

Budget Overview

South Dakota
Bureau of Finance and Management

1/11/2016

BFM Budget Team

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FY2016

Presentation Overview

- Ongoing Revenue Estimates
- One-time Revenue Estimates
- Revenue Summary
- Recommended Special Appropriations
- Amendments to the 2016 General Bill
- FY2016 Revised Bottom Line

FY2016
Revised Ongoing and One-time
Revenue Estimates

Ongoing Revenue Estimates: FY2016

(millions)

Source	Adopted FY2016	Revised FY2016	Dollar Change
Sales and Use Tax	\$868.9	\$872.6	+ 3.7
Lottery	108.0	109.1	+ 1.1
Contractor's Excise Tax	101.0	104.1	+ 3.1
Insurance Company Tax	81.0	83.8	+ 2.8
Unclaimed Property	57.0	58.0	+ 1.0
Licenses, Permits, & Fees	56.1	56.6	+ 0.5
Tobacco Taxes	52.9	56.3	+ 3.4
Bank Franchise Tax	10.9	5.4	(5.5)
Remaining Ongoing Revenue	<u>97.3</u>	<u>95.6</u>	<u>(1.7)</u>
Total Ongoing Revenue	\$1,433.1	\$1,441.5	+ \$8.4

One-time Revenue Estimates: FY2016

(millions)

Source	Adopted FY2016	Revised FY2016	Dollar Change
Transfer from Reserves (to 10% level)	\$0.0	\$27.4	+ \$27.4
Transfer from Department of Corrections	0.0	5.0	+ 5.0
Transfer from Petroleum Release Comp. Fund	0.0	3.5	+ 3.5
Transfer from SD Risk Pool	<u>0.0</u>	<u>3.4</u>	<u>+ 3.4</u>
Total One-time Revenue	0.0	39.3	+ 39.3

One-time Funds in FY2016

Source: Revenue Changes from Adopted	FY2016
Nominal FY2016 Surplus left by Legislature	\$10,000
Changes to FY2016 Ongoing Receipts	\$8,383,939
Cash from DOC, PRCF, and Risk Pool	\$11,832,509
Transfer from reserves to 10% target	\$27,426,643
Reduction of Annual Appropriations	<u>\$12,606,312</u>
Total One-time Funds Available in FY2016	\$60,259,403

FY2016 One-time Reduced Expenditures

FY2016 Reduced General Bill Appropriations

Source: Decreased Expenses	FY2016 General Funds
Statewide Utilities	(\$1,250,489)
State Aid to General Education Revision	(\$3,100,000)
State Employee Health Insurance	<u>(\$8,255,823)</u>
Total Reduction to FY2016 Adopted Expenses	(\$12,606,312)

Statewide Utilities

- Decreases of \$1,250,489 in general funds, \$75,345 in federal funds, and \$142,579 in other funds
- Impacts the Departments of Corrections, Social Services, Human Services, Military, Veterans' Affairs, the Board of Regents, and the Bureau of Administration

State Aid Revision

- Decrease of \$3,100,000 in general funds
- This will reduce funding that is not needed in the FY2016 budget for State Aid to General Education due to fewer students, lower small school adjustment, and higher property valuation growth than originally budgeted

State Employee Health Insurance

- Decreases of \$8,255,823 in general funds, \$3,931,822 in federal funds, and \$8,795,577 in other funds
- Health claims are lower than previously projected

One-time Funds in FY2016

Source: Revenue Changes from Adopted	FY2016
Nominal FY2016 Surplus left by Legislature	\$10,000
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Total One-time Funds Available in FY2016	\$60,259,403

FY2016 Increased One-time Expenses

Recommended Expenditures of One-time General Funds

	General Funds
Emergency Special Appropriations	\$55,690,586
FY2016 General Bill Amendment Increases	\$4,492,332
Continuous Appropriations	<u>\$27,676</u>
Total Expenditures	\$60,210,594

