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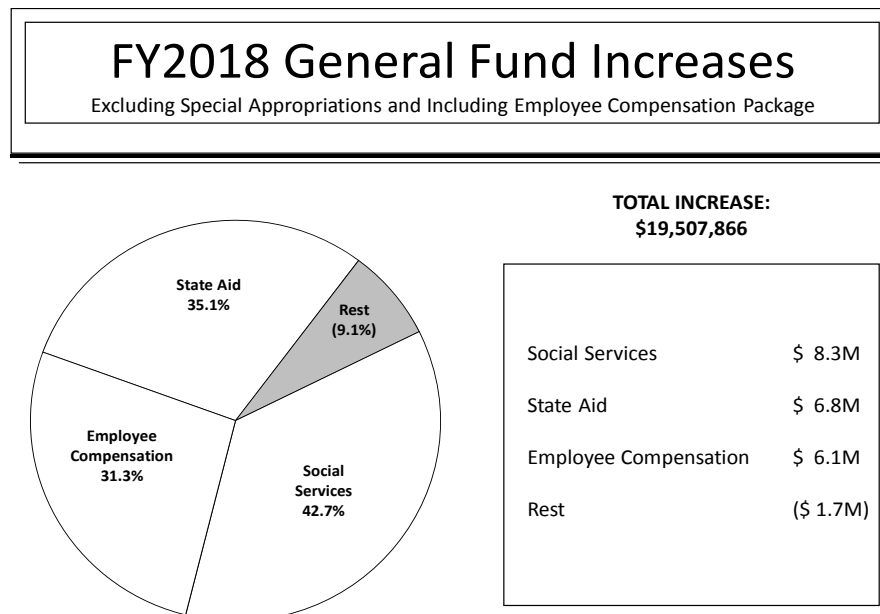


## SUMMARY OVERVIEW

Governor Daugaard is recommending a budget (including special appropriations) for FY2018 totaling \$4,611,179,100 and 13,862.0 FTE. This represents an overall decrease of \$54,926,796 in total funds and a decrease of 1.4 FTE over the revised FY2017 budget. For FY2018, the Governor is proposing a general fund budget of \$1,617,861,042, which is an increase of \$34,168,635 over the revised FY2017 budget. The proposed FY2018 general fund budget is distributed as follows:

- \$574.6 million, or 35.5% for Health, Human, and Social Services;
- \$561.9 million, or 34.7% for State Aid to Education;
- \$211.8 million, or 13.1% for Higher Education;
- \$99.5 million, or 6.1% for Corrections;
- \$72.5 million, or 4.5% for the Legislature, Unified Judicial System, Public Utilities Commission, and Elected Officials;
- \$20.3 million, or 1.3% for Agriculture; Environment and Natural Resources; and Game, Fish & Parks; and
- \$77.3 million, or 4.8% for the Remainder of State Government.

The graph below depicts the FY2018 recommended general fund increases, excluding special appropriations and including the employee compensation package.



# U.S. AND SOUTH DAKOTA ECONOMIC FORECASTS

## U.S. ECONOMY

### RECENT ECONOMIC ACTIVITY

US economic growth started out weak in the beginning of 2016, with real GDP in the first quarter growing just 0.8%. The weakness in the first quarter was a result of declines in business investment, specifically in the manufacturing, mining, and petroleum sectors. The strong dollar combined with weak foreign economic growth caused export declines in late 2015 and early 2016, impacting the manufacturing sector. Declines in oil prices caused sharply lower investments in the petroleum sector. Overall economic growth improved in the second and third quarter as consumption, business investment, and exports improved as the year progressed. The US economy continues to add jobs at a healthy pace during 2016. The average monthly gain in US payroll employment in 2016 has been 181,000 jobs through October and is currently 1.7% higher than a year ago. Job growth continues to support increases in consumer spending in 2016 and is expected to continue in 2017. The current economic outlook for 2017 and 2018 suggests similar economic growth that has been experienced since the end of the most recent economic recession. Moderate employment and income growth combined with an improving housing market suggest positive economic overall economic growth for the US economy.

The election of Donald Trump as president of the United States will likely lead to major policy changes, such as tax cuts, decreased regulations, as well as changes regarding trade and immigration. These major changes will take shape over the next several months. Tax cuts combined with increased spending on infrastructure and defense could boost near term economic growth, possibly at the expense of longer term economic growth due to higher interest rates from additional government borrowing.

The Federal Reserve continues to support an accommodative monetary policy through a low federal funds rate. The federal funds target rate is currently in the 0.25% - 0.50% range, which was increased by 0.25% in December of 2015. Over the course of 2016, the Federal Reserve has evaluated the strength of the US economy, as well as inflation measures to determine the timing of additional rate increases. An

additional 0.25% rate increase is anticipated in December 2016.

