

# FY2014 Presentation to the Joint Committee on Appropriations

South Dakota  
Bureau of Finance and Management

1/15/2014

# Ongoing Revenue Estimates: FY2014

(millions)

Source	Adopted FY2014	Revised FY2014	Dollar Change
Sales and Use Tax	\$805.4	\$810.1	+ 4.7
Property Tax Reduction 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 Unclaimed Property	29.1	67.5	+ 38.4
Bank Franchise Tax	23.2	17.0	(6.2)
Remaining Ongoing Receipts	<u>191.2</u>	<u>187.5</u>	<u>(3.7)</u>
<b>Total Ongoing Receipts</b>	<b>\$1,320.5</b>	<b>\$1,353.7</b>	<b>+ 33.2</b>

# One-time Receipts: FY2014

(millions)

Source	Adopted FY2014	Revised FY2014	Dollar Change
One-time Unclaimed Property	\$24.2	\$54.4	+ 30.2
Transfer from PTRF Reserves	0.0	19.6	+ 19.6
Liquidation of §10-45B acct.	0.0	19.4	+ 19.4
Reduction to ongoing Bank Tax	(16.6)	0.0	+ 16.6
Unexpended Carryover	0.0	4.0	+ 4.0
Obligated Cash Carried Fwd. (excl. reserve transfer)	<u>1.0</u>	<u>1.0</u>	<u>0.0</u>
<b>Total One-Time Receipts</b>	<b>\$8.6</b>	<b>\$98.4</b>	<b>+ 89.8</b>

