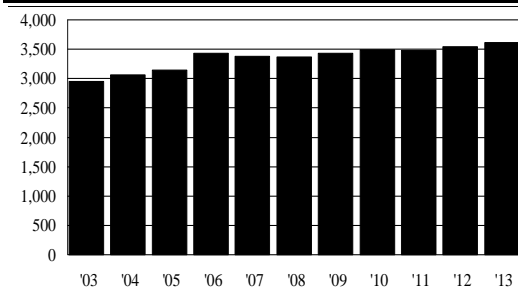
CORRECTIONS

The Governor's recommended budget for the Department of Corrections is \$82,495,422 in general funds, \$11,624,418 in federal fund expenditure authority, and \$8,221,666 in other fund expenditure authority, for a total FY2013 budget of \$102,341,506 and 856.7 FTE. The overall FY2013 budget recommendation includes an increase of \$3,774,755 in general funds, a decrease of \$742,737 in federal fund expenditure authority, and increases of \$206,534 in other fund expenditure authority and 11.4 FTE, for a net increase of \$3,238,552. The Governor is recommending an increase of \$195,507 in general funds and \$6,558 in other fund expenditure authority to fund a pay grade change for Corrections Officers, Corrections Sergeants, and Youth Supervisors. The Governor is recommending an increase of \$1,885,442 in general funds, \$18,562 in federal fund expenditure authority, and \$97,149 in other fund expenditure authority for an employee compensation package.

The average daily count (ADC) of adult inmates is projected to reach 3,580 in FY2013. This represents an increase of 146 inmates over the actual FY2011 ADC of 3,434 inmates, or a 4.3% increase over two years. The average daily population of juveniles in institutional settings is projected to be 735 in FY2013. This represents a two year decrease of 55 juveniles when compared to the FY2011 actual population of 790.



Average Daily Population of Adult Inmates



ADMINISTRATION

The Governor is recommending increases of \$440,387 in general funds, \$63,689 in federal fund expenditure authority, \$110,904 in other fund expenditure authority, and 3.0 FTE. Included in this recommendation are increases of 2.0 FTE, \$53,764 in federal fund expenditure authority, and \$26,883 in other fund expenditure authority for additional Parole Agents to assist in the performance of the Adult Reentry Grant. The Governor is recommending increases of \$70,464 in general funds, \$78,662 in other fund expenditure authority, and 1.0 FTE to implement and administer an Evidence Based Practices and Psychopathy program. The Governor is also recommending an increase of \$403,566 in general funds to pay for additional pharmacy staff at the Human Services Center. This amount is contractually paid to the Department of Social Services for Inmate Mental Health Services. The Governor is also recommending a decrease of \$643,890 in general funds due to savings which will be garnered by implementing a new pharmacy system for inmates. This amount is contractually paid to the Department of Health for Inmate Health Services. The Governor is recommending an increase of \$94,536 in general funds for maintenance costs related to the new pharmacy system and warranty costs associated with x-ray machines. The total FY2013 recommended budget in Administration is \$18,685,346 in general funds, \$2,218,661 in federal fund expenditure authority, \$1,565,538 in other fund expenditure authority, and 42.5 FTE.

MIKE DURFEE STATE PRISON

The recommended budget for the Mike Durfee State Prison (MDSP) includes increases of \$382,959 in general funds, \$66,800 in other fund expenditure authority, and a decrease of \$49,448 in federal fund expenditure authority. Included in this budget is a decrease of \$48,000 in federal fund expenditure authority due to the loss of a Workplace Transitional Training grant, which paid to train inmates in various welding aspects. The Governor is recommending an increase of \$48,000 in other fund expenditure authority to continue the welding program. Also included in this recommendation is an increase of \$33,600 in general funds to expand the welding program to inmates over the age of 35. The overall FY2013 budget for MDSP is \$11,688,085 in general funds, \$107,564 in federal fund expenditure authority, \$606,211 in other fund expenditure authority, and 170.0 FTE.

STATE PENITENTIARY

The recommendation for the South Dakota State Penitentiary (SDSP) includes increases of \$754,088 in general funds, \$3,254 in federal fund expenditure authority, \$8,934 in other fund expenditure authority, and 4.0 FTE. The Governor is recommending an increase of 3.0 FTE and \$117,993 in general funds for additional Correction Officers to provide added security. The Governor is also recommending an increase of 1.0 FTE for an additional teacher position. Also included in this budget recommendation is a net increase of \$53,207 in general funds due to adjustments in utilities and food service. The overall FY2013 budget for SDSP is \$17,139,591 in general funds, \$958,269 in federal fund expenditure authority, \$296,423 in other fund expenditure authority, and 281.5 FTE.

WOMEN'S PRISON

The South Dakota Women's Prison (SDWP) budget is recommended to increase by \$97,657 in general funds, \$35,514 in other fund expenditure authority, and 2.0 FTE and decrease by \$32,847 in federal fund expenditure authority. Included in this recommendation is a decrease of \$35,000 in federal fund expenditure authority due to the loss of a Workplace Transitional Training grant, which created opportunities for inmates to gain data entry skills. The Governor is recommending an increase of \$35,000 in other fund expenditure to continue on with the data entry program. This budget also includes an increase of 2.0 FTE for teacher positions along with a corresponding decrease of \$22,705 in general fund contractual services, which is the savings realized by eliminating contracted educational services contracts. The total FY2013 budget for the SDWP is recommended to be

\$3,333,871 in general funds, \$81,461 in federal fund expenditure authority, \$186,539 in other fund expenditure authority, and 52.0 FTE.

PHEASANTLAND INDUSTRIES

The total FY2013 budget for Pheasantland Industries is \$2,536,559 in other fund expenditure authority and 15.0 FTE.

COMMUNITY SERVICES

The Community Services budget is recommended to increase by \$70,183 in general funds, \$3,611 in federal fund expenditure authority, and 2.4 FTE, and decrease by \$86,528 in other fund expenditure authority. The Governor is recommending an increase of \$18,235 in general funds and 0.4 FTE for a Correctional Unit Coordinator to make the position added in FY2012 full time. The Governor is recommending an increase of 1.0 FTE for a teacher position for Unit H at the South Dakota Women's Prison in Pierre. The Governor is also recommending an increase of 1.0 FTE, \$37,159 in general funds, and \$6,651 in federal fund expenditure authority for a teacher position at the Black Hills Community Transition Center (BHCTC) in Rapid City. Related to this is a subsequent decrease in contractual services of \$54,449 in general funds and \$6,651 in federal fund expenditure authority. As a result of opening the BHCTC, the Governor is recommending a decrease of \$86,134 in general funds and \$92,814 in other fund expenditure authority due to the elimination of a contract with Pennington County for work release inmates. The total FY2013 budget for Community Services is \$4,312,148 in general funds, \$151,075 in federal fund expenditure authority, \$1,984,101 in other fund expenditure authority, and 76.5 FTE.

PAROLE SERVICES

The total FY2013 budget recommendation for Parole Services is \$3,335,925 in general funds, \$213,769 in other fund expenditure authority, and 50.0 FTE for a total budget of \$3,549,694.

JUVENILE COMMUNITY CORRECTIONS

The Juvenile Community Corrections budget is recommended to increase by \$1,713,644 in general funds and \$12,000 in other fund expenditure authority, and decrease by \$717,170 in federal fund expenditure authority. Due to rate adjustments to the Federal Medical Assistance Percentages (FMAP), the Governor is recommending an increase of \$389,907 in general funds and a decrease of a like amount in federal fund expenditure authority. The Governor is recommending an increase of \$1,030,237 in general funds and \$1,156,307 in federal fund expenditure authority to align the budget based on

the projected average daily count for Group and Residential Placement services for juvenile placements. Included in this budget is a reduction of \$1,603,556 in federal fund expenditure authority which will not be utilized in FY2013. The Governor is recommending a provider inflation increase of 1.8%, resulting in an increase of \$193,021 in general funds and \$119,986 in federal fund expenditure authority. The overall FY2013 budget for Juvenile Community Corrections is \$15,345,590 in general funds, \$7,433,745 in federal fund expenditure authority, \$647,081 in other fund expenditure authority, and 44.5 FTE.

YOUTH CHALLENGE CENTER

The total FY2013 budget for the Youth Challenge Center is \$1,390,422 in general funds, \$14,942 in other fund expenditure authority, and 26.0 FTE.

PATRICK HENRY BRADY ACADEMY

The total FY2013 budget for the Brady Academy is \$1,418,977 in general funds, \$14,280 in other fund expenditure authority, and 26.0 FTE.

STATE TREATMENT AND REHABILITATION 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 FY2013 is recommended to increase by \$48,374 in general funds and \$14,600 in other fund expenditure authority, and decrease by \$13,826 in federal fund expenditure authority. The Governor is recommending a decrease of \$62,953 in general funds due to savings which will be garnered from the implementation of a new pharmacy system. This amount is contractually paid to the Department of Health for Juvenile Health Services. The total FY2013 budget for STAR is \$4,299,161 in general funds, \$673,643 in federal fund expenditure authority, \$142,600 in other fund expenditure authority, and 44.7 FTE.

QUEST/EXCEL

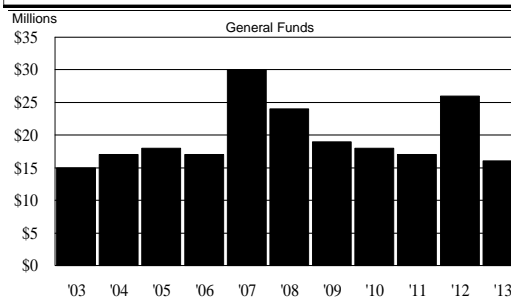
The total FY2013 budget for Quest/ExCEL is \$1,546,306 in general funds, \$13,623 in other fund expenditure authority, and 28.0 FTE.

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

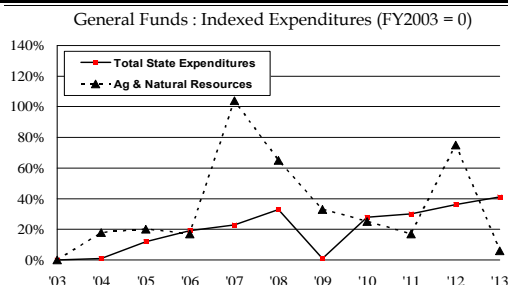
The budgets included in this category are the Department of Agriculture, Department of Environment and Natural Resources, and Department of Game, Fish, and Parks. General

funds account for an increase of \$117,596 out of the \$93.0 million in total ongoing increases. This budget represents a decrease of \$9.6 million out of the \$28.1 million in total ongoing fund increases for FY2013. In terms of the total ongoing state budget, this category is 1.3% of the general funds and 3.6% of the total ongoing funds, which amounts to \$144.9 million in total ongoing funding.