Recent economic indicators show the economy continuing to grow in 2016. The following are recent key national economic statistics:

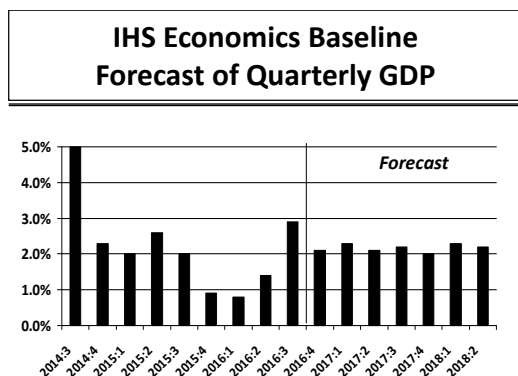
- Advance estimates indicate real GDP grew 2.9% in the third quarter of 2016, which is the strongest reading since 2014, due to growth in consumer spending on durable goods and a surge in exports in the third quarter.
- The unemployment rate was 4.9% in October, 0.1% lower than September's rate. The current rate is 0.1% lower than October of 2015.
- The Institute of Supply Management's (ISM) manufacturing report on business was 51.9 in October, up from 51.5 in September. The index has been above 50 for seven of the past eight months. A reading above 50 usually indicates the manufacturing sector is expanding.
- The ISM non-manufacturing report on business was 54.8 in October, down from 57.1 in September. This was the 81<sup>st</sup> consecutive monthly reading above 50, indicating continued expansion.
- US personal income increased at an annual rate of 3.9% in both the second third quarter of 2016. Personal income grew 1.1% in 2013, 5.2% in 2014, and 4.4% in 2015.
- Real total consumption increased 4.3% in the second quarter and 2.1% in the third quarter of 2016. Both quarters were driven by strong spending increases in durable goods of 9.8% and 9.5%, respectively.
- Total construction spending was down 0.4% in September compared to August. Private construction was down 0.2%, while public construction was 0.9% lower compared to the prior month. However, year-to-date through September 2016, total construction spending is up 4.4% compared to the same time period in 2015.

## NATIONAL FORECAST HIGHLIGHTS

*This section summarizes IHS Economics forecast as of November 2016 for various categories of the US economy. IHS Economics is one of the most respected economic forecasting firms in the world.*

**GDP:** US economic growth slowed in late 2015 and early 2016 due to decreasing business investment and US exports. A strong US dollar, weak foreign demand, and sharply lower energy prices were the major factors contributing to sluggish growth. These factors pushed real GDP growth down to growth rates of 0.9% in the fourth quarter of 2015 and 0.8% growth in the first quarter of 2016. Improved growth returned in the second quarter of 2016 as strong consumer spending and increased exports pushed the second quarter growth rate to 1.4%. Improved business investment, continued consumption increases, and a surge in exports increased pushed the third quarter growth rate to 2.9%, which is the highest quarterly growth rate registered in two years. IHS Economics is currently assigning a slightly higher probability of negative (20%) vs. positive (15%) risks in the US economic outlook at this time. IHS's baseline forecast is for steady economic growth over the next several quarters. Growth over the coming year is expected to be slightly stronger than 2016, mostly due to steady consumption growth, higher exports, and stronger business investment in 2017.

In the first three quarters of this year, real GDP grew 0.8%, 1.4%, and 2.9%, respectively. In the fourth quarter, GDP is forecast to grow 2.1%. In the four quarters in 2017, IHS Economics is projecting GDP growth of 2.3%, 2.1%, 2.2%, and 2.0%. In 2018, GDP is forecast to increase 2.3% and 2.2% in the first two quarters.



On an annual basis, GDP grew 1.6% in 2011, 2.2% in 2012, 1.5% in 2013, 2.4% in 2014, and 2.6% in 2015.

IHS Economics latest forecast projects real GDP to grow 1.5% in 2016, 2.2% in 2017, and 2.2% in 2018.

**CONSUMERS:** Consumer spending is a key component contributing to economic growth, as consumption accounts for over two-thirds of economic activity as measured by GDP. In 2009, real consumer spending declined 1.6% as the recession caused major job losses leading to depressed consumer spending. Over the next six years, consumer spending improved with growth averaging 2.2% growth per year. In 2016, real consumption growth has been 1.6%, 4.3%, and 2.1% the first three quarters, and is anticipated to be 2.8% in the fourth quarter. The growth of 3.2% realized in the third quarter was led by a 9.5% increase in spending on durable goods while service consumption grew 2.1% and nondurable spending declined by 1.4%. Recent news on consumer spending and confidence has been generally positive. The Reuters/University of Michigan's index of consumer confidence improved in November and has registered healthy readings throughout 2016, a good sign heading into the holiday shopping season. IHS Economics expects holiday sales in November and December to increase 3.7% over last year, slightly better than last year's growth of 3.2%. On an annual basis, real consumption is projected to increase by 2.6% in 2016, 2.5% in 2017, and 2.5% in 2018.

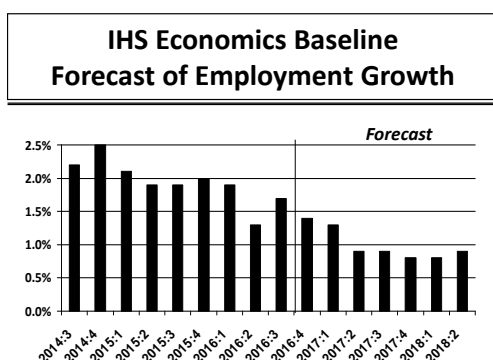
The personal savings rate (as a percentage of disposable income) was 5.7% in the third quarter of 2016. This compares to the 6.0% and 5.7% savings rate registered in the first and second quarter. In 2013, 2015, and 2015 the savings rate was 5.0%, 5.6%, and 5.8%, respectively. The savings rate is projected to be 5.7% in 2016, 5.7% in 2017, and 6.1% in 2018.