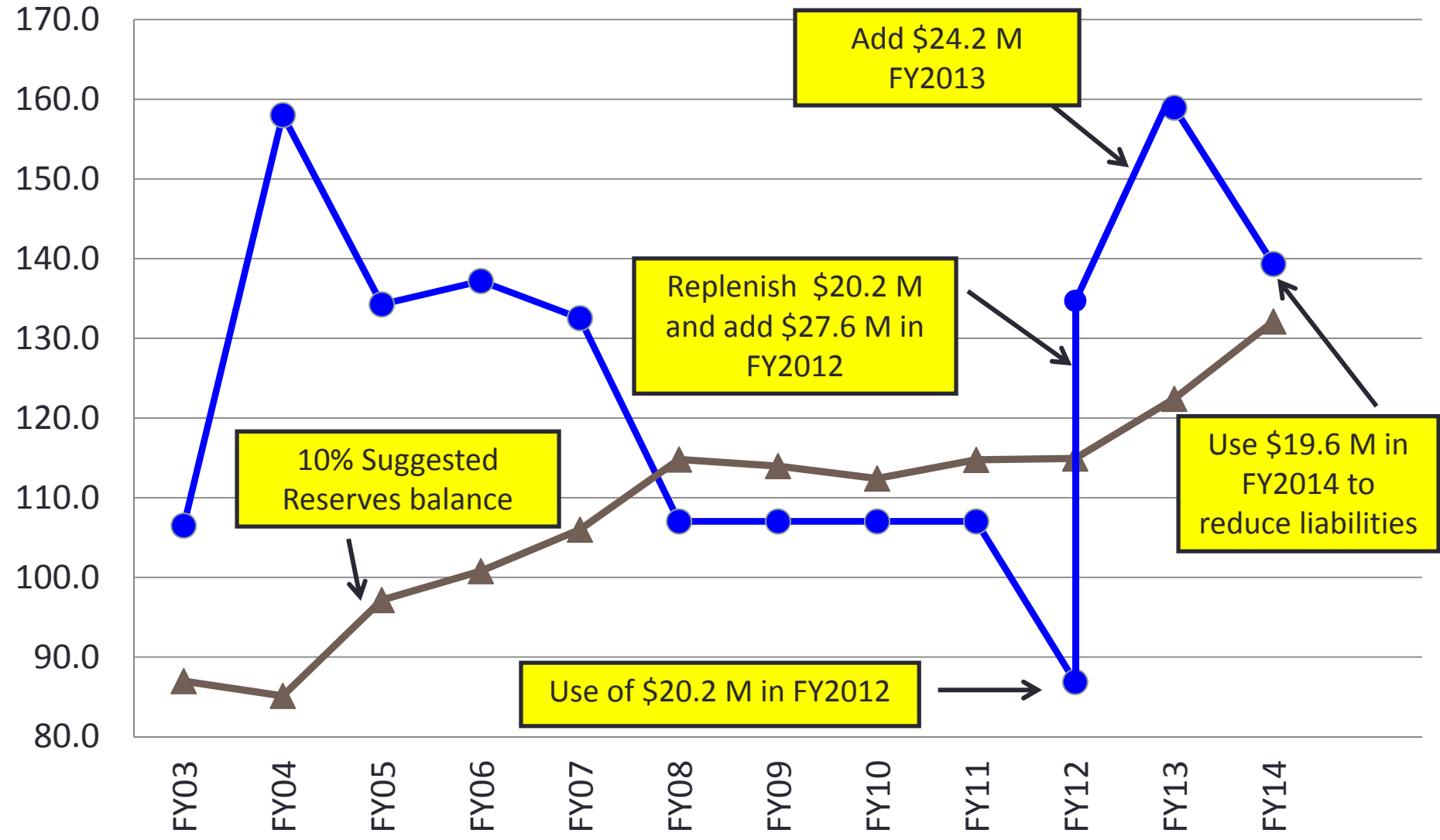
# Unclaimed Property

(millions)

Source	Adopted FY2014	Revised FY2014	Estimated FY2015
Unclaimed Property			
Large Holders 3-year	\$27.5	\$69.6	\$67.5
Large Holder prior years	21.0	43.5	0.0
All Other Property	<u>4.8</u>	<u>8.8</u>	<u>0.0</u>
<b>Total Unclaimed Property</b>	<b>\$53.3</b>	<b>\$121.9</b>	<b>\$67.5</b>
			Assumed ongoing level for FY2014
<b>Ongoing UCP</b>	<b>\$29.1</b>	<b>\$67.5</b>	<b>\$67.5</b>
<b>One-time UCP</b>	<b>\$24.2</b>	<b>\$54.4</b>	<b>\$0.0</b>

# Managing Our Emergency Reserves

Millions



# Bank Franchise Tax

(millions)

Source	Adopted FY2014	Revised FY2014	Estimated FY2015
Bank Franchise Tax			
Ongoing Bank Card (95%)	\$16.6	\$9.5	\$9.5
Ongoing Traditional (26 2/3%)	6.6	7.5	8.0
One-time Reduction	<u>(16.6)</u>	<u>0.0</u>	<u>0.0</u>
<b>Total Bank Franchise Tax</b>	<b>\$6.6</b>	<b>\$17.0</b>	<b>\$17.5</b>

# Summary of FY2014 One-time Funds Available

# Available One-time Funds from Revenue

<b>Source: Increased Revenues</b>	<b>FY2014</b>
Nominal FY14 Surplus left by 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
<b>Total One-time Funds (Revenue Side)</b>	<b>\$124,755,821</b>



# Available One-time Funds from Revised Expenditures

<b>Source: Decreased Expenses</b>	<b>FY2014 General Funds</b>
DSS Revised Medicaid Eligibles Revision	(\$6,086,570)
State Aid to General Education Revision	(\$5,874,773)
Continuous Appropriations Change	\$135,646
<b>Total Reduction to FY2014 Adopted Expenses</b>	<b>(\$11,825,697)</b>

# DSS Eligibles Revision

- Decreases of \$6,086,570 in general funds and \$7,820,222 in federal fund expenditure authority
- Updated projections estimate fewer individuals who are eligible for Title XIX (Medicaid) and Title XXI (CHIP)
- FY14 Medicaid eligibles revision from 104,890 individuals to 102,800 individuals
- FY14 CHIP eligibles revised from 13,856 individuals to 13,328 individuals

# State Aid Revision

- Decrease of \$5,874,773 in general funds
- This will reduce funding that is not needed in the FY2014 budget for State Aid to General Ed.