Agriculture, Natural Resources and Game, Fish, and Parks



Agriculture, Natural Resources and Game, Fish, and Parks



AGRICULTURE

The Governor's FY2013 recommended budget for the Department of Agriculture is \$44,231,730, and consists of \$5,637,269 in general funds, \$7,505,656 in federal fund expenditure authority, \$31,088,805 in other fund expenditure authority, and 222.5 FTE. The Governor is recommending total increases of \$156,751 in general funds, \$564,845 in federal fund expenditure authority, \$4,735,862 in other fund expenditure authority, and 2.0 FTE. Increases of \$6,333 in general funds, \$2,293 in federal fund expenditure authority, and \$3,079 in other fund expenditure authority are recommended due to changes in space billing and computer services billings throughout the department. Also included are increases of \$150,418 in general funds, \$107,552 in federal fund expenditure authority, and \$165,005 in other fund expenditure authority for the employee compensation package.

OFFICE OF THE SECRETARY

The Office of the Secretary's total recommended budget for FY2013 is \$977,228 and consists of \$762,609 in general funds, \$53,623 in federal fund expenditure authority, \$160,996 in other fund expenditure authority, and 9.5 FTE.

AGRICULTURAL SERVICES AND ASSISTANCE

The recommended FY2013 budget for Agricultural Services and Assistance includes \$1,695,188 in general funds, \$4,042,806 in federal fund expenditure authority, and \$2,958,990 in other fund expenditure authority, for a total budget of \$8,696,984 and 81.8 FTE. This general bill center is composed of Agriculture Services and Fire Suppression.

The total FY2013 recommended budget for Agricultural Services is \$4,093,794 and 32.2 FTE. This budget is comprised of \$708,054 in general funds, \$825,970 in federal fund expenditure authority, and \$2,559,770 in other fund expenditure authority.

The total FY2013 recommended budget for Fire Suppression includes \$987,134 in general funds, \$3,216,836 in federal fund expenditure authority, \$399,220 in other fund expenditure authority, and 49.6 FTE. Within Fire Suppression, the Governor is recommending an increase of \$600,000 in federal fund expenditure authority for forest fuels mitigation.

AGRICULTURAL DEVELOPMENT AND PROMOTION

The Governor's recommended budget for Agricultural Development and Promotion is \$4,086,188, consisting of \$1,098,789 in general funds, \$1,645,825 in federal fund expenditure authority, \$1,342,574 in other fund expenditure authority, and 27.8 FTE. This general bill center is composed of Agriculture Development and Resource Conservation and Forestry.

The total FY2013 recommended budget for Agriculture Development consists of \$111,750 in general funds, \$298,061 in federal fund expenditure authority, \$990,195 in other fund expenditure authority, and 9.0 FTE.

The total FY2013 recommended budget for Resource Conservation and Forestry consists of \$986,039 in general funds, \$1,347,764 in federal fund expenditure authority, \$352,379 in other fund expenditure authority, and 18.8 FTE.

ANIMAL INDUSTRY BOARD

The total FY2013 recommended budget for the Animal Industry Board is \$3,838,407 and 40.9 FTE.

This budget is comprised of \$1,813,039 in general funds, \$1,763,402 in federal fund expenditure authority, and \$261,966 in other fund expenditure authority. The Governor is recommending a decrease of \$145,000 in federal fund expenditure authority for animal disease control.

BOARDS AND COMMISSIONS - INFORMATIONAL

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 total recommended FY2013 budget for the Agricultural Boards and Commissions is \$24,076,396 in other fund expenditure authority and 43.0 FTE. The Governor is recommending increases in other fund expenditure authority of \$5,382 in the Brand Board, \$9,170 in the Pulse Crops Council, \$1,827,165 and 2.0 FTE in the Soybean Research and Promotion Council and \$3,020,000 in the Corn Council. The Governor is also recommending decreases in other fund expenditure authority of \$9,250 in the Oilseed Council, \$121,894 in the American Dairy Association and \$162,795 in the Wheat Commission. The total increase in other fund expenditure authority as a result of boards and commissions is \$4,567,778.

STATE FAIR

The total FY2013 Governor's recommended budget for the State Fair is \$268,644 in general funds and \$2,287,883 in other fund expenditure authority for a total budget of \$2,556,527 and 19.5 FTE. This recommendation includes an increase in other fund expenditure authority of \$255,500 for the State Fair to address some of the maintenance and repair needs.

ENVIRONMENT AND NATURAL RESOURCES

The Governor's FY2013 recommended budget for the Department of Environment and Natural Resources totals \$21,660,423 and consists of \$5,523,914 in general funds, \$7,304,652 in federal fund expenditure authority, \$8,831,857 in other fund expenditure authority, and 180.5 FTE. Included are increases of \$6,434 in general funds, \$9,952 in federal fund expenditure authority, and \$4,651 in other fund expenditure authority due to changes in space billing and computer services billings throughout the department. Also included are increases of \$292,378 in general funds, \$329,446 in federal fund expenditure authority, and \$187,302 in

other fund expenditure authority for the employee compensation package.

FINANCIAL AND TECHNICAL ASSISTANCE

The Financial and Technical Assistance budget consists of \$2,123,237 in general funds, \$1,975,409 in federal fund expenditure authority, and \$980,870 in other fund expenditure authority, for a total budget of \$5,079,516 and 56.5 FTE. The Governor is recommending a decrease of \$12,815,000 in American Recovery and Reinvestment Act (ARRA) federal fund expenditure authority which is no longer needed.

ENVIRONMENTAL SERVICES

The Governor recommends a total FY2013 budget for Environmental Services of \$11,560,203 and 118.0 FTE, consisting of \$3,400,677 in general funds, \$5,329,243 in federal fund expenditure authority, and \$2,830,283 in other fund expenditure authority.

REGULATED RESPONSE FUND – INFORMATIONAL

The Governor is recommending no change in the Regulated Response Fund budget. This budget is informational and continuously appropriated with \$1,750,000 in other fund expenditure authority.

LIVESTOCK CLEANUP FUND – INFORMATIONAL

The Governor is recommending no change in the Livestock Cleanup Fund budget. This budget is informational and continuously appropriated with \$765,000 in other fund expenditure authority.

PETROLEUM RELEASE COMPENSATION

The Governor's recommendation for the FY2013 budget for Petroleum Release Compensation is \$2,505,704 in other fund expenditure authority and 6.0 FTE.

GAME, FISH, AND PARKS

The FY2013 recommended budget for the Department of Game, Fish, and Parks totals \$78,959,048, including \$4,339,315 in general funds, \$24,097,001 in federal fund expenditure authority, \$50,552,732 in other fund expenditure authority, and 563.1 FTE. This budget reflects an overall decrease of \$3,084,286. Included are increases of \$404 in federal fund expenditure authority and \$32,423 in other fund expenditure authority due to changes in space billing and computer services billings throughout the department. Also included throughout the department are increases of

\$83,987 in general funds, \$161,253 in federal fund expenditure authority, and \$798,733 in other fund expenditure authority for the employee compensation package.

CONSERVATION RESERVE ENHANCEMENT PROGRAM

The Governor is recommending no changes in the Conservation Reserve Enhancement Program FY2013 budget.

ADMINISTRATION

The total recommended budget for Administration includes \$915,846 in general funds, \$3,166,325 in other fund expenditure authority and 25.1 FTE, for a total budget of \$4,082,171. This includes a decrease of \$244,304 in general funds resulting from savings in bond payment schedules related to the Sioux Falls Outdoor Campus.

WILDLIFE – INFORMATIONAL

The Governor is recommending a total budget for the Division of Wildlife of \$41,505,749. This budget is composed of \$15,072,712 in federal fund expenditure authority and \$26,433,037 in other fund expenditure authority. Included in this budget are increases of \$847,210 in federal fund expenditure authority and \$112,790 in other fund expenditure authority to provide funding for Wildlife's Conservation Reserve Enhancement Program.

WILDLIFE DEVELOPMENT AND IMPROVEMENT – INFORMATIONAL

The Governor is recommending an overall decrease of \$1,074,200 in the Wildlife Development and Improvement Program. The total budget for the Wildlife Development and Improvement Program is \$4,281,800, of which \$2,483,850 is federal fund expenditure authority and \$1,797,950 is other fund expenditure authority. The Governor is recommending an increase in federal fund expenditure authority of \$17,850 and a decrease in other fund expenditure authority of \$1,092,050. This aligns the budget with anticipated costs from the capital development project list.

STATE PARKS AND RECREATION

The Division of State Parks and Recreation's recommended total FY2013 budget is \$18,990,424 and 242.2 FTE, consisting of \$3,423,469 in general funds, \$3,020,564 in federal fund expenditure authority, and \$12,546,391 in other fund expenditure authority. The Governor is recommending a decrease of \$99,293 in general funds, and increases of \$32,144 in federal fund expenditure authority and \$129,876 in other fund expenditure authority in this division. Included in

this budget is a decrease of \$177,650 in general funds resulting from bond payment schedules related to Custer State Park, an increase of \$3,000 in federal fund expenditure authority, and a decrease of \$88,332 in other fund expenditure authority, both of which are related to daily operational functions within the statewide park system.

STATE PARKS AND RECREATION DEVELOPMENT AND IMPROVEMENT

The Governor is recommending an overall decrease of \$3,688,500 in the State Parks and Recreation Development and Improvement Program. The total budget for the Development and Improvement Program is \$8,644,200, of which \$3,444,875 is federal fund expenditure authority and \$5,199,325 is other fund expenditure authority. This budget includes Water Based Recreation, Preventative Maintenance, and Miscellaneous Development divisions. The Governor is recommending decreases of \$211,425 in federal fund expenditure authority and \$430,775 in other fund expenditure authority within Water Based Recreation. In Preventative Maintenance, the Governor is recommending a decrease of \$34,800 in federal fund expenditure authority and an increase of \$3,297,600 in other fund expenditure authority. Within Miscellaneous Development, the Governor is recommending decreases of \$4,422,550 in federal fund expenditure authority and \$1,886,550 in other fund expenditure authority.

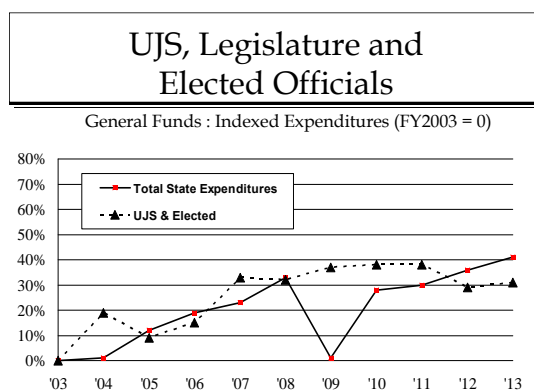
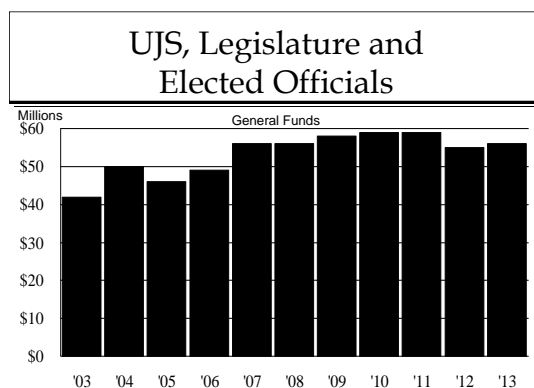
SNOWMOBILE TRAILS – INFORMATIONAL

The total recommended budget for the Snowmobile Trails Program is \$75,000 in federal fund expenditure authority, \$1,379,704 in other fund expenditure authority, and 9.1 FTE. The Governor is recommending an increase of \$148,900 in other fund expenditure authority for the purchase of an additional trail groomer.

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

The budgets included in this category are the Legislature, Unified Judicial System, Public Utilities Commission, Office of the Attorney General, Secretary of State, School and Public Lands, Office of the State Auditor, and Office of the State Treasurer. General funds account for an increase of \$2.3 million out of the \$93.0 million in total ongoing increases. This budget represents a \$3.5 million increase out of the \$28.1 million in total ongoing fund increases for FY2013. In terms of the total ongoing state budget, this category is 4.4% of the general funds and 2.4% of the total ongoing

funds, which amounts to \$97.0 million in total ongoing funding.



LEGISLATURE

The total FY2013 recommended budget for the South Dakota Legislature is \$7,459,626 in general funds, \$35,000 in other fund expenditure authority, and 65.3 FTE. Changes to the Legislative Research Council's budget include an increase of \$50,000 in general funds to restore travel funding for legislative participation in out-of-state meetings. This budget recommendation also includes a \$200,000 increase in general funds to restore funding for intergovernmental dues. The Governor is recommending an increase of \$95,000 in general funds to fund the Midwest Higher Education Compact. The Governor is also recommending an employee compensation package which includes an increase of \$70,500 in general funds. Also included in the recommendation is an increase of \$16,110 in general funds due to changes in space billing and computer services billings. The Governor is recommending a total budget change of \$79,554 in general funds for Legislative Audit. Included in this recommendation is an increase of \$61,181 in general funds for the employee compensation package. This budget also includes an increase of \$16,819 in general funds to allow the Auditor General to promote four staff members

UNIFIED JUDICIAL SYSTEM

The Governor's recommended changes for the Unified Judicial System include increases of \$1,388,812 in general funds, \$5,017 in federal fund expenditure authority, \$803,925 in other fund expenditure authority, and 4.5 FTE.

The 4.5 FTE include 1.0 Deputy County Clerk, 0.5 for a Court Services Secretary, 2.0 Court Services Officers, and 1.0 Computer Assisted Court Recorder. These new positions amount to \$157,947 in general funds and \$41,111 in other fund expenditure authority.

The operating expenses budget of the Unified Judicial System is increasing general funds by \$11,991 due to a 1.8% provider inflation increase in Community Based Services, and \$642,263 in other fund expenditure authority for contractual services, audit services, and capital asset purchases.

Included throughout the department are increases of \$6,887 in general funds and \$31,515 in other fund expenditure authority due to changes in space billing and computer services billings throughout the department. Also included are increases of \$1,170,398 in general funds, \$5,017 in federal fund expenditure authority, and \$89,036 in other fund expenditure authority for the employee compensation package.

The total FY2013 recommended budget for the Unified Judicial System is \$33,179,891 in general funds, \$398,556 in federal fund expenditure authority, and \$11,673,484 in other fund expenditure authority, for a total budget of \$45,251,931 and 531.9 FTE.

PUBLIC UTILITIES COMMISSION

The Governor recommends increases of \$12,662 in general funds, \$37,369 in federal fund expenditure authority and \$43,141 in other fund expenditure authority. This includes a funding swap of \$2,875 in other fund expenditure authority from Fixed Utility to Administration and an increase of \$12,335 in other fund expenditure authority for additional outreach within Do Not Call. Also, an increase in federal fund expenditure authority of \$26,986 and a decrease of \$28,094 in other fund expenditure authority funding within Pipeline Safety is recommended to help align the budget with anticipated expenditures in travel, contractual services, supplies, and capital outlay.

Included are increases of \$159 in general funds, \$262 in federal fund expenditure authority, and \$3,009 in other fund expenditure authority due to changes in space billing and computer services billings throughout the department. Also included are increases of \$12,503 in general funds, \$10,121

in federal fund expenditure authority, and \$55,891 in other fund expenditure authority for the employee compensation package. The total FY2013 recommended budget is \$475,441 in general funds, \$416,466 in federal fund expenditure authority, \$3,313,867 in other fund expenditure authority, and 33.2 FTE.

ATTORNEY GENERAL

The Governor's FY2013 budget recommendation for the Office of the Attorney General includes \$9,208,986 in general funds, \$4,403,756 in federal fund expenditure authority, and \$7,879,304 in other fund expenditure authority, for a total of \$21,492,046 and 174.5 FTE. This budget recommendation consists of increases of \$221,476 in general funds, \$57,524 in federal fund expenditure authority, and \$130,864 in other fund expenditure authority for the Governor's employee compensation package. Also included in this budget is an increase of \$43,847 in total funds due to increases in space billing and computer service billings.

LEGAL SERVICES

Included in this budget recommendation is a decrease of \$481,122 in federal ARRA expenditure authority which is no longer needed. The Governor is also recommending an increase of 1.0 FTE for a High Intensity Drug Trafficking Area Attorney. In an effort to realign the budget cuts that occurred during the FY2012 budget, the Governor is recommending a movement of \$297,563 in general funds from Legal Services to the Division of Criminal Investigation to be used as a portion of the annual bond payment for the George S. Mickelson Criminal Justice Center. The Governor is also recommending the addition of \$297,563 in other fund expenditure authority for additional billings by the division and the additional utilization of cash to reduce FY2012 budget reductions. The total FY2013 recommended budget for the Division of Legal Services is \$4,837,282 in general funds, \$1,385,680 in federal fund expenditure authority, and \$1,974,914 in other fund expenditure authority, for a total of \$8,197,876 and 82.5 FTE.

CRIMINAL INVESTIGATION

Included in this budget is an increase of \$128,746 in other fund expenditure authority due to increased maintenance fees. The Governor is recommending increases of \$9,720 in federal fund expenditure authority and \$101,918 in other fund expenditure authority to utilize cash to mitigate the FY2012 budget reductions. The overall recommended budget for the Division of Criminal Investigation is \$4,043,862 in general funds, \$3,018,076 in federal fund expenditure authority, and \$3,787,866 in other

fund expenditure authority, for a total of \$10,849,804 and 76.5 FTE.

LAW ENFORCEMENT TRAINING

The total budget for the Division of Law Enforcement Training is \$327,842 in general funds and \$1,676,113 in other fund expenditure authority, for a total of \$2,003,955 and 10.5 FTE.

911 TRAINING

The total recommended budget for 911 Training is \$208,253 in other fund expenditure authority and 2.0 FTE.

INSURANCE FRAUD UNIT - INFORMATIONAL

The total recommended FY2013 budget is \$232,158 in other fund expenditure authority and 3.0 FTE.

SECRETARY OF STATE

The Governor's recommendation for the Secretary of State's FY2013 budget is \$898,123 in general funds, \$3,131,026 in federal fund expenditure authority, \$455,608 in other fund expenditure authority, and 15.6 FTE. Increases of \$18,374 in general funds, \$2,117 in federal fund expenditure authority, and \$4,217 in other fund expenditure authority are due to the recommended employee compensation package. Also, increases of \$3,008 in general funds, \$1,362 in federal fund expenditure authority, and \$4,520 in other fund expenditure authority are recommended due to changes in space billing and computer services billings.

SCHOOL AND PUBLIC LANDS

The Governor's recommendation for the FY2013 School and Public Lands' budget is \$504,668 in general funds, \$225,000 in other fund expenditure authority, and 6.0 FTE. A decrease of 1.0 FTE is recommended since the funding for the position was cut in FY2012. An increase of \$11,530 in general funds is due to the recommended employee compensation package. Also, an increase of \$795 in general funds is due to changes in space billing and computer services billings.

STATE AUDITOR

The Governor's FY2013 recommendation includes an increase of \$50,112 in general funds. The recommended budget includes increases in general funds of \$11,713 to allow for a permanent part-time Claims Auditor plus reducing budgeted FTE by 1.0 FTE. Included is an increase of \$1,915 in general

funds due to changes in space billing and computer services. Also included is an increase of \$36,484 in general funds for the employee compensation package. The total FY2013 recommended budget is \$1,135,461 in general funds, \$100,000 in other fund expenditure authority, and 17.0 FTE

STATE TREASURER

The Governor's recommended budget includes increases of \$10,760 in general funds and \$91,955 in other fund expenditure authority. Included are increases of \$547 in general funds and \$1,993 in other fund expenditure authority due to changes in space billing and computer services billings. Also included are increases of \$10,252 in general funds and \$12,824 in other fund expenditure authority for the employee compensation package. The total FY2013 recommended budget consists of \$468,460 in general funds, \$11,685,658 in other fund expenditure authority, and 37.0 FTE.

TREASURY MANAGEMENT

The Governor's total recommended FY2013 budget for Treasury Management includes a reduction of \$39. This decrease aligns the capital outlay budget. The total budget within Treasury Management is \$468,460 in general funds and 5.5 FTE.

UNCLAIMED PROPERTY - INFORMATIONAL

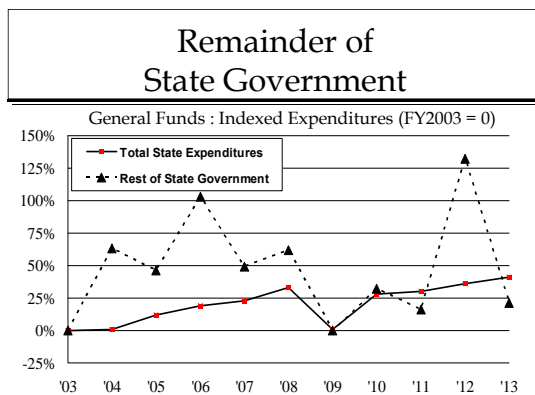
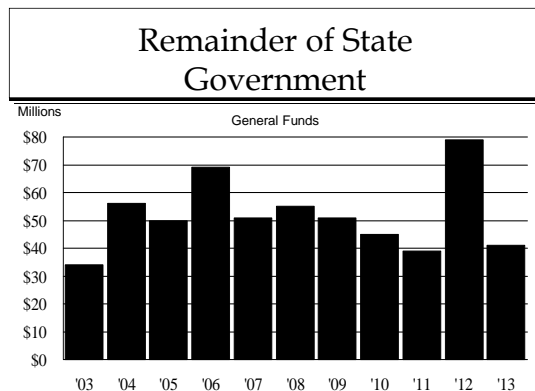
The Governor's recommendation includes a decrease of \$912 in other fund expenditure authority to align the budget with anticipated expenditures. The total recommended FY2013 budget for Unclaimed Property is \$2,901,275 in other fund expenditure authority and 3.5 FTE.

INVESTMENT COUNCIL

The Governor is recommending an increase of \$85,095 in other fund expenditure authority for the South Dakota Investment Council (SDIC). The recommendation includes an increase in other fund expenditure authority of \$308,963 for 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 a decrease of \$230,913 in other fund expenditure authority for contractual services expenses as a result of successful negotiations of bank custodian fees. The total recommended FY2013 budget for the SDIC is \$8,784,383 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 Relations, Transportation, Labor and Regulation, and Public Safety. General funds account for an increase of \$347,106 out of the \$93.0 million in total ongoing increases. This budget represents a decrease of \$10.0 million out of the \$28.1 million in total ongoing fund increases for FY2013. In terms of the total ongoing state budget, this category is 3.3% of the general funds and 24.6% 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 a decrease of \$389,111 in general funds, an increase of \$436,809 in federal fund expenditure authority, and a decrease of \$4,258,057 in other fund expenditure authority. The total FY2013 budget includes \$26,518,741 in general funds, \$19,538,512 in federal fund expenditure authority, \$114,310,378 in other fund expenditure authority, and 756.1 FTE.

GOVERNOR'S OFFICE

The total recommended budget for the Governor's Office including the Lt. Governor is \$2,184,815 in general funds, \$285,252 in federal fund expenditure authority, and 22.0 FTE. Included are increases of \$47,158 in general funds and \$7,271 in federal fund expenditure authority due to the recommended employee compensation package. An increase of \$5,139 in general funds is due to changes in space billing and computer services billings.

OFFICE OF ECONOMIC DEVELOPMENT

The Governor's total recommended budget for the Office of Economic Development is \$6,210,711 in general funds, \$13,962,299 in federal fund expenditure authority, \$25,780,561 in other fund expenditure authority, and 117.1 FTE. This includes an increase of \$356,575 in federal fund expenditure authority for administering the Small Business Credit Initiative Loan program. Increases of \$47,578 in general funds, \$61,234 in federal fund expenditure authority, and \$120,952 in other fund expenditure authority are due to the recommended employee compensation package throughout the agency. Also, increases of \$2,949 in general funds, \$124 in federal fund expenditure authority, and \$773 in other fund expenditure authority are recommended due to changes in space billing and computer services billings throughout the agency.

The Governor is recommending a total budget of \$3,850,933 in general funds and 2.0 FTE for the Office of Research Commerce.

The total recommended FY2013 South Dakota Housing Development Authority budget consists of \$2,144,114 in federal fund expenditure authority, \$7,939,056 in other fund expenditure authority, and 65.0 FTE.

The total recommended FY2013 budget for the South Dakota Science and Technology Authority is \$1,126,194 in other fund expenditure authority and 7.0 FTE. An increase of 2.0 FTE and a decrease of \$7,853,967 in other fund expenditure authority are to reflect anticipated expenses.

The Governor is recommending a total budget of \$57,565 in other fund expenditure authority for the South Dakota Energy Infrastructure Authority.

The total recommended FY2013 budget for the South Dakota Ellsworth Development Authority budget is \$177,469 in federal fund expenditure authority, \$203,229 in other fund expenditure authority, and 2.5 FTE.

BUREAU OF FINANCE AND MANAGEMENT

The Governor recommends a decrease of \$590,213 in general funds and an increase of \$164,531 in other fund expenditure authority. A general fund decrease of \$609,885 is attributable to the Bureau of Finance and Management's sale/leaseback payment schedule. Increases of \$18,910 in general funds and \$134,475 in other fund expenditure authority are due to the recommended employee compensation package. Also, increases of \$762 in general funds and \$30,056 in other fund expenditure authority are recommended due to changes in space billing and computer services billings. The recommended FY2013 budget is \$6,834,232 in general funds, \$6,815,476 in other fund expenditure authority, and 36.0 FTE.

BUREAU OF ADMINISTRATION

The Governor recommends decreases of \$22,407 in general funds and 2.0 FTE and an increase of \$211,042 in other fund expenditure authority. A decrease of \$36,188 in general funds is for sale/leaseback payments. Increases of \$13,375 in general funds and \$285,440 in other fund expenditure authority are due to the recommended employee compensation package. Also, increases of \$406 in general funds and \$9,732 in other fund expenditure authority are recommended due to changes in space billing and computer services billings. Decreases of 2.0 FTE and \$84,130 in other fund expenditure authority are due to efficiencies in the Purchasing and Central Supply offices. The FY2013 recommended budget for this division is \$4,104,694 in general funds, \$500,000 in federal fund expenditure authority, \$29,631,424 in other fund expenditure authority, and 163.0 FTE.

BUREAU OF INFORMATION AND TELECOMMUNICATIONS

The Governor recommends increases of \$110,153 in general funds, \$10,934 in federal fund expenditure authority, \$1,646,386 in other fund expenditure authority, and 348.5 FTE. This includes an increase of \$370,000 in other fund expenditure authority for adding phones lines previously managed by the School of Mines and Technology. Increases of \$107,405 in general funds, \$8,955 in federal fund expenditure authority, and \$706,234 in other fund expenditure authority are due to the recommended employee compensation package. An increase of \$264,300 in other fund expenditure authority is to train employees throughout the department. Also recommended is an increase of \$250,000 in other fund expenditure authority to perform an enterprise-wide disaster recovery analysis. Increases of \$2,748 in general funds, \$1,979 in federal fund expenditure authority, and \$55,852 in other fund expenditure authority are recommended due to changes in space billing and

computer services billings throughout the bureau. The Governor's total recommended FY2013 budget for the Bureau of Information and Telecommunications is \$6,301,970 in general funds, \$4,290,290 in federal fund expenditure authority, \$37,050,221 in other fund expenditure authority, and 348.5 FTE.

BUREAU OF PERSONNEL

The Governor's recommended changes for the Bureau of Personnel include increases of \$10,532 in general funds, \$671 in federal fund expenditure authority, and \$1,452,226 in other fund expenditure authority. The recommendation includes an increase of \$1,300,000 in other fund expenditure authority as projected claims are expected to increase in the South Dakota Risk Pool. Increases of \$9,459 in general funds and \$131,949 in other fund expenditure authority are due to the recommended employee compensation package. Also, increases of \$1,073 in general funds, \$671 in federal fund expenditure authority, and \$20,277 in other fund expenditure authority are recommended due to changes in space billing and computer services billings throughout the bureau. The total FY2013 budget consists of \$882,319 in general funds, \$500,671 in federal fund expenditure authority, and \$15,032,696 in other fund expenditure authority, and 69.5 FTE.

MILITARY

The recommended FY2013 budget for the Department of the Military contains \$2,791,427 in general funds, \$22,518,033 in federal fund expenditure authority, \$26,793 in other fund expenditure authority, and 103.4 FTE. The FY2013 budget reflects an increase of \$39,855 in general funds, a decrease of \$14,343,173 in federal fund expenditure authority, and increases of \$635 in other fund expenditure authority and 2.0 FTE. The Governor is recommending increases of \$35,014 in general funds, \$187,623 in federal fund expenditure authority, and \$635 in other fund expenditure authority for the employee compensation package.

OFFICE OF THE ADJUTANT GENERAL

The Governor's FY2013 total budget recommendation for the Office of the Adjutant General is \$884,513 in general funds, \$10,306 in federal fund expenditure authority, \$26,793 in other fund expenditure authority, and 6.3 FTE.

ARMY GUARD

The Governor's recommendation for the Army Guard includes an increase of \$16,214 in general funds, a decrease of \$14,431,929 in federal fund expenditure authority, and an increase of 2.0 FTE.

The Governor is recommending a funding swap of \$231,293 in general funds for federal fund expenditure authority in personal services. These particular employees will now be funded with 100% federal funds versus 100% general funds. The Governor is recommending an increase of \$233,085 in both general funds and federal fund expenditure authority for construction and design costs on statewide armories. The Governor is recommending an increase of 2.0 FTE for an Energy Manager and an Access Control Manager at Camp Rapid. These services are currently contracted out; the division will realize some cost savings by eliminating the contracts and hiring 2.0 FTE as state employees. Also included in this budget recommendation is a decrease of \$15,000,000 in federal fund expenditure authority for Military Construction projects which will not be needed in FY2013. The total FY2013 recommended budget for the Army Guard is \$19,135,110 and 50.1 FTE.

AIR GUARD

The Governor's total FY2013 budget recommendation for the Air Guard is \$367,854 in general funds, \$4,911,677 in other fund expenditure authority, and 47.0 FTE.

VETERANS' AFFAIRS

The recommended FY2013 budget for the Department of Veterans' Affairs contains \$3,174,491 in general funds, \$23,284,181 in federal fund expenditure authority, \$4,652,271 in other fund expenditure authority, and 104.2 FTE. The FY2013 budget reflects a total increase of \$483,171. Included in this budget are increases of \$111,868 in general funds, \$22,395 in federal fund expenditure authority, and \$120,745 in other fund expenditure authority for the employee compensation package.

VETERANS' BENEFITS AND SERVICES

The total recommended FY2013 budget for Veterans' Benefits and Services is \$993,372 in general funds, \$282,871 in federal fund expenditure authority, and \$61,000 in other fund expenditure authority, for a total of \$1,337,243 and 18.5 FTE. Included in this budget is an increase of \$26,373 in general funds and 0.5 FTE to fund the Cabinet Position for one half of a fiscal year as the projected starting date for this position is January of 2013.

STATE VETERANS' HOME

The Governor's recommendation for the State Veterans' Home includes increases of \$104,888 in general funds, \$23,810 in federal fund expenditure authority, \$284,378 in other fund expenditure authority, and 3.0 FTE. The Governor is

recommending an increase in total funds of \$74,487 for food service, utility adjustments, and medical supplies. The Governor is recommending an increase of \$12,823 in general funds, \$7,083 in federal fund expenditure authority, \$29,858 in other fund expenditure authority, and 1.0 FTE for an accountant to work on Medicaid reporting and applications. The Governor is recommending the increase 2.0 FTE to work in Nursing Services which will align the Vets' Home budget with historical FTE utilization. Also included in the FY2013 budget is an increase of \$74,646 in other fund expenditure authority to fund the Resident Worker program.

REVENUE

The Governor's recommended budget for the Department of Revenue totals \$60,656,730 and consists of \$1,065,917 in general funds, \$59,590,813 in other fund expenditure authority, and 245.5 FTE. Increases include \$1,208 in general funds and \$52,254 in other fund expenditure authority due to changes in space billing and computer services billings throughout the department. Increases of \$28,954 in general funds and \$627,410 in other fund expenditure authority are recommended due to the recommended employee compensation package throughout the department. The Governor is recommending total increases of \$111,225 in general funds and \$679,664 in other fund expenditure authority for the Department.

SECRETARIAT

The total FY2013 Governor's recommended budget for the Secretariat division consists of \$3,617,176 in other fund expenditure authority and 37.5 FTE.

BUSINESS TAX

The total FY2013 Governor's recommended budget for Business Tax consists of \$3,398,443 in other fund expenditure authority and 47.0 FTE.

MOTOR VEHICLES

The total FY2013 Governor's recommended budget for Motor Vehicles consists of \$5,266,041 in other fund expenditure authority and 46.0 FTE.

PROPERTY AND SPECIAL TAXES

The Governor's recommendation for this division is an increase of \$111,225 in general funds. An increase of \$31,063 in general funds is recommended to continue to contract with SDSU for the Ag-land productivity study. An increase of \$50,000 in general funds is recommended for the division to contract with a bank auditor to audit bank franchise tax returns for proper allocation of assets,

audit of federal tax returns, and the reporting of bank franchise tax to South Dakota. The recommended FY2013 budget consists of \$1,065,917 in general funds and 14.0 FTE.

AUDITS

The total FY2013 Governor's recommended budget consists of \$3,871,956 in other fund expenditure authority and 55.0 FTE.

LOTTERY

The total FY2013 Governor's recommended budget for Lottery is \$32,936,156 of other fund expenditure authority and 30.0 FTE.

COMMISSION ON GAMING – INFORMATIONAL

The total FY2013 Governor's recommended budget for the Commission on Gaming is \$10,501,041 in other fund expenditure authority and 16.0 FTE.

TOURISM

The Governor's recommended budget for the Department of Tourism consists of \$1,730,461 in general funds, \$1,757,101 in federal fund expenditure authority, \$15,394,682 in other fund expenditure authority, and 72.0 FTE. The recommended changes include increases of \$55,207 in general funds, \$14,644 in federal fund expenditure authority, and \$110,515 in other fund expenditure authority. Increases of \$30,725 in general funds, \$12,896 in federal fund expenditure authority, and \$105,392 in other fund expenditure authority are due to the recommended employee compensation package. Also, increases of \$24,482 in general funds, \$1,748 in federal fund expenditure authority, and \$5,123 in other fund expenditure authority are recommended due to changes in space billing and computer services billings throughout the department.

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 total FY2013 recommended budget consists of \$11,992,773 in other fund expenditure authority and 25.0 FTE.

ARTS

The total recommended FY2013 Arts budget consists of \$878,000 in federal fund expenditure authority, \$791,006 in other fund expenditure authority, and 3.0 FTE.

HISTORY

The total recommended FY2013 History budget consists of \$1,730,461 in general funds, \$879,101 in federal fund expenditure authority, \$2,610,903 in other fund expenditure authority, and 44.0 FTE.

TRIBAL RELATIONS

The Governor's recommendation includes increases of \$138,147 in general funds, \$100,000 in federal fund expenditure authority, \$100,000 in other fund expenditure authority, and 2.0 FTE. The recommendation includes increases of 2.0 FTE and \$110,234 in general funds to add a policy analyst and a grant specialist. Also included is an increase of \$17,603 in general funds to change the tribal relations representative position to be a tribal liaison. Increases of \$100,000 in federal fund expenditure authority and \$100,000 in other fund expenditure authority are for grants the department may receive. An increase of \$285 in general funds is due to changes in space billing and computer services billings. Also, an increase of \$10,025 in general funds is due to the recommended employee compensation package. The total recommended FY2013 budget for the Department of Tribal Relations budget is \$362,791 in general funds, \$100,000 in federal fund expenditure authority, \$100,000 in other fund expenditure authority, and 5.0 FTE.

TRANSPORTATION

The recommended FY2013 budget for the Department of Transportation contains \$484,054 in general funds, \$377,924,593 in federal fund expenditure authority, \$207,192,782 in other fund expenditure authority, and 1,026.3 FTE. The FY2013 budget reflects an increase of \$13,895 in general funds, a decrease of \$2,595,221 in federal fund expenditure authority, and an increase of \$7,059,735 in other fund expenditure authority.

GENERAL OPERATIONS

The Governor's total FY2013 recommended budget for General Operations includes \$484,054 in general funds, \$30,855,720 in federal fund expenditure authority, \$131,098,497 in other fund expenditure authority, and 1,026.3 FTE. This budget includes the following other fund expenditure authority changes based on historical usage and anticipated prices: an increase of \$775,183 for motor vehicle fuel, a decrease of \$97,687 for road oil and asphalt, and an increase of \$956,074 for road salt and chemicals. An increase of \$183,264 in other fund expenditure authority is to increase the number of signs produced in order to meet the new Federal reflectivity standards.

Increases in other fund expenditure authority include \$2,051,221 for equipment and \$2,464,098 for buildings and improvements. Also recommended is an increase of \$3,000,000 in other fund expenditure authority for contract maintenance on roads. Decreases in federal fund expenditure authority of \$1,925,000 for transit grants and \$979,640 for local government assistance grants are based on anticipated grants being received. A decrease of \$35,266 in other fund expenditure authority is based on overall utility usage. Increases of \$13,876 in general funds, \$309,419 in federal fund expenditure authority, and \$2,690,783 in other fund expenditure authority are due to the recommended employee compensation package. Increases of \$19 in general funds and \$110,180 in other fund expenditure authority are due to changes in space billing and computer services billings.

CONSTRUCTION CONTRACTS - INFORMATIONAL

The recommended budget for Construction Contracts includes a decrease of \$5,038,115 in other fund expenditure authority. The total budget for Construction Contracts is \$423,163,158, consisting of \$347,068,873 in federal fund expenditure authority and \$76,094,285 in other fund expenditure authority. The Construction Contracts division makes up 72% of the Department of Transportation's budget.

Within the budget for Roads and Bridges, the Governor is recommending a decrease of \$20,000,000 in ARRA federal fund expenditure authority which is no longer needed. The Governor is recommending an increase of \$20,000,000 in federal fund expenditure authority and a decrease of \$5,038,115 in other fund expenditure authority for enhancements to statewide roads and bridges.

No changes are recommended within the budget for Airport Construction.

LABOR & REGULATION

The Governor's recommendation for the Department of Labor and Regulation is \$892,958 in general funds, \$35,618,600 in federal fund expenditure authority, \$11,744,178 in other fund expenditure authority, and 482.7 FTE. This recommendation includes an increase of \$20,038 in general funds, \$661,727 in federal fund expenditure authority, and \$314,112 in other fund expenditure to fund the Governor's employee compensation package. The Governor is also recommending an increase of \$88,803 in total funds due to changes in space billing and computer services throughout the department.

ADMINISTRATION

The Governor's recommended budget for this division includes an increase of \$100,000 in general funds for Dakota Roots marketing efforts. This ongoing amount will allow the Dakota Roots program to plan for annual holiday marketing as well as implement a more regular and targeted effort to stay in contact with South Dakota alums. The total recommended budget is \$280,000 in general funds, \$18,781,809 in federal fund expenditure authority, \$136,776 in other fund expenditure authority, and 53.5 FTE.

UNEMPLOYMENT INSURANCE

The total recommended FY2013 budget is \$5,133,582 in federal fund expenditure authority and 92.0 FTE.

EMPLOYMENT SERVICES

The total recommended budget is \$10,685,559 in federal fund expenditure authority and 186.0 FTE.

STATE LABOR LAW ADMINISTRATION

The total recommended budget is \$612,958 in general funds, \$412,662 in federal fund expenditure authority, \$440,791 in other fund expenditure authority, and 19.7 FTE.

BANKING

The recommended total FY2013 budget is \$1,980,406 in other fund expenditure authority and 22.5 FTE.

SECURITIES

The total FY2013 recommended budget consists of \$419,235 in other fund expenditure authority and 5.0 FTE.

INSURANCE

The total recommended FY2013 budget consists of \$604,988 in federal fund expenditure authority, \$1,773,936 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 FY2013 of \$3,428,337 in other fund expenditure authority and 43.0 FTE. 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 \$3,564,697 in other fund expenditure authority and 33.0 FTE. The Governor is recommending an increase of \$120,000 in other fund expenditure authority due to inflation and increased utilization of actuarial services.

PUBLIC SAFETY

The Department of Public Safety FY2013 Governor's recommended budget includes \$3,380,969 in general funds, \$21,314,393 in federal fund expenditure authority, and \$27,823,413 in other fund expenditure authority, for a total of \$52,518,775 and 408.0 FTE. Included in this budget are increases of \$85,529 in general funds, \$81,924 in federal fund expenditure authority, and \$718,554 in other fund expenditure authority for the Governor's employee compensation package. Also included in this budget is an increase of \$39,795 in total funds due to changes in space billing and computer services billings.

ADMINISTRATION

The Division of Administration's total recommended budget is \$122,213 in general funds, \$129,964 in federal fund expenditure authority, and \$651,657 in other fund expenditure authority, for a total of \$903,834 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 an increase of \$238,985 in other fund expenditure authority to cover the anticipated cost of gasoline in FY2013. The Governor is also recommending an increase of \$311,727 in other fund expenditure authority for the purchase of thirteen additional Highway Patrol Vehicles. The total FY2013 recommendation includes \$1,214,309 in general funds, \$5,471,025 in federal fund expenditure authority, and \$20,105,997 in other fund expenditure authority, for a total of \$26,791,331 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

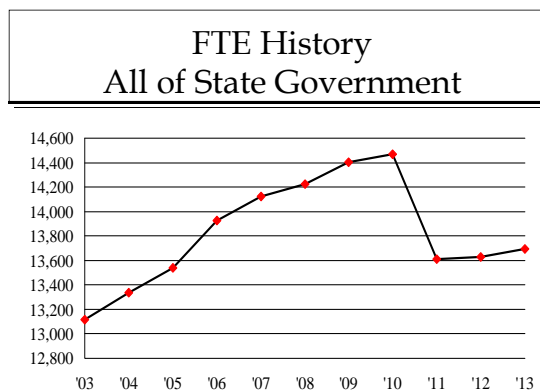
Governor is recommending a decrease of \$550,712 in federal fund expenditure authority within the Office of Homeland Security which will not be utilized in FY2013. The FY2013 budget recommendation for the Division of Emergency Services and Homeland Security includes \$1,478,968 in general funds, \$15,622,882 in federal fund expenditure authority, and \$300,078 in other fund expenditure authority, for a total of \$17,401,928 and 35.0 FTE.

INSPECTION AND LICENSING

The Division of Inspection and Licensing includes Weights and Measures, Driver Licensing, and Inspections. The FY2013 recommended budget includes \$565,479 in general funds, \$90,522 in federal fund expenditure authority, and \$6,765,681 in other fund expenditure authority, for a total budget of \$7,421,682 and 90.5 FTE.

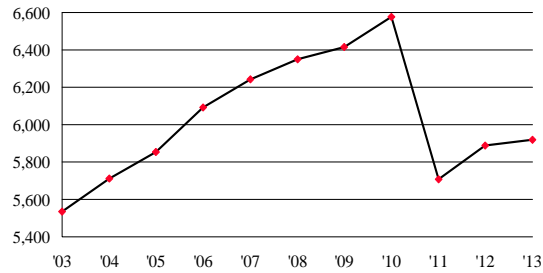
FTE CHANGE

The total appropriated FTE increased from 13,109.7 in FY2003 to a recommended level of 13,693.8 for FY2013. This is an increase of 584.1 FTE or 4.5% over the decade. The recommended change in ongoing FTE for FY2013 is an increase of 65.9 across state government.



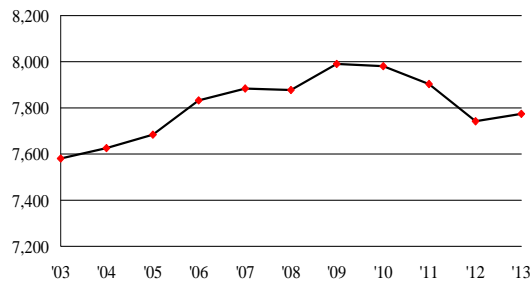
For offices outside the control of the Governor, total appropriated FTE grew from 5,533.4 in FY2003 to a recommended level of 5,919.9 for FY2013. This is an increase of 386.5 FTE, or 7.0%. The changes recommended for these offices in the FY2013 budget are a net increase of 30.5 FTE. This includes increases of 27.0 FTE for the Board of Regents, 4.5 FTE within the Unified Judicial System, 1.0 FTE in the Attorney General's Office, and a decrease of 1.0 FTE in both the Office of School and Public Lands and in the Office of the State Auditor.

FTE History for Offices Outside Control of Governor



The agencies under direct control of the Governor had total appropriated FTE of 7,576.3 in FY2003. The FY2013 budget recommendation brings the FTE to a level of 7,773.9. This is an increase of 197.6 FTE, or 2.6%, over the decade. The recommended increase of 35.4 FTE in FY2013 includes increases of 11.4 FTE in the Department of Corrections, 9.0 FTE in the Department of Health, 5.5 FTE in the Department of Social Services, 3.5 FTE in the Department of Veterans' Affairs, 2.0 FTE in the Department of Agriculture, 2.0 FTE in the Governor's Office of Economic Development, 2.0 FTE in the Department of the Military, 2.0 FTE in the Department of Tribal Relations, and a reduction of 2.0 FTE in the Bureau of Administration.

FTE History for Offices Under Control of Governor



SPECIAL APPROPRIATION RECOMMENDATIONS

FY2013 SPECIAL APPROPRIATIONS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
State Aid one-time funding		\$ 12,374,313			\$ 12,374,313
Provider one-time funding		\$ 9,095,790	\$ 10,696,797	\$ 39,362	\$ 19,831,949
Board of Regents one-time funding		\$ 5,922,158			\$ 5,922,158
Postsecondary Technical Institutes one-time funding		\$ 413,849			\$ 413,849
Conservation grant				\$ 500,000	\$ 500,000
BOA Maintenance Shop				\$ 300,000	\$ 300,000
TOTAL FY2013 SPECIAL APPROPRIATIONS	0.0	\$ 27,806,110	\$ 10,696,797	\$ 839,362	\$ 39,342,269

NOTE: FY2013 special appropriations become available for expenditure on July 1, 2012, and are included in the FY2013 column of the General Fund Condition Statement.

Governor Daugaard is recommending total special appropriations of \$27,806,110 in general funds, \$10,696,797 in federal fund expenditure authority, and \$839,362 in other fund expenditure authority for a total of \$39,342,269. The following paragraphs highlight each recommended special appropriation.

- ◆ **State Aid one-time funding:** The Governor is recommending \$12,374,313 in general funds to move school districts from a 2.3% ongoing inflation to 3% with one-time money, along with an additional 1.5% in one-time money to be used for Common Core training for teachers, for a total of 4.5%.
- ◆ **Provider one-time funding:** The Governor is recommending \$9,095,790 in general funds, \$10,696,797 in federal fund expenditure authority, and \$39,362 in other fund expenditure authority to move providers from 1.8% in ongoing inflation to 4.5% with one-time money.
- ◆ **Board of Regents one-time funding:** The Governor is recommending \$5,922,158 to move the Regents from an equivalent of a 0.9% ongoing inflationary increase to a 4.5% inflationary increase with one-time money.
- ◆ **Postsecondary Technical Institutes (PSI) one-time funding:** The Governor is recommending \$413,849 in general funds to move PSI's from a 2.3% ongoing inflationary increase to a 4.5% inflationary increase with one-time money.
- ◆ **Conservation grant:** The Governor is recommending \$500,000 in other fund expenditure authority for the continued assistance of promoting conservation practices to reduce erosion, improve cropland and grazing conditions, improve surface water, and enhance habitat.
- ◆ **BOA Maintenance Shop:** The Governor is recommending \$300,000 in other fund expenditure authority for the construction of a maintenance shop for the Bureau of Administration.

FY2012 EMERGENCY SPECIAL APPROPRIATIONS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
Emergency and Disaster Fund		\$ 14,008,369			\$ 14,008,369
Fire Suppression Fund for Pine Beetles		\$ 6,146,646			\$ 6,146,646
Fire Suppression Fund		\$ 1,300,731			\$ 1,300,731
Extraordinary Litigation Fund		\$ 1,042,828			\$ 1,042,828
Veterans' Bonus Program		\$ 1,000,000			\$ 1,000,000
Tax Refunds for Elderly and Disabled Persons		\$ 500,000			\$ 500,000
SDDA Construction		\$ 400,000			\$ 400,000
Physician Tuition Reimbursement Program		\$ 135,398			\$ 135,398
Water Omnibus Bill			\$ 700,000	\$ 16,800,000	\$ 17,500,000
TOTAL FY2012 EMERGENCY SPECIAL APPROPRIATIONS	0.0	\$ 24,533,972	\$ 700,000	\$ 16,800,000	\$ 42,033,972

NOTE: FY2012 emergency special appropriations become available for expenditure upon passage of the bill and are included in the FY2012 column of the General Fund Condition Statement.

Governor Dugaard is recommending total emergency special appropriations of \$24,533,972 in general funds, \$700,000 in federal fund expenditure authority, and \$16,800,000 in other fund expenditure authority. The following paragraphs highlight each recommended emergency special appropriation.

- ◆ **Emergency and Disaster Fund:** The Governor is recommending that \$14,008,369 be transferred from the state budget reserve fund into the Emergency and Disaster Special Fund for costs related to disasters in South Dakota.
- ◆ **Fire Suppression Fund for Pine Beetles:** The Governor is recommending that \$6,146,646 be transferred from the state budget reserve fund into the Fire Suppression Fund for pine beetle suppression on private land within the Black Hills and within Custer State Park.
- ◆ **Fire Suppression Fund:** The Governor is recommending \$1,300,731 in general funds to be deposited into the Fire Suppression Fund for costs related to the suppression of wildfires in South Dakota.
- ◆ **Extraordinary Litigation Fund:** The Governor is recommending \$1,042,828 in general funds to be deposited into the Extraordinary Litigation Fund to fund litigation expenses which are not eligible to be paid under SDCL 3-22-1.
- ◆ **Veterans' Bonus Program:** The Governor is recommending \$1,000,000 in general funds for the continuation of bonuses for our Veterans.
- ◆ **Tax Refunds for Elderly and Disabled Persons:** The Governor is recommending \$500,000 in general funds for tax refunds for elderly and disabled individuals who meet income guidelines.
- ◆ **SDDA Construction:** The Governor is recommending \$400,000 be transferred from the CREP program within the South Dakota Building Authority to the general fund to be used within the South Dakota Department of Agriculture for the replacement of the current Wildland Fire and Resource Conservations and Forestry Buildings.
- ◆ **Physician Tuition Reimbursement Program:** The Governor is recommending \$135,398 in general funds to reimburse two 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.
- ◆ **Water Omnibus Bill:** The Governor is recommending \$700,000 in federal fund expenditure authority and \$16,800,000 in other fund expenditure authority for water development, solid waste, and water quality improvement projects throughout the state.

FY2012 GENERAL BILL AMENDMENTS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
State Employees one-time payment		\$ 12,489,279	\$ 5,692,174	\$ 13,210,064	\$ 31,391,517
Workforce		\$ 5,287,000			\$ 5,287,000
DOT Railroad Trust Fund		\$ 4,000,000			\$ 4,000,000
BOA Maintenance and Repair Projects		\$ 1,650,425			\$ 1,650,425
DOH Flu Vaccines		\$ 349,000			\$ 349,000
DOC Correctional Healthcare savings		\$ (349,000)			\$ (349,000)
DOC Correction Officers	3.0	\$ 39,331		\$ 78,662	\$ 117,993
DVA State Veterans' Home Medicaid Accountant	0.6	\$ 6,946	\$ 3,836	\$ 16,173	\$ 26,955
DOC Teachers	4.0	\$ (23,895)			\$ (23,895)
BOR HEFF authority for M&R				\$ 2,500,000	\$ 2,500,000
DOC Capital Projects				\$ 1,745,200	\$ 1,745,200
BOR Dakota Corps Scholarships				\$ 1,125,000	\$ 1,125,000
BOR Dakota State University				\$ 850,000	\$ 850,000
BIT Management of Additional Phone Lines				\$ 370,000	\$ 370,000
DTR Bush Foundation Grant				\$ 50,000	\$ 50,000
DVA State Veterans' Home Nurses' Aids	2.0				\$ -
DOH Home Visiting grant	2.0				\$ -
BOR Opportunity Scholarship Funding/Utilities Cut		\$ -			\$ -
TOTAL FY2012 GENERAL BILL AMENDMENTS	11.6	\$ 23,449,086	\$ 5,696,010	\$ 19,945,099	\$ 49,090,195

NOTE: FY2012 general bill amendments are changes needing to be made to the FY2012 General Appropriations Act and are included in the FY2012 column of the General Fund Condition Statement.

Governor Dugaard is recommending total general bill amendments of \$23,449,086 in general funds, \$5,696,010 in federal fund expenditure authority, \$19,945,099 in other fund expenditure authority, and 11.6 FTE. The following paragraphs highlight the recommended changes to the FY2012 General Bill.

- ◆ **State Employees one-time payment:** The Governor is recommending \$12,489,279 in general funds, \$5,692,174 in federal fund expenditure authority, and \$13,210,064 in other fund expenditure authority for a one-time payment to permanent, non-probationary state employees in FY2012, equaling 5% of the individual's pro-rated annual salary.
- ◆ **Workforce:** The Governor is recommending \$5,287,000 in general funds for immediate workforce needs.
- ◆ **DOT Railroad Trust Fund:** The Governor is recommending \$4,000,000 in one-time general funds to replenish the Railroad Trust Fund in order to match potential federal grants.
- ◆ **BOA Maintenance and Repair (M&R) projects:** The Governor is recommending \$1,650,425 in one-time general funds for the M&R of state-owned public facilities.
- ◆ **DOH Flu Vaccine:** The Governor is recommending an increase of \$349,000 in general funds for the purchase of flu vaccines for FY2013. There is a corresponding decrease in the Department of Corrections due to savings in Correctional Healthcare.
- ◆ **DOC Correctional Healthcare savings:** The Governor is recommending a decrease of \$349,000 in general funds within Correctional Healthcare. This one-time savings will be realized due to reduced utilization.
- ◆ **DOC Correction Officers:** The Governor is recommending an increase of 3.0 FTE, \$39,331 in general funds, and \$78,662 in other fund expenditure authority for additional correction officers at the South Dakota State Penitentiary.
- ◆ **DVA State Veterans' Home Medicaid Accountant:** The Governor is recommending increases of 0.6 FTE, \$6,946 in general funds, \$3,836 in federal fund expenditure authority, and \$16,173 in other fund expenditure authority for a full time accountant to assist with the transition to a Medicaid facility.
- ◆ **DOC Teachers:** The Governor is recommending an increase of 4.0 FTE and a decrease of \$23,895 in general funds for teacher positions in the Corrections system. The department will be able to realize general fund savings by eliminating teacher contracts and hiring full-time teachers.
- ◆ **BOR HEFF authority for M&R:** The Governor is recommending an increase of \$2,500,000 in other fund expenditure authority for increased maintenance and repair at the institutions.
- ◆ **DOC Capital Projects:** The Governor is recommending an increase of \$1,745,200 in other fund expenditure authority for capital enhancements throughout the Corrections system.

- ◆ ***BOR Dakota Corp Scholarships:*** The Governor is recommending an increase of \$1,125,000 in other fund expenditure authority for the Dakota Corps Scholarships.
- ◆ ***BOR Dakota State University:*** The Governor is recommending an increase of \$850,000 in other fund expenditure authority due to an increase in self-support tuition revenue.
- ◆ ***BIT Management of Additional Phone Lines:*** The Governor is recommending \$370,000 in other fund expenditure authority in order to manage additional phone lines in the Rapid City area which were previously managed by the School of Mines and Technology.
- ◆ ***DTR Bush Foundation Grant:*** The Governor is recommending \$50,000 in other fund expenditure authority in order to spend funds received from a Bush Foundation grant.
- ◆ ***DVA State Veterans' Home Nurses' Aids:*** The Governor is recommending an increase of 2.0 FTE for nurses aides at the State Veterans' Home. These FTE will align the budget with historical usage.
- ◆ ***DOH Home Visiting grant:*** The Governor is recommending 2.0 FTE to start hiring nurses for the Home Visiting Program as soon as the grant is available. Additional federal fund expenditure authority is not needed in FY2012.
- ◆ ***BOR Opportunity Scholarship Funding/Utilities Cut:*** The Governor is recommending an increase of \$115,158 in general funds for the South Dakota Opportunity Scholarship, as well as a corresponding decrease throughout the universities due to a savings in utilities, for a net change of \$0.

GOVERNOR DAUGAARD'S RECOMMENDATION FOR STATE EMPLOYEE COMPENSATION PLAN

	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL FUNDS
ADJUSTMENT TO JOB WORTH: The Governor is recommending the Performance and Compensation Equity (PACE) system established in FY1990 be continued to include 2.5% adjustments to employees who are paid under the job worth of their pay range. The Governor is also recommending up to a maximum of 7% adjustment to employees in the Career Banding families established in FY2010 to move them towards market.	\$ 2,652,611	\$ 1,886,005	\$ 2,911,970	\$ 7,450,586
ACROSS-THE-BOARD INCREASE: The Governor is recommending all permanent state employees receive a 3.0% pay increase.				
Executive Branch	\$ 3,489,567	\$ 2,998,692	\$ 4,533,660	\$ 11,021,919
Board of Regents	3,874,735	2,052,622	5,081,956	11,009,313
Legislative Branch	121,084	-	-	121,084
Judicial Branch	793,976	3,363	61,131	858,470
Constitutional Offices	255,502	58,350	169,566	483,418
Subtotal	\$ 8,534,864	\$ 5,113,027	\$ 9,846,313	\$ 23,494,204
HEALTH INSURANCE INCREASE: The costs associated with the employer-paid portion of the state employee's health insurance plan for FY2013 is projected to increase by 3.3%.	\$ 948,848	\$ 598,814	\$ 1,015,553	\$ 2,563,215
GRAND TOTAL INCREASE FOR STATE EMPLOYEE COMPENSATION PLAN:	\$ 12,136,323	\$ 7,597,846	\$ 13,773,836	\$ 33,508,005

For FY2013, the state employee compensation plan was distributed to agencies in the Governor's recommended budget.

**GOVERNOR'S FY2013 GENERAL FUND
BASE BUDGET RECOMMENDATIONS**

GENERAL BILL	FTE EXPANSION/ (REDUCTION)	GENERAL FUND EXPANSION/ (REDUCTION)	TOTAL GENERAL FUND RECOMMENDATION
Administration	(2.0)	(22,407)	4,104,694
Agriculture	2.0	156,751	5,637,269
Attorney General	1.0	245,655	9,208,986
Corrections	11.4	3,774,755	82,495,422
Education (Excluding State Aid and Postsecondary Education)	0.0	231,645	9,795,850
State Aid to Education		39,243,867	368,575,671
Postsecondary Vocational Education		356,573	20,896,857
Environment and Natural Resources	0.0	298,812	5,523,914
Finance and Management	0.0	(590,213)	6,834,232
Game, Fish, and Parks	0.0	(337,967)	4,339,315
Gubernatorial Division (Excluding GOED)	0.0	52,297	2,184,815
Governor's Office of Economic Development	2.0	50,527	6,210,711
Health	9.0	200,325	7,179,450
Human Services	0.0	5,318,580	60,268,232
Information and Telecommunications	0.0	110,153	6,301,970
Labor and Regulation (Includes SD Retirement System)	0.0	120,975	892,958
Legislature	0.0	511,164	7,459,626
Military	2.0	39,855	2,791,427
Personnel	0.0	10,532	882,319
Public Safety	0.0	90,712	3,380,969
Public Utilities Commission	0.0	12,662	475,441
Regents	27.0	16,613,536	167,362,324
Revenue	0.0	111,225	1,065,917
School and Public Lands	(1.0)	12,325	504,668
Secretary of State	0.0	21,382	898,123
Social Services	5.5	24,511,912	387,250,078
State Auditor	(1.0)	50,112	1,135,461
State Treasurer (Including Investment Council)	0.0	10,760	468,460
Tourism & State Development	0.0	55,207	1,730,461
Transportation	0.0	13,895	484,054
Tribal Relations	2.0	138,147	362,791
Unified Judicial System	4.5	1,388,812	33,179,891
Veterans' Affairs	3.5	166,201	3,174,491
TOTAL FY2013 GENERAL BILL RECOMMENDATIONS	65.9	92,968,767	1,213,056,847
BREAKDOWN			
Executive Branch	35.4	34,449,622	600,706,524
Unified Judicial System and Other Elected Officials	3.5	2,305,169	55,515,471
State Aid		39,243,867	368,575,671
Postsecondary Vocational Education		356,573	20,896,857
Board of Regents	27.0	16,613,536	167,362,324
TOTAL FY2013 GENERAL BILL RECOMMENDATIONS	65.9	92,968,767	1,213,056,847

GENERAL FUND CONDITION STATEMENT

	ACTUAL FY2010	ACTUAL FY2011	REVISED FY2012	PROJECTED FY2013
RECEIPTS				
Sales and Use Tax	\$ 652,115,527	\$ 710,196,255	\$ 729,226,022	\$ 756,856,366
Contractor's Excise Tax	61,137,330	65,697,771	76,903,027	71,760,414
Property Tax Reduction Fund	123,174,513	110,380,262	101,069,637	102,953,026
Bank Franchise Tax	21,669,223	4,734,918	26,683,829	25,389,040
Insurance Company Tax	61,734,032	63,609,227	65,891,970	67,816,650
Other	189,965,121	208,427,961	204,369,964	201,831,223
One-Time Receipts	21,838,270	(14,744,054)	11,818,500	1,000,000
Transfer from Budget Reserves	0	0	20,155,015	0
Obligated Cash Carried Forward	0	0	0	37,806,110
TOTAL RECEIPTS	\$1,131,634,016	\$1,148,302,339	\$1,236,117,964	\$ 1,265,412,829
EXPENDITURES				
General Bill Excl. State Aid to Education	\$ 747,170,308	\$ 768,547,609	\$ 814,205,362	\$ 844,481,176
State Aid to Education	374,658,478	376,588,656	329,331,804	368,575,671
Special Appropriations	3,523,237	836,656	27,845,256	27,806,110
Emergency Special Appropriations	3,974,959	0	24,533,972	0
Continuous Appropriations	2,307,035	2,329,418	2,395,460	2,441,769
TOTAL EXPENDITURES	\$1,131,634,016	\$1,148,302,339	\$1,198,311,854	\$ 1,243,304,726
TRANSFERS				
Budget Reserve Fund	\$ -	\$ -	\$ -	\$ 10,000,000
TOTAL TRANSFERS	\$ -	\$ -	\$ -	\$ 10,000,000
Beginning Unobligated Cash Balance	\$ -	\$ -	\$ -	\$ -
Net (Receipts less Expend./Transfers)	0	0	37,806,110	12,108,103
OBLIGATIONS AGAINST CASH				
Budget Reserve Fund	0	0	(10,000,000)	(12,108,103)
Cash Committed for FY2013 Expenses	0	0	(27,806,110)	0
Total Obligations Against Cash	0	0	(37,806,110)	(12,108,103)
Ending Unobligated Cash Balance	\$ -	\$ -	\$ -	\$ -

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 2010	ACTUAL FY 2011	BUDGETED FY 2012	REQUESTED FY 2013	GOVERNOR'S RECOMMENDED FY 2013	RECOMMENDED INC/(DEC) FY 2013
FUNDING SOURCE:						
General Funds	\$ 1,121,828,785	\$ 1,145,136,265	\$ 1,120,088,080	\$ 1,211,907,070	\$ 1,213,056,847	\$ 92,968,767
Federal Funds	1,329,289,267	1,283,447,186	1,446,488,846	1,384,530,685	1,363,690,827	(82,798,019)
Other Funds	602,767,460	634,457,114	716,261,633	743,817,059	753,609,184	37,347,551
Total	<u>\$ 3,053,885,512</u>	<u>\$ 3,063,040,566</u>	<u>\$ 3,282,838,559</u>	<u>\$ 3,340,254,814</u>	<u>\$ 3,330,356,858</u>	<u>\$ 47,518,299</u>
EXPENDITURE DETAIL:						
Personal Services	\$ 710,019,208	\$ 710,007,529	\$ 753,893,907	\$ 763,052,658	\$ 788,458,628	\$ 34,564,721
Operating Expenses	2,343,866,303	2,353,033,036	2,528,944,652	2,577,202,156	2,541,898,230	12,953,578
Total	<u>\$ 3,053,885,512</u>	<u>\$ 3,063,040,566</u>	<u>\$ 3,282,838,559</u>	<u>\$ 3,340,254,814</u>	<u>\$ 3,330,356,858</u>	<u>\$ 47,518,299</u>
Staffing Level FTE:	12,845.6	11,857.6	12,373.5	12,497.5	12,433.4	59.9

SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2012	GOVERNOR'S RECOMMENDED FY 2013	RECOMMENDED INC/(DEC) FY 2013
General Funds	\$ 78,223,774	\$ 30,247,879	(\$ 47,975,895)
Federal Funds	12,496,010	16,796,797	4,300,787
Other Funds	38,028,369	2,122,632	(35,905,737)
Total	<u>\$ 128,748,153</u>	<u>\$ 49,167,308</u>	<u>(\$ 79,580,845)</u>
Staffing Level FTE:	11.6	0.0	(11.6)

TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2012	GOVERNOR'S RECOMMENDED FY 2013	RECOMMENDED INC/(DEC) FY 2013
General Funds	\$ 1,198,311,854	\$ 1,243,304,726	\$ 44,992,872
Federal Funds	1,458,984,856	1,380,487,624	(78,497,232)
Other Funds	754,290,002	755,731,816	1,441,814
Total	<u>\$ 3,411,586,712</u>	<u>\$ 3,379,524,166</u>	<u>(\$ 32,062,546)</u>
Staffing Level FTE:	12,385.1	12,433.4	48.3

INFORMATION BUDGETS CONTAINED IN THE GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2010	ACTUAL FY 2011	BUDGETED FY 2012	REQUESTED FY 2013	GOVERNOR'S RECOMMENDED FY 2013	RECOMMENDED INC/(DEC) FY 2013
FUNDING SOURCE:						
General Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal Funds	393,928,949	395,251,578	403,146,025	389,473,030	389,878,253 (13,267,772)
Other Funds	256,568,438	296,441,094	283,396,772	274,236,737	277,246,621 (6,150,151)
Total	\$ 650,497,388	\$ 691,692,672	\$ 686,542,797	\$ 663,709,767	\$ 667,124,874 (\$ 19,417,923)
EXPENDITURE DETAIL:						
Personal Services	\$ 85,530,827	\$ 95,431,007	\$ 100,183,143	\$ 100,732,385	\$ 103,899,466	\$ 3,716,323
Operating Expenses	564,966,560	596,261,665	586,359,654	562,977,382	563,225,408 (23,134,246)
Total	\$ 650,497,388	\$ 691,692,672	\$ 686,542,797	\$ 663,709,767	\$ 667,124,874 (\$ 19,417,923)
Staffing Level FTE:	1,307.4	1,243.9	1,254.4	1,261.4	1,260.4	6.0

INFORMATION BUDGETS

South Dakota Building Authority
 South Dakota Health and Educational Facilities Authority
 Public Entity Pool for Liability (PEPL) Administration
 PEPL Fund Claims
 Insurance Fraud Unit
 Petroleum Release Fund
 Lottery Instant and On-Line Operations
 Real Estate Commission
 Abstractors Board of Examiners
 Commission on Gaming
 American Dairy Association
 Wheat Commission
 Oilseeds Council
 Soybean Research and Promotion
 Brand Board
 Corn Utilization Council
 Board of Veterinary Medical Examiners
 SD Pulse Crops Council
 South Dakota Housing Development Authority
 Science and Technology Authority
 SD Energy Infrastructure Authority
 SD Ellsworth Development Authority
 Division of Wildlife
 Wildlife Development and Improvement
 Snowmobile Trails Program
 Board of Chiropractic Examiners
 Board of Dentistry
 Board of Hearing Aid Dispensers
 Board of Funeral Service
 Educational Enhancement Funding Corporation

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 2010	ACTUAL FY 2011	BUDGETED FY 2012	REQUESTED FY 2013	GOVERNOR'S RECOMMENDED FY 2013	RECOMMENDED INC/(DEC) FY 2013
FUNDING SOURCE:						
General Funds	\$ 1,121,828,785	\$ 1,145,136,265	\$ 1,120,088,080	\$ 1,211,907,070	\$ 1,213,056,847	\$ 92,968,767
Federal Funds	1,723,218,216	1,678,698,764	1,849,634,871	1,774,003,715	1,753,569,080	(96,065,791)
Other Funds	859,335,899	930,898,208	999,658,405	1,018,053,796	1,030,855,805	31,197,400
Total	<u>\$ 3,704,382,899</u>	<u>\$ 3,754,733,238</u>	<u>\$ 3,969,381,356</u>	<u>\$ 4,003,964,581</u>	<u>\$ 3,997,481,732</u>	<u>\$ 28,100,376</u>
EXPENDITURE DETAIL:						
Personal Services	\$ 795,550,035	\$ 805,438,536	\$ 854,077,050	\$ 863,785,043	\$ 892,358,094	\$ 38,281,044
Operating Expenses	2,908,832,864	2,949,294,702	3,115,304,306	3,140,179,538	3,105,123,638	(10,180,668)
Total	<u>\$ 3,704,382,899</u>	<u>\$ 3,754,733,238</u>	<u>\$ 3,969,381,356</u>	<u>\$ 4,003,964,581</u>	<u>\$ 3,997,481,732</u>	<u>\$ 28,100,376</u>
Staffing Level FTE:	14,153.0	13,101.5	13,627.9	13,758.9	13,693.8	65.9

SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2012	GOVERNOR'S RECOMMENDED FY 2013	RECOMMENDED INC/(DEC) FY 2013
General Funds	\$ 78,223,774	\$ 30,247,879	(\$ 47,975,895)
Federal Funds	12,496,010	16,796,797	4,300,787
Other Funds	38,028,369	2,122,632	(35,905,737)
Total	<u>\$ 128,748,153</u>	<u>\$ 49,167,308</u>	<u>(\$ 79,580,845)</u>
Staffing Level FTE:	11.6	0.0	(11.6)

TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2012	GOVERNOR'S RECOMMENDED FY 2013	RECOMMENDED INC/(DEC) FY 2013
General Funds	\$ 1,198,311,854	\$ 1,243,304,726	\$ 44,992,872
Federal Funds	1,862,130,881	1,770,365,877	(91,765,004)
Other Funds	1,037,686,774	1,032,978,437	(4,708,337)
Total	<u>\$ 4,098,129,509</u>	<u>\$ 4,046,649,040</u>	<u>(\$ 51,480,469)</u>
Staffing Level FTE:	13,639.5	13,693.8	54.3