**EMPLOYMENT:** The latest US payroll employment report indicated total nonfarm employment grew by 161,000 jobs in October. Private sector employment increased by 142,000, which increased the total gains for private employment payrolls to slightly more than 1.6 million so far in 2016. The sectors showing the largest gains over the past several months include: professional and business services, health care, leisure and hospitality, and financial services. The mining and manufacturing sectors continued to show declines in the past few months. In the fourth quarter of 2016 nonfarm employment is expected to be 2.2 million jobs higher than the fourth quarter of 2015, representing a 1.6% year-over-year growth rate. Slower growth is anticipated in 2017 and 2018 as the US economy approaches full employment. The current forecast shows total employment growing 2.5 million

jobs in 2016 on an annual basis compared to 2015. In 2017 and 2018, employment growth is estimated to be 1.8 million and 1.3 million jobs, registering growth rates of 1.2% and 0.9%, respectively.

The unemployment rate in October dropped slightly to 4.9%, which was 0.1% lower than September and 0.1% lower than a year ago. The unemployment rate is expected to stabilize near 4.6% during 2017 and 2018 due to steady employment gains as the economy approaches full employment. On an annual basis, the unemployment rate was 7.4% in 2013, 6.2% in 2014, and 5.3% in 2015. In 2016 and 2017, the unemployment rate is projected to be 4.9% and 4.7%, respectively, on an annual basis. In 2018, the unemployment rate is projected to be 4.6%.

In the first three quarters of 2016, nonfarm payroll employment realized growth rates of 1.9%, 1.3%, and 1.7%, respectively (seasonally adjusted annual rate). Employment growth is projected at 1.4% in the fourth quarter of 2016. Employment growth is expected to slow in 2017 with growth rates of 1.3%, 0.9%, 0.9%, and 0.8% in the four quarters. In the first two quarters of 2018, payroll employment growth is projected at 0.8% and 0.9%, respectively.



On an annual basis, payroll employment in the US increased 1.6% in 2013, 1.9% in 2014, and 2.1% in 2015. Payroll employment is forecasted to grow 1.7% in 2016, 1.2% in 2017, and 0.9% in 2018.

**HOUSING:** Recent data suggest short term challenges in the housing market mostly due to lack of labor and capital. Real residential construction was lower in the second and third quarters of 2016. However, homebuilders continue to be optimistic given the tight supply of homes. Existing home sales in October reached a 5.60 million unit annual rate, which was 5.9% higher than the same month a year ago. Housing starts in the third quarter were at a rate of 1.14 million units, slightly lower than the second quarter of 1.16

million units. In terms of prices, the median sales price of existing single-family homes was up 5.2% year-over-year in the third quarter. The S&P/Case-Shiller national Home Price Index was up 5.5% year-over-year in September, registering an all-time high, a sign of a tight housing market. Since the recession, households have shifted from homeownership to renting for their primary residence. The rental vacancy rate has fallen 0.5% from a year ago, although the homeownership has stabilized, registering 63.4% in the third quarter of 2016, slightly higher than the second quarter reading. A positive sign is the increase in homeownership rates in the 35-44 age citizens, which has registered increases for the past several quarters. Demand for housing continues to be strong as the homeowner vacancy rate was 1.8% in the third quarter. The housing sector is anticipated to be a positive aspect of the US economy in 2017 and 2018. Residential investment in housing is expected to contribute 0.1% and 0.14% growth to real GDP in 2017 and 2018, respectively.

Total housing starts are projected to be 1.15 million units in 2016 and 1.23 million units in 2017, and then grow to 1.32 million units in 2018. In 2013, 2014, and 2015, total housing starts were 0.93 million, 1.00 million, and 1.11 million units, respectively. IHS Economics forecasts the median price of existing homes to increase by 4.0% in 2016. In 2017 and 2018 prices are expected to grow 0.8% and 4.1%, respectively.

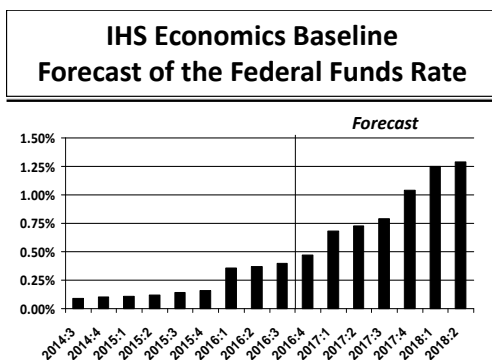
**INFLATION:** The Consumer Price Index (CPI) grew 0.4% in October. The October 2016 CPI was up 1.6% year-over-year. The inflation outlook is anticipated to quiet as energy prices have softened since October. The core CPI (excludes food and energy prices) increased at a 2.2% rate year-over-year in October. IHS Economics expects core price increases to remain in the 2.0% to 2.3% range, well within the Federal Reserve's target. IHS expects wages to continue to increase as tightening in the labor market is beginning to benefit workers. This gradual increase in wages suggests firming inflation to a more normal level compared to recent history.

The CPI increased 1.5% in 2013, 1.6% in 2014, and 0.1% in 2015. The CPI is forecast grow 1.3% in 2016, 2.5% in 2017, and 2.5% in 2018. The producer price index for finished goods grew 1.2% in 2013, 1.9% in 2014, and decreased 3.3% in 2015. It is expected to decrease 1.2% in 2016, and increase 2.7% and 2.0% in 2017 and 2018, respectively.

**MONETARY AND FISCAL POLICY:** Monetary and fiscal policies were 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, which was extended into 2012. These actions helped stabilize the economy during and after the recession.

These actions the Federal Reserve took during the recession to stabilize the financial system and economy grew the Fed's balance sheet from under \$1 trillion in 2008 to nearly \$4.5 trillion at the present time. Over the next several years, the Federal Reserve has a delicate job of normalizing interest rates and monetary policy. If the Federal Reserve withdraws monetary stimulus too quickly, they risk slowing the US economic expansion. If they act too slowly, the economy could begin growing quickly and risk an increase in inflation. The Federal Reserve took its first step towards normalizing interest rates with a 0.25% increase in the federal funds rate in December of 2015.

Currently, the federal funds target rate is current at the range of 0.25%-0.5% since the first rate increase that was put into action a year ago. IHS Economics expects the Federal Reserve will increase rates again in December of 2016 and gradually raise rates over the course of 2017 and 2018.



In terms of future fiscal policy, the outlook is unclear. A new president will likely lead to some major policy changes, with possible tax cuts, decreased regulation, and potentially more fiscal stimulus in terms of infrastructure and defense spending.

The unified federal deficit for federal fiscal year 2016 was \$587 billion, which is \$148 billion higher than fiscal year 2015. The fiscal year 2016 deficit represents approximately 3.2% of GDP, an increase from 2.5% of

GDP in fiscal 2015. IHS Economics forecasts a similar deficit of \$548 billion for federal fiscal year 2017.

Real federal government purchases declined 1.9% in 2012, 5.8% in 2013, 2.5% in 2014, and were flat in 2015. Real federal government purchases are expected to increase 0.7% in 2016, 0.2% in 2017, and decline 0.9% in 2018.

**INTERNATIONAL:** Sluggish global economic growth has continued in 2016 as slowing growth in China, combined with weakness in Europe, Japan, and South American economies will likely pull global GDP growth down to 2.4% in 2016. Canada, Mexico, and South American economies realized decreases in the second quarter of 2016, although positive growth returned in the third quarter. GDP growth in Japan grew 0.6% in 2015 and is forecast to grow just 0.6% in 2016. Continued sluggish growth is expected in 2017 at 0.7%. The fundamentals in the Chinese economy suggest a path of slower growth than what has been experienced over the past 20 years. Real GDP growth in China was 6.4% in the third quarter and is anticipated to be similar in the fourth quarter of 2016. The Chinese economy grew 6.9% in 2015 and is forecast to slow to 6.6% in 2016 and 6.3% in 2017. Net exports contributed to US economic growth for the past several quarters, but was primarily a result of soybean exports. Weak foreign economies have pushed the value of the US dollar higher, which is anticipated to slow exports in the coming quarters. An issue that will need to be monitored is future trade policies under President-elect Donald Trump. Additional barriers to international trade could cut into US growth over the long term.

In terms of GDP, global economic growth is projected to be 2.4% in 2016, but improving to 2.8% in 2017. The forecasts for real GDP growth for 2017 for the United States, Eurozone, South America, and Canada are 2.2%, 1.4%, 1.4%, and 2.2%, respectively.

The US trade deficit decreased in September to \$36.4 billion compared to \$40.5 billion in August as imports dropped and exports increased. After growing 0.1% in 2015, real export growth is expected to improve to 0.4% in 2016 and 2.4% in 2017. Overall, IHS Economics forecasts net exports to be -\$486 billion in 2016, -\$444 billion in 2017, and -\$465 billion in 2018. Continued growth in the US economy in 2017 and 2018 means imports are likely to grow faster than exports.

## RISKS TO THE FORECAST

The US economy continued a modest pace of growth in 2016, despite weak growth in the first quarter. Increases in consumption and investment helped push the economy to 1.4% and 2.9% GDP growth in the second and third quarter. Currently, IHS Economics is assigning a slightly higher probability of negative risks versus positive risks in the current economic outlook.

A 15% probability exists of US economic growth being stronger than the baseline forecast. In IHS Economics' optimistic scenario, GDP is projected to grow 1.6% in 2016, followed by stronger growth of 2.8% in both 2017 and 2018. The optimistic scenario assumes new technologies leading to higher productivity growth and accelerating wage gains. This combined with increased business and consumer confidence leads to consumption gains, higher earnings, and gains in financial markets. This improved confidence increases household formation leading to stronger housing and construction activity in the United States. In the optimistic scenario, foreign economic growth improves, with the help of structural reforms implemented by some of the struggling economies around the world. In the optimistic scenario, the US dollar is lowered initially, but moves higher than the baseline level by 2018 thanks to stronger domestic growth.

While signs of stable economic growth exist, concerns still remain including emerging economies, restless financial markets, and political uncertainty. IHS Economics' pessimistic scenario is currently assigned a 20% probability of occurring. In this scenario, the US economy experiences a two quarter economic recession in late 2017 and early 2018 due to domestic and global political risks that create uncertainty in the United States and abroad. Lower confidence causes retrenchment for both businesses and consumers. In addition, the United Kingdom's vote to exit the European Union leads to uncertainty that causes economic conditions in the rest of the world to deteriorate. In this scenario, the value of the US dollar climbs further; this lowers the competitiveness of US goods and widens the trade deficit. Lower stock markets weaken consumer confidence and in turn the housing market, sending prices lower. Weak domestic demand combined with declining exports lead to little employment growth, depressed wages, and higher unemployment. In the pessimistic forecast, GDP grows just 1.4% in 2016, 0.6% in 2017, and declines 0.2% in 2018.

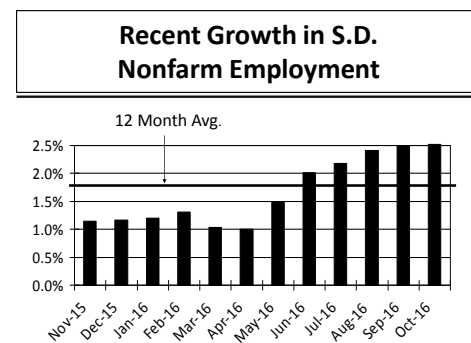
## SOUTH DAKOTA ECONOMY

### 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 increased 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 to 2009 economic recession caused declines of 1.9% and 0.1% during 2009 and 2010 in South Dakota's employment. In 2011 through 2015, positive growth returned with growth rates averaging 1.2% per year. So far in 2016, employment growth has been positive.

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 500 job losses in 2010. In 2011 through 2015, nonfarm employment added an average of 5,000 jobs per year. In October 2016, nonfarm employment was up 2.52% from a year ago.



The following are some recent key South Dakota economic statistics:

- In the last twelve months (November 2015 through October 2016), nonfarm employment (seasonally adjusted) in South Dakota grew by 1.7% over the same period a year ago. The major employment sectors that experienced growth in the last twelve months are as follows: mining, logging, and



construction (4.80%); trade, transportation, and utilities (3.19%); professional and business services (2.62%); leisure and hospitality (2.49%); education and health services (1.84%); financial activities (1.69%); and government (0.84%). Two sectors that experienced declines in the past twelve months were manufacturing (-2.13%) and other services (-1.79%).

- The unemployment rate in South Dakota was the lowest in the US in October at 2.8%. This was 2.1% below the national rate of 4.9% in October, and 0.2% lower than South Dakota's unemployment rate from October of 2015.
- During the twelve-month period from November 2015 through October 2016, the number of titles issued for new noncommercial vehicles was 41,838, which was up 1,163, or 2.9%, over the prior twelve-month period.
- The total number of residential units authorized by building permits issued January through October of 2016 was 4,835, which was up 964 units from the same time period in 2015. The value of residential building permits issued year-to-date in 2016 was \$756.1 million. This is an increase of \$163.1 million from the first 10 months of 2015.

#### **COUNCIL OF ECONOMIC ADVISORS**

*The Council of Economic Advisors, which has been in existence since 1991, consists of twelve members that encompass 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:** The economic impact in South Dakota from tourism totaled \$2.36 billion in 2015, a record high in South Dakota. This was a 6.1% growth in the economic impact compared to 2014. The growth rate experienced in 2015 was largely due to increased spending and increases in the number of visitors compared to 2014. The 75<sup>th</sup> anniversary of the Sturgis Motor Cycle Rally in 2015 was a major event that brought near record attendance to the western part of South Dakota.

Tourism activity in 2016 was steady in spring and summer, but slowed in the fall compared to a record year in 2015. Total visitation in the state through 10

months is flat to up slightly compared to a year ago. Hotel overnight stays are up 1.4% and state campground attendance was up 2% compared to a year ago. Tourism taxable sales were 1.7% lower in through October of 2016, mostly due to lower spending in late summer compared to a year ago. Continued low gas prices and overall lower cost of visitation in South Dakota still makes the state a very affordable travel destination. The outlook for the South Dakota tourism industry is cautiously optimistic heading into 2017 as the state continues to promote South Dakota as a travel destination in traditional and new markets.

**AGRICULTURE:** In 2015, the agricultural economy in South Dakota produced cash receipts of \$9.19 billion, which was an increase of \$1.63 billion from 2014's cash receipts. Crops generated \$5.31 billion and livestock generated \$3.87 billion in 2015. Lower crop prices and livestock prices were the primary reason for the decrease in cash income.

Overall, crop production in 2015 was strong due to favorable growing conditions across the state. In 2015, corn for grain production totaled 799.8 million bushels, up from the 787.4 million bushels in 2014 due to record high yields. The average yield of 159 bushels per acre was up from 2014's yield of 148 bushels per acre. Soybean production was 235.5 million bushels, an increase compared to 2014's production of 230.0 million bushels. Wheat production in 2015 was 103.3 million bushels compared to 131.2 million bushels the prior year, due to lower yields. Livestock production in 2015 was up compared to 2014 levels. The 2015 calf crop totaled 1.66 million head compared to 2014's production of 1.61 million head. The pig crop in 2015 was 3.81 million head, higher than 2014's production of 3.72 million head.