Change to General Education Budget	State Funding Impact
Higher Limited English Proficiency (LEP) costs	\$496,692
Increased lost valuation outside formula	\$453,996
Higher small school adjustment costs	\$192,906
Fewer students than budgeted (285.78)	(\$1,321,918)
Higher local effort than budgeted	(\$5,696,449)
<b>Total Revision to FY2014 State Aid Budget</b>	<b>(\$5,874,773)</b>

# Total FY2014 One-time Funds Available for Expenses

	<b>General Funds</b>
One-time Revenues	\$124,755,821
Reduced Expenditures	(\$11,825,697)
<b>Total One-Time Funds Available</b>	<b>\$136,581,518</b>

# FY2014 One-time Expenses

# Recommended Expenditures of One-time General Funds

	<b>General Funds</b>
Emergency Special Appropriations	\$117,278,528
FY2014 General Bill Amendments	\$19,302,990
<b>Total Expenditures</b>	<b>\$136,581,518</b>

# Emergency Special Appropriations

	General
Prepay Bonds	\$58,132,054
Prefund Building South Dakota	\$30,000,000
Cash vs. Borrowing for State Veterans' Home	\$16,365,044
Cement Plant Retirement Fund	\$5,598,495
SDSU Swine Facility	\$2,037,000
Public Safety Building Construction	\$1,400,000
Railroad Trust Fund	\$1,200,000
Healthcare Provider Loan Fund	\$1,000,000

# Emergency Special Appropriations

	General
New South Dakotans/Dakota Roots	\$500,000
Tax Refunds for Elderly and Disabled Persons	\$450,000
Mountain Pine Beetle Treatment	\$350,000
Watertown Armory	\$151,768
Rural Healthcare Recruitment Assistance	\$94,167
<b>Total Emergency Special Appropriations</b>	<b>\$117,278,528</b>



# 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%
<b>Total</b>	<b>\$58,132,054</b>	<b>\$6,276,513</b>	<b>\$13,268,622</b>	

# Prefund 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
<b>Total</b>	<b>\$7,280,625</b>	<b>\$10,000,000</b>
<b>3-Year Total</b>	<b>\$36,403,125</b>	<b>\$30,000,000</b>

# 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%

# SDSU Swine Facility Construction

- \$2,037,000 in general funds
- Remaining funds needed to complete the swine facility construction
- Total cost is \$5,520,000
  - \$1,000,000 HEFF
  - \$2,483,000 donations

# Public Safety Building Construction

- \$1,400,000 in general funds
- \$300,000 in other fund expenditure authority
- Building will be located on Department of Transportation's campus in Rapid City

# Railroad Trust Fund

- \$1,200,000 in general funds
- Loans and grants to improve state rail infrastructure

# Healthcare Provider Loan Fund

- \$1,000,000 in general funds
- Loans to nursing facilities throughout SD to improve nursing facilities and healthcare infrastructure



# New South Dakotans/Dakota Roots

- \$500,000 in general funds
- Continue the New South Dakotans program
- Enhance the Dakota Roots program to attract out-of-state citizens back to South Dakota

# Tax Refunds for Elderly and Disabled Persons

- \$450,000 in general funds
- Continue program with eligibility requirements at the same level as FY2014

# Mountain Pine Beetle Treatment

- \$350,000 in general funds
- Funding will be used for pine beetle suppression on state lands within the Black Hills
- Primary focus will be in the Sylvan Lake area of Custer State Park

# Watertown Armory

- \$151,768 in general funds
- Department of Military will purchase 25.6 acres of land from the Department of Transportation
- Land is adjacent to existing Watertown Armory

# Rural Healthcare Recruitment Assistance Program

- \$94,167 in general funds
- Participants in the program agree to practice in the community for three years, at the end of which they will receive reimbursement
- Helps serve the increasing medical needs of our rural citizens
- Reimburses one family physician

# FY2014 General Bill Amendment General Fund Increases

	General
State Employee Health Insurance Shortfall	\$8,778,258
State Health Insurance Reserve	\$1,145,433
Board of Regents Health Insurance Shortfall	\$2,600,000
Correctional Healthcare Shortfall/Reserve	\$3,500,000
Revised Utility Projections	\$780,243
Internal Service Rate Changes	\$743,113
K-12 Technology Upgrades	\$600,000
DOE E-Grant System	\$500,000

# FY2014 General Bill Amendment General Fund Increases

	General
BOR CAFR Upgrades	\$235,250
DOE Teacher Evaluation Software	\$194,360
DOH Infant Mortality Initiative	\$100,000
Black Hills Playhouse Wastewater Reduction	\$47,000
BOR SD Opportunity Scholarship	\$41,833
DOR Productivity Study	\$37,500
<b>Total</b>	<b>\$19,302,990</b>

# State Employee Health Insurance Shortfall

- \$8,778,258 in general funds, \$5,051,180 in federal funds, and \$9,489,517 in other funds
- FY13 shortfall: \$7.2m
- FY14 shortfall: \$15.9m
- Total \$23.1m
- Increases the rate by \$1,800 to a new cost of \$9,069 per benefitted employee



# State Employee Health Insurance Reserve

- \$1,145,433 in general funds, \$659,460 in federal funds, and \$1,238,909 in other funds
- Increases the rate by \$235. The total rate for FY2014 including the previous increase is \$9,304
- Results in a reserve halfway to the actuarially recommended amount of \$6 million

# BOR Health Insurance Tuition shortfall

- \$2,600,000 in general funds
- Funds a portion of the tuition funds needed to cover the FY2014 health insurance shortfall

# Correctional Healthcare Shortfall and Reserve

- Shortfall: \$2,000,000 in general funds/other fund expenditure authority
  - Shortfall due to costs associated with significant inmate healthcare events
- Reserve: \$1,500,000 in general funds
  - Equivalent to approximately one month of expenditures

# Revised Utility Projections

- \$780,243 in general funds, \$175,286 in federal funds, \$23,615 in other funds
- FY14 rates are anticipated to increase
  - 16% for natural gas
  - 7% for propane
  - 5% for fuel oil
  - 5% for electricity
- Impacts the Departments of Social Services, Transportation, Military, Veterans' Affairs, Corrections, Human Services, and the Board of Regents

# Internal Service Rates

- \$743,113 general funds, \$531,188 federal funds, \$883,966 other funds
- Mid-year adjustments in bureau rates are due to adjustments in projected expenses
- New expenses include things like the one-time health insurance increase and utilities cost increases

# K-12 Technology Upgrades

- \$600,000 in general funds
- This will upgrade servers, disk shelves, and replace 50TB of storage area network at the K-12 data center at Dakota State University

# E-Grant System

- \$500,000 in general funds
- This will allow the Department of Education to purchase a new E-Grant system
- The E-Grant system manages federal grants for reimbursement to school districts. The current system is out-of-date and lacks flexibility and support
- The new system will also assist in the faster completion of the CAFR

# BOR CAFR Technology upgrades

- \$235,250 in general funds
- Costs for hardware and software upgrades



# Teacher Evaluation Software

- \$194,360 in general funds
- Pays for one-time costs of the teacher evaluation software in FY2014
- Teacher evaluations are a requirement of South Dakota's ESEA waiver and the state has made this tool available to all school districts in FY2014
- Start-up costs were higher than previously estimated, and the demand from school districts has been higher than anticipated

# DOH Infant Mortality Initiative

- \$100,000 in general funds
- South Dakota *Cribs for Kids*<sup>®</sup> was established as a result of the Governor's Task Force on Infant Mortality to distribute cribs to low-income families who need a safe sleep environment for their baby
- Pack 'n Play cribs are provided to low resource families who do not have a safe sleep option for their baby. Staff provide education about the use of the crib and ways to reduce the risk of SIDS and accidental suffocations
- Safe sleep kits cost about \$90 per kit

# Black Hills Playhouse Wastewater Reduction

- \$47,000 in general funds
- Addresses ongoing Playhouse wastewater treatment issues
- Current fixtures are old, high-volume units
- Replacing fixtures is estimated to reduce wastewater by 44%

# BOR SD Opportunity Scholarship

- \$41,833 in general funds
- This is based on revised projections for the opportunity scholarship program

# DOR – Productivity Study

- \$37,500 in general funds
- This will pay for transitional costs of the productivity study that is completed by South Dakota State University each year per SDCL 10-6-33.29

# FY2014 Bottom Line

	FY2014
FY2014 Adopted Receipts	\$1,329,145,496
FY2014 Increased Receipts	\$123,059,902
FY2014 Revised Receipts	\$1,452,205,398
FY2014 Adopted Expenses	\$1,327,449,577
FY2014 Increased Expenses	\$124,755,821
FY2014 Revised Expenses	\$1,452,205,398
Unobligated Net	\$0