Emergency Special Appropriations

	General
Prepay Bonds	\$42,312,084
Extraordinary Litigation Fund	\$2,974,502
Native American Student Achievement	\$2,200,000
Fire Suppression Fund	\$2,100,000
Need-Based Endowment	\$2,100,000
SDDC Building Demolition	\$1,808,000
Railroad Trust Fund	\$1,000,000
Secretary of State Online Business Registration System	\$716,000
Tax Refunds for Elderly and Disabled	\$450,000
SPL Dam Maintenance and Repair	\$250,000
Rural Residency Startup	\$205,000
USS South Dakota	\$100,000
Total FY2016 Emergency Special Appropriations	\$55,690,586

Prepay Bonds

Project	Amount of Bonds to Be Paid in Full	Ongoing Savings	Interest Savings	Fee Savings	Average Yield
BOR Science Labs Series 2008 A-2	\$26,892,774	\$2,200,613	\$9,553,855	\$991,047	4.74%
BOR Science Labs Series 2008 A-3	\$8,612,640	\$704,077	\$3,058,970	\$317,443	4.74%
Tech. Institutes Series 2007	\$5,262,972	\$811,125	\$603,931	\$5,378	5.03%
Tech. Institutes Series 2014 A	<u>\$1,543,698</u>	Preserves coverage ratios	<u>\$47,545</u>	<u>\$914</u>	<u>2.21%</u>
Total	\$42,312,084	\$3,715,815	\$13,264,301	\$1,314,782	

Extraordinary Litigation Fund

- \$2,449,502 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
- Bill will be introduced as \$2,974,502 due to updated cost estimates

Native American Student Achievement

- \$2,200,000 in general funds
- Improve the educational outcomes for Native American students based on the recommendations of the Native American Student Achievement Advisory Council

Fire Suppression Fund

- \$2,100,000 in general funds
- For costs related to the suppression of wildfires in South Dakota
- Backfills the fire suppression fund

Need-Based Endowment

- \$2,100,000 in general funds + \$1,400,000 in Board of Regents other fund cash
- Provide additional funding to the Education Enhancement Trust Fund for the purpose of providing grants to qualified need-based students
- Brings endowment to \$5,000,000

SDDC Building Demolition

- \$1,808,000 in general funds
- For the demolition of Willhite, Sunnyview, and Dakota Hall at the South Dakota Developmental Center in Redfield
- Part of the DHS overall plan to reduce footprint and achieve long term cost savings by minimizing maintenance costs

Railroad Trust Fund

- \$1,000,000 in general funds
- Loans and grants to improve state rail infrastructure
- Projects such as sidings or mainline rail improvements, which have a direct impact on economic development in South Dakota
- Many worthy projects

Secretary of State Online Registration System

- \$716,000 in general funds
- For the purchase and development of software to allow all business/corporation filings to be completed online
- Funds will be paid back to the general fund through increased revenue from fee package

Tax Refunds for Elderly and Disabled Persons

- \$450,000 in general funds
- Tax refunds for elderly and disabled individuals who meet income guidelines

SPL Dam Maintenance and Repair

- \$250,000 in general funds
- For the maintenance and repair of state owned dams

Rural Residency Startup

- \$205,000 in general funds
- To support the development of a rural family medicine track for six medical students to address health care workforce shortages

USS South Dakota

- \$100,000 in general funds
- To support activities related to the commissioning of the USS South Dakota-SSN 790
- To educate the people of South Dakota about the nuclear-powered submarine
- To fund sponsor visits of the submarine's crew to South Dakota

FY2016 General Bill Amendment

General Fund Increases

	General
GFP Bond Payment Obligations	\$1,006,573
Medicare Part B Premium	\$954,128
Correctional Healthcare Shortfall	\$736,395
Dual Credit Shortfall	\$656,880
Birth to Three Shortfall	\$603,780
DENR Computer System Upgrade	\$175,000
SDPB Audio Casting	\$174,344
Cribs for Kids	\$120,000
Honor Guard Detail Funeral Stipend	\$45,000
Technical Institute Formula Shortfall	<u>\$20,232</u>
FY2016 General Bill Increases	\$4,492,332

GFP Bond Payment Obligations

- \$1,006,573 in general funds
- To allow payment of the Custer State Park bond of \$11.5 million
- The 2015 Legislature approved this bond issuance through Senate Bill 50

Medicare Part B Premium

- \$954,128 in general funds and \$1,018,026 in federal fund expenditure authority
- To pay for increased premiums

Correctional Healthcare Shortfall

- \$736,395 in general funds and \$736,395 in other fund expenditure authority
- To cover the shortfall in Correctional Healthcare due to costs associated with significant inmate healthcare events

Dual Credit Shortfall

- \$656,880 in general funds
- Funds the state share of 6,256 additional dual credit courses
- Based on increased interest in the dual credit program

Birth to Three Shortfall

- \$603,780 in general funds
- Continue to provide birth to three services as federal funds have been depleted

DENR Computer System Upgrade

- \$175,000 in general funds to complete the FoxPro conversion of geographic information system applications
- Consolidation and modernization of environmental databases
- Used for geological mapping, water project management, hazardous waste tracking, etc
- \$350,000 appropriation last year

SDPB Audio Casting

- \$174,344 in general funds
- Continue providing audio casting support of Legislative committee meetings and chamber sessions
- Expand streaming services to cover state agency, board, and commission meetings

Cribs for Kids

- \$120,000 in general funds
- For the Safe Sleep/Cribs for Kids program

Honor Guard Detail Funeral Stipend

- \$45,000 in general funds
- Reimburses veteran organizations for providing honor guard detail at the funeral of deceased veterans
- Amendment 1208dk to the 2016 General Bill during the 2015 Legislative Session authorized other fund authority. The Governor's general fund recommendation allows DOM to provide this service for FY2016.

Technical Institute Formula Shortfall

- \$20,232 in general funds
- Increase in the technical institute formula due to increased FTE.

FY2016 Bottom Line

	FY2016
FY2016 Adopted Receipts	\$1,433,117,085
Changes to FY2016 Ongoing Receipts	\$8,383,939
Cash from DOC, PRCF, and Risk Pool	\$11,832,509
Transfer from Reserves to 10% Target	<u>\$27,426,643</u>
FY2016 Revised Receipts	\$1,480,760,176
FY2016 Adopted Expenses	\$1,433,107,085
Emergency Special Appropriations	\$55,690,586
FY2016 General Bill Amendment Increases	\$4,492,332
Continuous Appropriations	\$27,676
FY2016 Reduced Expenses	<u>(\$12,606,312)</u>
FY2016 Revised Expenses	<u>\$1,480,711,367</u>
Unobligated Net Balance	\$48,809

FY2017

Presentation Overview

- Ongoing Revenue Projections
- Ongoing General Fund Proposals
- Major Recommendations
- FY2017 Bottom Line

Ongoing Revenue Projections FY2017

(millions)

Source	Revised FY2016	Estimated FY2017	Dollar Change
Sales and Use Tax	\$872.6	\$904.9	+ \$32.3
Lottery	109.1	111.3	+ 2.2
Contractor's Excise Tax	104.1	108.4	+ 4.3
Insurance Company Tax	83.8	88.9	+ 5.1
Unclaimed Property	58.0	50.5	- 7.5
Licenses, Permits, & Fees	56.6	58.6	+ 2.0
Tobacco Taxes	56.3	55.9	- 0.4
Bank Franchise Tax	5.4	11.4	+ 6.0
Remaining Ongoing Revenue	<u>95.6</u>	<u>102.7</u>	<u>7.1</u>
Total Ongoing Revenue	\$1,441.5	\$1,492.6	+ \$51.1

Revenue Growth Available to Fund Expenses

	2 Years Ago	Last Year	Today
Structural Surplus Left by Legislature	\$6M	\$0M	\$0M
Current Year Revised Ongoing Revenue Growth	\$33M	(\$11M)	\$8M
Budgeted Year Projected Ongoing Revenue Growth	<u>\$40M</u>	<u>\$60M</u>	<u>\$51M</u>
Total Ongoing Revenue Growth Available	\$79M	\$49M	\$59M

FY2017 Ongoing General Fund Proposals

- Board of Regents +2.5% plus tuition freeze
- Technical Institutes +2.7% plus tuition freeze
- Provider Inflation +2.7% plus targeted rate adj. based on costs
- State Workforce COLA +2.7% plus MTMV
- K-12 Education +0.3% (Blue Ribbon)

FY2017 Recommended Expense Overview

Major Increases/Decreases	General Funds
Provider Inflation	\$16,936,928
State Employee Compensation Plan	\$12,099,592
Maintenance and Repair	\$10,452,646
State Aid to Special Education + Rebase	\$8,763,479
Eligibles and Utilization	\$6,797,433
Department of Corrections Funding Change	\$5,501,033
State Aid to General Education	\$4,166,565
Higher Education	\$3,547,882
Juvenile Justice Reinvestment Initiative	\$3,318,509
Correctional Health	\$1,555,168
Provider Enhancement to 90%	\$1,354,115
Various Increases/(Decreases)	\$6,742,162
FMAP	<u>(\$21,931,473)</u>
Total General Fund Increase	\$59,304,039

Provider Inflation

	General	Federal	Other
Social Services	\$14,917,509	\$12,405,140	\$22,663
Human Services	\$1,636,653	\$2,127,548	\$228,468
Corrections	\$263,902	\$100,763	
Unified Judicial System	\$48,753	\$1,664	
Education	\$70,111	\$6,197	
Health	<u>\$0</u>	<u>\$0</u>	<u>\$36,352</u>
Total	\$16,936,928	\$14,641,312	\$287,483

State Employee Compensation Plan

Recommended Increases	General	Federal	Other
Market Adjustments	\$9,236,940	\$4,058,267	\$10,166,930
Movement Toward Market Value	\$4,316,305	\$2,482,671	\$4,269,958
Health Insurance	<u>(\$1,453,652)</u>	<u>(\$708,694)</u>	<u>(\$1,566,777)</u>
Total Cost of Recommendation	\$12,099,593	\$5,832,244	\$12,870,111
Remaining FY2016 Compensation Pool	<u>(\$2,270)</u>	<u>(\$312,180)</u>	<u>(\$490,026)</u>
Total Increase for Compensation Plan	\$12,097,323	\$5,520,064	\$12,380,085

Maintenance and Repair

	General	Federal
Bureau of Administration	\$6,912,494	
Board of Regents	\$3,274,464	
Military	<u>\$265,688</u>	<u>\$1,062,752</u>
Total	\$10,452,646	\$1,062,752

State Aid to Special Education

- Total general fund increase of \$8,763,479 for the tri-annual rebase to each disability level.

Disability Level	FY16 Funding Level	FY17 Funding Level	Percent Change
Level 1	\$4,896.58	\$5,456.00	11.4%
Level 2	\$12,037.48	\$12,592.00	4.6%
Level 3	\$16,002.36	\$16,049.00	0.3%
Level 4	\$14,288.28	\$15,564.00	8.9%
Level 5	\$21,634.78	\$27,799.00	28.5%
Level 6	\$7,796.66	\$8,007.00	2.7%

Eligibles and Utilization Growth

	General	Federal
Social Services	\$7,412,481	\$7,385,742
Human Services	\$1,675,792	\$1,975,967
Corrections	<u>(\$2,290,840)</u>	<u>(\$1,030,525)</u>
Total	\$6,797,433	\$8,331,184

DOC Funding Change

	One Time	Ongoing			
General Fund Income	FY16	FY17	FY18	FY19	FY20
DOC Fees	\$3,176,490	\$4,435,644	\$4,479,800	\$4,524,398	\$4,569,442
Pheasantland Industries	\$1,781,019	\$704,980	\$166,696	\$125,041	\$88,078
Total:	\$4,957,509	\$5,140,624	4,646,496	4,649,439	4,657,520
General Fund Expenses	-	5,501,033	5,558,843	5,618,966	5,681,493
Net Annual Impact	4,957,509	(360,409)	(912,347)	(969,527)	(1,023,973)

- FY16- **\$4.9 million** allocation to the general fund from DOC fees
- FY17- **\$5.5 million** of DOC expenses paid from general fund

State Aid to General Education

- Total general fund increase of \$4,166,565 for a 0.3% increase to the per student allocation
- FY2017 per student allocation of \$4,891.39
- Includes increases of \$48,889 for Sparsity and \$56,120 for Technology in Schools

Higher Education

	General
Tuition and Fee Change	\$620,152
SD Opportunity Scholarship	\$434,369
Tuition Freeze	\$324,020
Center for the Prevention of Child Maltreatment	\$210,725
REED Routers	\$250,920
Miscellaneous	<u>(\$10,141)</u>
BOR Total (Less M&R)	\$1,830,045
Formula	\$1,188,044
Bond Obligations	\$429,135
Tuition Freeze	<u>\$100,658</u>
Technical Institute Total	\$1,717,837

Juvenile Justice Reform Initiative

	General
Social Services	\$3,203,509
Department of Corrections	<u>\$115,000</u>
Total	\$3,318,509

Correctional Health

	General	Federal	Other
Corrections	\$1,555,168		
Social Services			\$133,047
Health	<u>\$0</u>	<u>\$0</u>	<u>\$1,422,121</u>
Total	\$1,555,168	\$0	\$1,555,168

Provider Enhancement to 90%

	General
Social Services	\$1,298,981
Human Services	<u>\$55,134</u>
Total	\$1,354,115

Three tiers were created:

- Less than 85% = Red (5 service categories)
- 85%-99% = Yellow (7 service categories)
- 100% or greater = Green (5 service categories)

Various Increases

	General
DOE Birth to Three Program	\$1,139,900
GFP Bond Payment	\$1,000,746
UJS Drug/DUI Courts	\$933,544
DOH Rural Recruitment Programs	\$796,100
DSS Adoptions and Guardianships	\$617,458
DOC Funding Shortfall and Positions	\$608,669
DOE Dual Credit Increased Demand	\$565,954
DLR Funding Shortfall	\$524,472
ATG Funding Shortfall	\$416,519
Miscellaneous Increases/(Decreases)	<u>\$138,800</u>
Total	\$6,742,162

Federal Medical Assistance Percentage (FMAP)

	General	Federal	Other
Social Services	(\$17,946,503)	\$17,946,503	
Human Services	(\$3,666,515)	\$4,125,651	(\$459,136)
Corrections	(\$266,632)	\$205,202	
Veterans' Affairs	<u>(\$51,823)</u>	<u>\$51,823</u>	<u>\$0</u>
Total	(\$21,931,473)	\$22,390,609	(\$459,136)

Medicaid rate change: 48.38% GF to 45.89% GF

Children's Health Insurance Program (CHIP) rate change: 16.61%GF to 9.12% GF

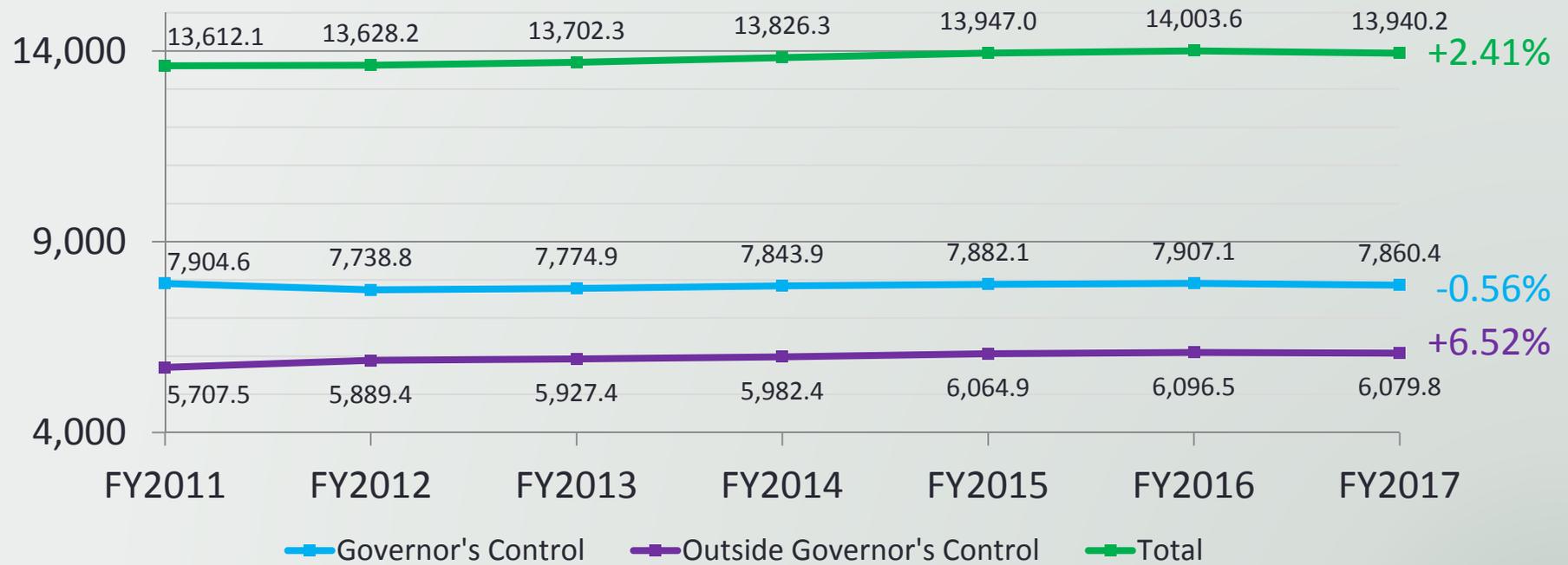
FTE Recommendation

	FTE
Agencies Under the Direct Control of the Governor	(46.7)
Agencies Outside the Direct Control of the Governor	<u>(16.7)</u>
Total FTE Recommended Change	(63.4)

- 1 FTE = 2,088 Hours Worked in FY2017

Budgeted FTE History

FY2011 – FY2017 Recommended



Agency General Fund Overview

Agency	Amount		Agency	Amount		Agency	Amount
DOE	\$16,676,595		GFP	\$1,000,746		DVA	\$78,078
BFM	\$11,814,831		DOH	\$881,658		DPS	\$64,736
DSS	\$10,816,090		DLR	\$524,472		DTR	\$55,281
BOA	\$6,883,256		ATG	\$446,464		LEG	(\$45,741)
BOR	\$5,104,509		BIT	\$264,556		DHS	(\$67,188)
DOC	\$3,661,260		GOV	\$250,000		DOM	(\$134,471)
UJS	\$1,205,926		SDDA	\$120,945		SOS	(\$297,964)

- No general fund changes: BHR, DOR, TOUR, DOT, DENR, PUC, SPL, OSA, and OST
- Total Ongoing General Fund Increase = **\$59,304,039**

FY2017 Bottom Line

	FY2016 Adopted	FY2016 Revised	FY2017 Recommended
Ongoing Receipts	\$1,433,117,085	\$1,441,501,024	\$1,492,578,431
One-time Receipts	<u>\$0</u>	<u>\$39,259,152</u>	<u>\$0</u>
Total Receipts	1,433,117,085	\$1,480,760,176	\$1,492,578,431
Adopted Expenses	\$1,433,107,085	\$1,433,107,085	\$1,492,578,431
Reduced Expenses	\$0	(\$12,606,312)	\$0
One-time Expenses	<u>\$0</u>	<u>\$60,182,918</u>	<u>\$0</u>
Revised Expenses	\$1,433,107,085	\$1,480,711,367	\$1,492,578,431
Unobligated Net Balance	\$10,000	\$48,809	\$0