Crop production levels are mixed for South Dakota producers in 2016 due to lower yields for corn and higher yields for soybeans compared to 2015. According to the National Agricultural Statistics Service, as of November 1, corn production is projected to be 771.0 million bushels, down 29 million bushels compared to 2015. The corn yield is estimated to be 148 bushels per acre, down 11 bushels from last year's record yield. Soybean production is expected to be 248.2 million bushels, up 5.4% from a year ago, with a yield of 48 bushels per acre, up 2.0 bushels from the 2015 yield. Overall, net farm income for 2016 is anticipated to be down from 2015 as both crop prices and livestock prices are lower compared to a year ago.

The Council’s outlook for the agricultural economy is cautious for 2017 and 2018. Large supplies, lower demand, and a strong US dollar have put downward pressure on prices over the past year. That combined with still elevated input costs has led to smaller profit margins and lower spending on capital items such as machinery and equipment. However, over the long term, continued growth in worldwide demand for agriculture products will ensure a healthy agriculture economy in the future.

**CONSTRUCTION:** So far in 2016, construction activity has been strong. Contractor’s excise tax collections are up 6.3% so far through the first 9 months of activity in calendar year 2016 compared to the prior year. Much of the increase so far in 2016 is from increases in multifamily housing units, increases in highway construction projects, as well as construction of the Dakota Access Pipeline during 2016. Total housing units authorized by residential building permits through October 2016 were higher by 964 units and the value of permits was \$163.1 million higher than the same time period a year earlier. The increase is mostly attributable to increased multi-family units compared to a year ago.

Interest rates continue to be attractive, although credit conditions and lack of labor continue to be a challenge. However, with steady employment growth and improving credit markets, the Council believes construction and housing activity will remain healthy as long as the economy continues to create jobs in 2017 and 2018.

**SOUTH DAKOTA FORECAST HIGHLIGHTS**

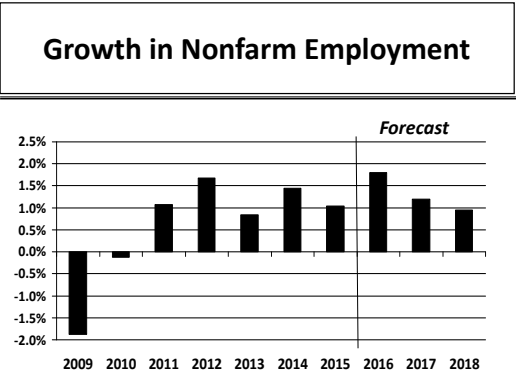
*IHS Economics’ forecast of the national and state economy and the input of the Council of Economic Advisors were incorporated into the forecast of South Dakota’s economy. This section summarizes various categories of the latest forecast for the South Dakota economy.*

The South Dakota economy has been in a growth phase for nearly seven years as increases in employment, income, and overall spending have been growing since early 2010. However, the pace of the recovery has been modest. The agriculture sector has supported overall economic growth directly and indirectly in the early portion of the recovery, although farm income has pulled back from recent high levels. Overall, South Dakota’s economy is expected to

continue to grow at a slow, steady pace in 2017 and into 2018.

**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 in the future. One challenge the state continues to face now and over the long term is the size of a qualified labor force to fill current and future jobs.

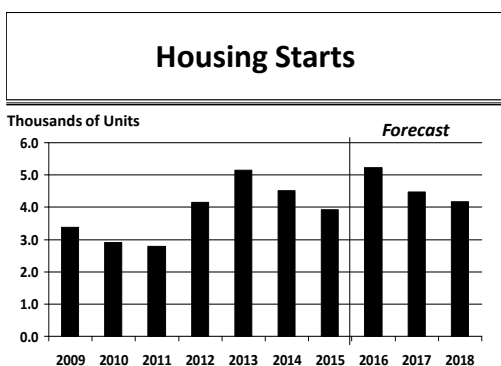
Between 1990 and 2000, nonfarm employment in South Dakota grew at an average annual rate of 2.7%, which was significantly higher than the national average annual growth rate of 1.9% over the 10 year period. The majority of additional jobs in South Dakota during this period occurred in the manufacturing, 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 then rose 0.2% in 2003. From 2004 through 2007, employment growth averaged 1.8% each year. 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 0.1%, respectively, as the national recession caused major job losses in manufacturing, construction, professional and business services, and financial services. The past five years (2011-2015) employment growth has been modest, averaging 1.2% growth. For 2016, the employment levels are expected to grow 1.8% compared to 2015 on an annual basis. In 2017 and 2018, nonfarm employment growth is projected to be 1.2% and 0.9%, respectively.



**HOUSING/CONSTRUCTION:** Favorable interest rates and changing demographics in the state contributed to

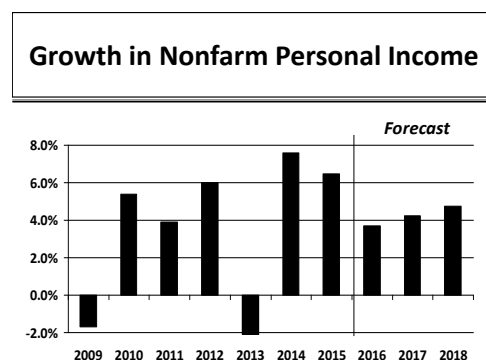
a strong housing sector from 1998 through 2005 with the number of housing starts in South Dakota increasing each year. Then, from 2005 through 2011, the number of housing starts in South Dakota declined each year due to high inventories and reduced housing demand from the recession. In 2012 and 2013, the housing market recovered, realizing gains in housing starts in both years. In 2014 and 2015, housing starts were lower. Thus far in 2016, the number of housing starts is higher due to increased permits realized, particularly in multi-family units. Increases in the contractor's excise tax, an overall indicator of construction activity, have been strong so far this year, suggesting increasing activity in both residential and non-residential construction.

After healthy increases realized so far in 2016, the housing market is anticipated to pull back slightly in 2017 and 2018 to normal, but still healthy levels. Long term interest rates still remain attractive and job growth will lead to steady construction activity in 2017 and 2018. Housing starts were 3,930 in 2015 and are projected to be 5,220 in 2016, 4,480 in 2017, and 4,160 in 2018.



**INCOME:** Between 1990 and 2000, the average annual growth rate in nonfarm personal income in South Dakota grew at an average rate of 6.1%, higher than US growth rate of 5.9% over the same time period. However, after the 2001 recession, income growth slowed both in South Dakota and in the US. Nonfarm personal income in South Dakota grew 5.4% in 2001, 3.6% in 2002, and 4.6% in 2003. From 2004 through 2008, nonfarm income growth rebounded with growth averaging 7.5% per year. 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 1.7%. This was the first annual decrease in nonfarm personal income in South Dakota since 1937. From 2010-2012, the average growth of nonfarm personal income was 5.1% as the economy

recovered from the economic recession. In 2013, nonfarm income decreased 1.4%, reflecting slower job growth and higher federal payroll taxes reinstated in January 2013. Growth rebounded to 7.6% and 6.5% in 2014 and 2015, respectively. In 2016, nonfarm income growth is forecast to increase by 3.7%. In 2017 and 2018, growth is forecasted to improve to 4.2% and 4.7%, reflecting steady employment and wage growth.



### RISKS TO THE FORECAST

The Council of Economic Advisors sees some key risks to the current forecast. The primary risk to South Dakota's economy would be the national or global economy weakening during 2017. The national economy is growing, but weakness in foreign economies continues to be a threat and political uncertainty still exists across the globe. Other negative risks include possible financial market shocks or geopolitical events that could lower consumer confidence. A strong US dollar combined with weak foreign economies has adversely impacted export activity. Downside risks present in the agriculture economy include weather conditions, declining real estate values, and continued low commodity prices.

Positive developments potentially improving the economic outlook in South Dakota include a stronger US economy as well as stronger foreign economic growth. Stronger economic growth outside of South Dakota would strengthen exports of goods and services produced within our state and improve the overall economic outlook in South Dakota.

## REVENUE ESTIMATES

### SUMMARY

General fund receipts for FY2017 are forecast at \$1,600.2 million. Ongoing receipts comprise \$1,572.1 million of the total. One-time revenues comprise \$28.1 million of the total, which includes \$14.1 million of obligated cash carried forward from FY2016. The ongoing estimate for FY2017 includes an increase of \$133.7 million from actual FY2016 ongoing receipts. Categories forecasted to show major increases in FY2017 include the sales and use tax (+\$113.8M), contractor's excise tax (+\$7.9M), license, permits and fees (+7.5M) the insurance company tax (+\$3.6M), charges for goods and services (+3.5M) lottery receipts (+3.0M), and transfers from trust funds (+\$2.0M). Categories forecast for major decreases from FY2016 actual receipts are the alcohol beverage tax (-\$3.6M), tobacco taxes (-\$2.7M) and unclaimed property (-\$2.1M).

The revised ongoing estimate for FY2017 is \$26.1 million lower than the ongoing estimate adopted during the 2016 legislative session. Major negative adjustments for the revised FY2017 estimate compared to the adopted FY2017 estimate are for the sales and use tax (-\$32.0M), tobacco taxes (-\$1.2M), license permits and fees (-\$1.8M) and unclaimed property receipts (-\$1.0M). The most significant positive revisions compared to the adopted FY2017 estimate are for the insurance company tax (+\$3.0M), net transfers in (+\$2.5M), contractor's excise tax (+\$2.0M), investment income and interest (+\$1.3M) and the severance taxes (+\$1.3M).

General fund receipts for FY2018 are projected to be \$1,620.3 million, of which \$1,617.9 million are ongoing revenues. The only one-time receipt in FY2018 is \$2.4 million of obligated cash carried forward, which is obligated to the Budget Reserve Fund. The forecast for ongoing receipts in FY2018 is an increase of \$45.8 million from the revised FY2017 projection. The significant sources of growth are from sales and use tax (+\$38.4M), lottery (\$3.2M) insurance company tax (+\$3.3M), license permits and fees (+\$1.9), trust fund transfers (+\$1.7M) contractor's excise tax (+\$1.1M). The most significant decrease in FY2018 is due to the completion of the sale-leaseback program (-\$4.1M).

### CURRENT REVENUE FORECAST (Dollars in Millions)

	<u>FY2017</u>	<u>FY2018</u>
Sales and Use Tax	974.7	1,013.1
Lottery	113.1	116.4
Contractor's Excise Tax	109.4	110.5
Insurance Company Tax	88.4	91.7
Unclaimed Property	53.0	52.8
Tobacco Taxes	55.3	55.0
Other Ongoing Revenues	178.1	178.4
One-Time Receipts	14.1	0.0
Obligated Cash Carried Forward	<u>14.1</u>	<u>2.4</u>
<b>Total Revenue</b>	<b><u>1,600.2</u></b>	<b><u>1,620.3</u></b>

### 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 63% of ongoing general fund revenue. Between FY1980 and FY2016, the sales and use tax grew from \$140.6 million to \$860.9 million, which was an average annual increase of 5.2%. Over the past ten years, growth rates of the sales tax have varied from year to year. 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 weak (2.3% and -1.2%) due to a severe national recession causing declines in employment. In FY2011, growth was robust (8.9%) due to a strong agriculture sector combined with a recovering nonfarm economy. In FY2012 and FY2013, growth was slightly below average (4.8% and 4.3%), reflecting low inflation and a moderate economic recovery. FY2014 realized a 6.1% growth due to record audit collections and strong agriculture income. In FY2015 and FY2016, the growth was soft (1.6% and 2.9%) due to lower farm income, low inflation, and cautious consumers.

Net collections from the sales and use tax in FY2016 were \$860.9 million, which was an increase of \$24.3 million, or 2.9%, compared to FY2015. Through the first four months of FY2017, sales and use tax collections to the general fund were \$342.5 million, which is an increase of 9.4% from the first four months of FY2016. The higher percentage increase in FY2017

is due a 0.5% rate increase in the state share of sales in use tax from 4.0% to 4.5% effective at the beginning of FY2017. For the revised FY2017 estimate, the sales and use tax is forecast at \$974.7 million, which is an increase of \$113.8 million, or 13.2%, compared to FY2016. For FY2018, the sales and use tax is forecast at \$1,013.1 million, which is an increase of \$38.4 million, or 3.9%, over the revised FY2017 estimate.

### **LOTTERY**

Collections from lottery activities account for approximately 7% of ongoing general fund revenues. Due to the repeal of the Property Tax Reduction Fund (PTRF) in FY2016, the state's receipts of video lottery now flow directly into the general fund in this category. In FY2017, lottery collections are anticipated at \$113.1 million, which includes the general fund's share of instant lottery ticket sales of \$6.0 million, the first \$1.4 million of online ticket sales, and \$105.6 million in video lottery receipts. In FY2018, lottery receipts are projected at \$116.4 million, which includes \$6.1 million from instant lottery income, the first \$1.4 million from online lottery income, and \$108.8 million from the state's share of video lottery receipts. Prior to FY2016, the state's share of video lottery was included in the PTRF receipts. In FY2015 and FY2016, video lottery receipts were \$98.3 million and \$102.5 million, respectively. So far in FY2017, video lottery receipts are up 3.9% through the first four months compared to the prior year. In FY2017 and FY2018, receipts of \$105.6 million and \$108.8 million, respectively, are expected from the state's share of video lottery.

### **CONTRACTOR'S EXCISE TAX**

Collections from the contractor's excise tax account for approximately 7% 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 \$101.5 million in FY2016. In FY2016, net collections to the general fund from the contractor's excise tax grew \$1.4 million, or 1.4%, from FY2015. Through the first four months of FY2017, net contractor's excise tax collections were \$46.5 million, an increase of 14.1% compared to the first four months of FY2016. A large portion of the increase in FY2017 is related to

the construction of the Dakota Access Pipeline. Contractor's excise tax collections for FY2017 are forecast to be \$109.4 million, which is an increase of \$7.9 million, or 7.8%, over FY2016 collections. FY2018 collections are forecast at \$110.5 million, which is an increase of \$1.1 million, or 1.0%, compared to the revised FY2017 estimate.

### **INSURANCE COMPANY TAX**

Collections from the insurance company tax account for approximately 6% of ongoing general fund revenues. From FY1985 to FY2016, insurance company tax collections grew from \$17.2 million to \$84.8 million, which was an average annual increase of 6.3%. In FY2016, insurance company tax collections were \$84.8 million, which was an increase of \$4.8 million, or 6.0%, compared to FY2015 collections. During the first four months of FY2017, insurance company tax collections were \$34.6 million, which is an increase of 4.2% over the same period in FY2016. For FY2017, insurance company tax collections are forecast at \$88.4 million, which is an increase of \$3.6 million, or 4.3%, over FY2016 collections. For FY2018, insurance company tax collections are forecast to be \$91.7 million, which is an increase of \$3.2 million, or 3.7%, over the revised FY2017 estimate. These estimates are affected by the passage of SB 159 during the 2016 legislative session which allows tax credits for insurance companies dedicated to scholarships for students attending private schools. These credits are estimated to be \$0.4 million in FY2017 and \$1.0 million in FY2018.

### **UNCLAIMED PROPERTY**

Historically, collections from unclaimed property have been relatively small, but now represent approximately 3% of ongoing general fund revenues. Unclaimed property has been remitted to the state since the 1980's. Recently, collections to the general fund ranged from \$0.4 million in FY1997 to \$8.0 million in FY2010. In FY2011 through FY2013, ongoing collections increased to \$12.9 million, \$13.9 million, and \$13.9 million, respectively, due to mergers within the banking industry. