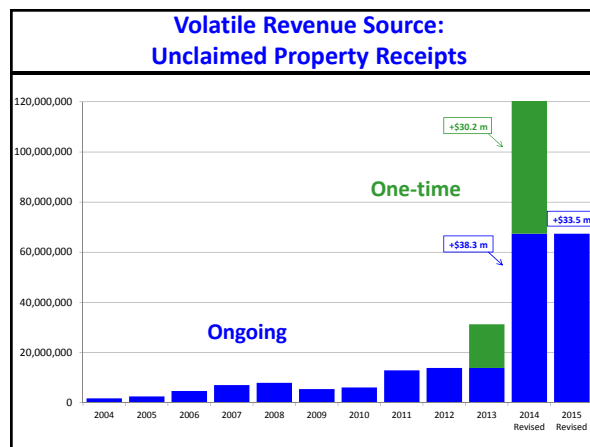
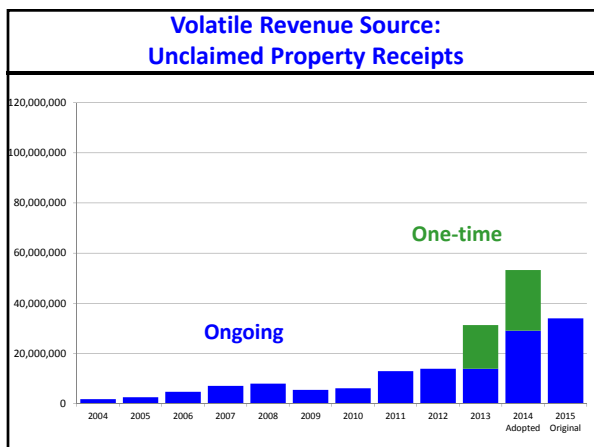
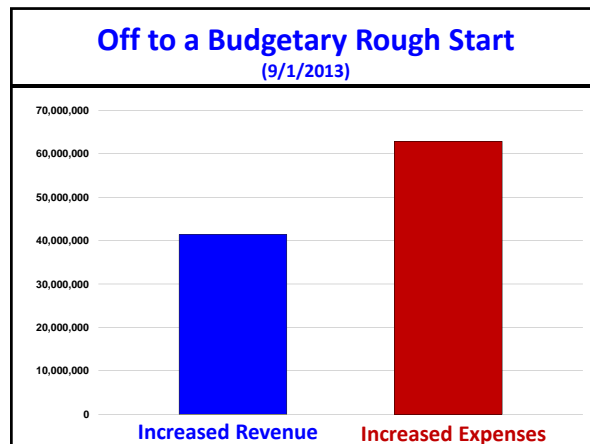


**Governor Dennis Daugaard's
FY2015 Budget Recommendations**



December 3, 2013



Ongoing Increase Result to the Budget?

+\$33.5 million = 1.6% in Minimal Expenses + Normal Expenses

Using one-time dollars to gain ongoing dollars

\$30 million in one-time to prefund BSD = \$16.9 million in ongoing savings

The Ongoing Budgetary Result: Revenue	
Initial FY15 Ongoing Revenue Growth	\$41.4m
Remaining Revised Revenue Estimates	\$ 3.8m
Revised Revenue from UCP	\$33.5m
SB 235 Implementation Costs (BSDF)	<u>(\$16.9m)</u>
Total Ongoing Revenue Growth	\$61.8m

The Ongoing Budgetary Result: Revenue	
Initial FY15 Ongoing Revenue Growth	\$41.4m
Remaining Revised Revenue Estimates	\$ 3.8m
Revised Revenue from UCP	\$33.5m
	<hr/>
Total Ongoing Revenue Growth	\$78.7m

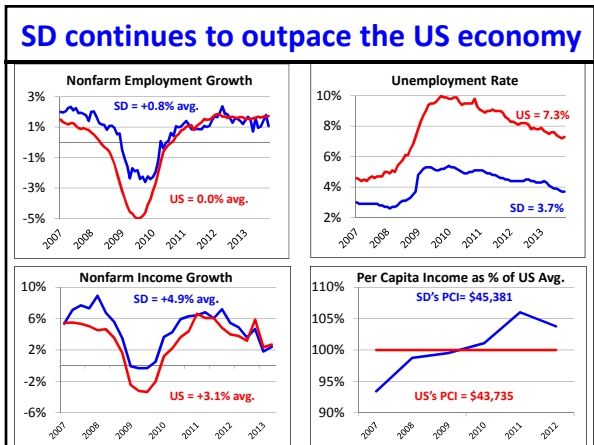
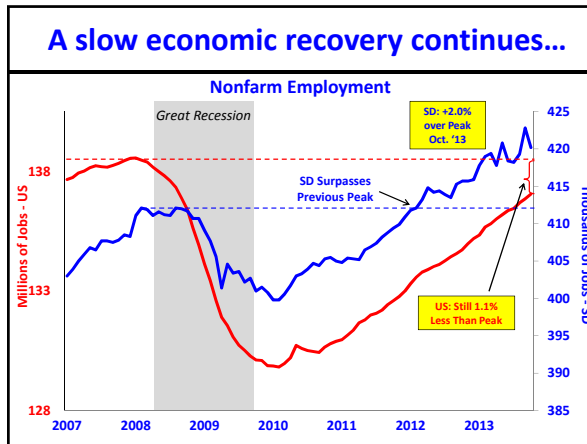
Prefunding Building South Dakota Fund		
Three year proposal		
Allocations	Original FY2015 Projection	Prefund Option
Workforce Education Fund (30%)	\$2,184,188	\$3,000,000
Local Infrastructure Fund (25%)	\$1,820,156	\$2,500,000
Housing Opportunity Fund (25%)	\$1,820,156	\$2,500,000
Econ. Dev. Partnership (15%)	\$1,092,095	\$1,500,000
REDI Fund (5%)	\$364,030	\$500,000
Total	\$7,280,625	\$10,000,000
3 Year Total	\$36,403,125	\$30,000,000

Using one-time dollars to gain ongoing dollars	
\$30 million in <u>one-time</u> to prefund BSD	= \$16.9 million in <u>ongoing</u> savings
\$58.1 million in <u>one-time</u> to prepay liabilities	= \$6.3 million in <u>ongoing</u> savings

Prepay Bonds				
Project	Amount of Bonds to Be Paid in Full	FY15 Ongoing General Fund Savings	Future Interest and Fee Savings	Avg. Yield
Mickelson DCI	\$6,040,293	\$647,160	\$1,618,905	4.63%
BOR Science Facilities	\$32,465,540	\$2,301,879	\$11,308,928	4.71%
Mickelson HSC	\$11,018,853	\$2,870,299	\$340,789	6.7%*
Mickelson HSC Dietary	\$8,607,368	\$457,175	\$0	5.59%
Total	\$58,132,054	\$6,276,513	\$13,268,622	

The Ongoing Budgetary Result: Expenses	
Initial entitlement, inflationary and statutorily driven expense growth	\$ 62.9m
Other expense ups and downs	\$ 5.2m
Savings from prepaying bonds	<u>(\$ 6.3m)</u>
Costs to move to 3%	<u>\$ 16.9m</u>
Total Expense Growth	\$ 78.7m

SOUTH DAKOTA'S ECONOMY



REVENUES

- ### Approach to Projecting Revenues
- Use Sound Economic Assumptions
 - Solicit statewide input of Governor's Council of Economic Advisors
 - Project revenues at levels having high probability of attainment
 - Use long-term baselines to protect ongoing expenses from short-term revenue fluctuations

- ### South Dakota – An example to be followed
- Maintaining and improving structural balance
 - Conservative revenue estimates
 - Eliminating liabilities where possible

A History of Ongoing Revenue Estimating

Year	Adopted	Actual Receipts	Difference
FY2004*	\$876,682,272	\$917,449,464	\$40,767,192
FY2005	\$952,696,623	\$956,751,219	\$4,054,596
FY2006*	\$1,001,797,801	\$1,013,115,062	\$11,317,261
FY2007*	\$1,065,991,069	\$1,061,350,024	(\$4,641,045)
FY2008*	\$1,148,973,257	\$1,143,748,223	(\$5,225,034)
FY2009	\$1,195,459,836	\$1,138,901,445	(\$56,558,391)
FY2010*	\$1,130,101,479	\$1,109,359,945	(\$20,741,534)
FY2011	\$1,154,744,209	\$1,163,046,393	\$8,302,184
FY2012	\$1,165,379,488	\$1,235,903,897	\$70,524,409
FY2013	\$1,233,473,042	\$1,258,177,217	\$24,704,175
FY2014	\$1,320,558,795	\$1,353,715,139	\$33,156,344

* Includes adjustments

FY2014 Adopted vs. Revised Ongoing Receipts

Source	Ad. FY2014	Rev. FY2014	Dollar Change
Sales and Use Tax	\$805.4	\$810.1	+ 4.7
Property Tax Red. Fund	111.0	108.1	- 2.9
Contractor's Excise Tax	88.4	89.5	+ 1.1
Insurance Company Tax	72.2	74.0	+ 1.8
Ongoing UCP Receipts	29.1	67.5	+ 38.4
Licenses, Permits, & Fees	50.1	49.9	- 0.2
Net Transfers In	31.2	30.7	- 0.5
Trust Fund Transfers	28.3	28.4	+ 0.1
Bank Franchise Tax	23.2	17.0	- 6.2
Other Ongoing Receipts	81.6	78.5	- 3.1
Total Ongoing Receipts	1,320.5	1,353.7	+ 33.2

FY2014 & FY2015 Ongoing Receipts

Source	Rev. FY2014	Est. FY2015	Dollar Change
Sales and Use Tax	\$810.1	\$835.2	+ 25.1
Property Tax Red. Fund	108.1	110.2	+ 2.1
Contractor's Excise Tax	89.5	94.8	+ 5.3
Insurance Company Tax	74.0	77.5	+ 3.5
Ongoing UCP Receipts	67.5	67.5	0.0
Licenses, Permits & Fees	49.9	51.1	+ 1.2
Net Transfers In	30.7	31.3	+ 0.6
Trust Fund Transfers	28.4	30.5	+ 2.1
Bank Franchise Tax	17.0	17.5	+ 0.5
Other Ongoing Receipts	78.5	78.1	- 0.4
Total Ongoing Receipts	1,353.7	1,393.7	+ 40.0

Conservative Revenue Estimates Help Fund Additional Growth

FY2014 Structural Surplus left by 2013 Legislature	\$5.5 million
FY2014 Revised Ongoing Revenue Growth	\$33.2 million
FY2015 Projected Ongoing Revenue Growth	\$40.0 million
Total Ongoing Revenue Growth Available	\$78.7 million

EXPENSES

Principles for New Spending

Avoid a structural deficit

- Only spend revenues highly probable
- Cautious, sustainable ongoing increases
- Use of one-time dollars to reduce ongoing expenses

FY2015 Ongoing General Fund Proposals	
<input type="checkbox"/> K-12 Education	+3.0%
<input type="checkbox"/> Technical Institutes	+3.0%
<input type="checkbox"/> Board of Regents	+2.6%
<input type="checkbox"/> Provider Inflation	+3.0%
<input type="checkbox"/> State Workforce COLA	+3.0%

FY2015 Recommended Ongoing Expense - Summary	
Major Increases/Decreases	General Funds
Education Increases	\$19,187,087
Medical & Provider Assistance Increases	\$39,199,089
State Employee Compensation Package	\$20,333,662
All the Rest	\$6,223,492
Bond Prepayment Savings	(\$6,276,513)
TOTAL GENERAL FUND INCREASES	\$78,666,817

FY2015 Recommended Ongoing Expense - Education	
Major Increases/Decreases	General Funds
State Aid to Education	\$8,000,244
BOR In-state Resident Tuition Freeze	\$3,955,862
Technical Institute Tuition Buy-down	\$915,920
BOR Maintenance and Repair	\$1,647,447
BOR Utilities	\$1,161,617
Medical School Expansion	\$1,036,515
Technical Institute Bonds	\$875,880
Technical Institute Formula	\$778,992
Miscellaneous Increases/Decreases	\$814,610
TOTAL GENERAL FUND INCREASES	\$19,187,087

FY2015 Recommended Ongoing Expense – Medical & Provider Assistance	
Major Increases/Decreases	General Funds
Provider Inflation	\$15,716,286
FMAP	\$15,637,278
Growth in Eligibles and Utilization	\$6,660,485
Miscellaneous Increases/Decreases	\$1,185,040
TOTAL GENERAL FUND INCREASES	\$39,199,089

FY2015 Recommended Ongoing Expense - State Workforce	
Major Increases/Decreases	General Funds
Cost of Living Adjustment	\$9,739,760
Movement to Job Worth	\$2,797,040
Career Banding Pay for Performance	\$585,673
Targeted Compensation Adjustments	\$454,727
Health Insurance	\$6,756,462
TOTAL GENERAL FUND INCREASES	\$20,333,662

FY2015 Recommended Ongoing Expense - All Others	
Major Increases/Decreases	General Funds
Maintenance & Repair	\$3,481,983
Agriculture Rural Rehabilitation	\$460,000
Drug/DUI Courts	\$395,773
Utilities/Internal Service Rates	\$350,955
Adult Education & Literacy	\$325,000
Increase Jail Rate to Counties	\$135,200
Miscellaneous Increases/Decreases	\$1,074,581
TOTAL GENERAL FUND INCREASES	\$6,223,492

ONE-TIME

- ## Improving Structural Soundness
- Eliminate Liabilities
 - Build or Improve an Asset
 - Secure an Asset
 - Endow a Program for the Future

Where did the One-time Funds Come From? (increased revenue)

Source: Revenue	FY2014
Nominal FY14 Surplus left Legislature	\$1,695,919
Increase in UCP one-time receipts	\$30,210,803
Liquidation of \$10-45B account	\$19,424,586
Bank card tax reduction (issue resolved)	\$16,641,948
Reversion of unexpended carryover	\$4,000,000
Increase in ongoing UCP (one-time in FY14)	\$38,333,302
Change to rest of ongoing (one-time in FY14)	(\$5,176,958)
Transfer from Property Tax Reduction Fund	\$19,626,221
Total One-time Funds (Revenue Side)	\$124,755,821

Where Did the One-time Funds Come From? (decreased expenses)

Source: Expenses	FY2014
DSS Revised Medicaid Eligibles Revision	(\$6,086,570)
State Aid to General Ed Revision	(\$5,874,773)
Continuous Appropriations Change	\$135,646
Total Reduction to FY2014 Adopted Expense	(\$11,825,697)

Total One-time Funds Available FY2014:	\$136,581,518
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FY2014 General Bill Amendments

	General
State Employee Health Insurance Shortfall	\$8,778,258
Correctional Healthcare Shortfall/Reserve	\$3,500,000
State Health Insurance Reserve	\$1,145,433
DOE Technology Upgrades	\$1,100,000
Revised Utility Projections	\$780,243
Internal Service Rate Changes	\$743,113
Miscellaneous Increases/Decreases	\$655,943
Total FY2014 General Bill Amendments	\$16,702,990

FY2014 Special Appropriations

	General
Tax Refunds for Elderly and Disabled Persons	\$450,000
Mountain Pine Beetle Treatment	\$350,000
Watertown Armory Land Acquisition	\$151,768
Rural Healthcare Recruitment Assistance Program	\$94,167
Total Special Appropriations	\$1,045,935

Remaining One-time Funds

Total One-time Funds	\$136,581,518
Total FY2014 General Bill Amendments	(\$16,702,990)
Total Normal Special Appropriations	(\$1,045,935)
One-time Funds Available	\$118,832,593

One-time Proposed Expenses

Prepay Bonds	\$58,132,054
Prefund Building South Dakota	\$30,000,000
Pay Cash vs. Borrowing for State Vet's Home	\$16,365,044
Eliminate UAAL for Cement Plant Retirement	\$5,598,495
BOR Health Insurance Tuition Shortfall	\$2,600,000
SDSU Swine Facility Construction	\$2,037,000
Public Safety Building Construction	\$1,400,000
Missouri River Rail Bridge Repair	\$1,200,000
Health Care Provider Loan Fund	\$1,000,000
New South Dakotans/Dakota Roots	<u>\$500,000</u>
Total	\$118,832,593

State Veterans' Home

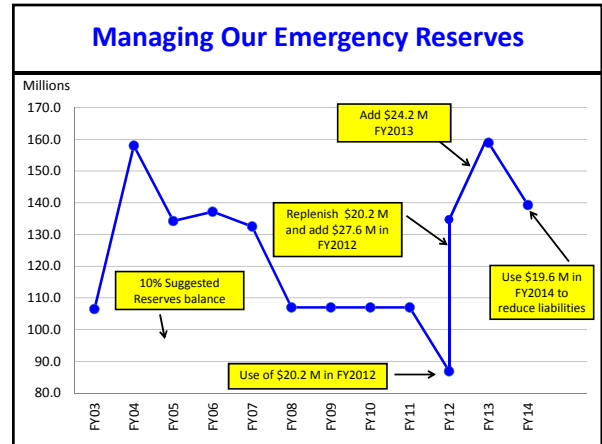
Total Cost of Vets' Home	\$41,271,214
Federal Grant	<u>\$23,599,934</u>
Remaining State Share	\$17,671,280
General Funds Appropriated (2013)	\$1,306,236
One-Time Appropriation	\$16,365,044
FY2016 Ongoing General Fund Budget Savings	\$1,589,069

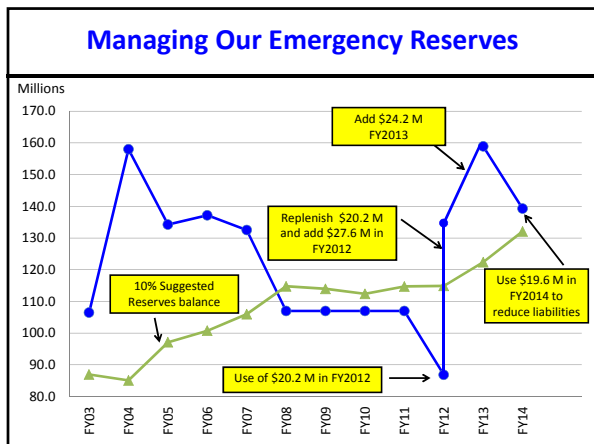
Cement Plant Retirement Fund

CPRF Funded Status on June 30, 2013	87.7%
Unfunded Actuarial Accrued Liability as of 6/30/ 2013	\$7,598,495
2013 Legislature Contribution	(\$2,000,000)
Total Liability Remaining	\$5,598,495
After Payoff:	
Funded Status based on CPRF assumptions	100.0%
Funded Status based on SDRS assumptions	107.0%
Funded Status of SDRS as of June 30, 2013	103.2%

New Budget Bottom Line

	FY2014	FY2015
Total Recommended Receipts	\$1,476,437,920	\$1,393,732,594
Total Recommended Expenses	\$1,476,437,920	\$1,393,732,594
Unobligated Net	\$0	\$0





- ### Leading the Nation by Example
- Balancing Our Budget for 125 years
 - Managing Rainy Day Funds Responsibly
 - Avoiding Tax Increases
 - Improving Structural Soundness
 - SDRS Pension Fund over 100% funded
 - Barron's*: SD is the Best Run State in America (2012)
 - CNBC*: SD is #1 for Business (2013)

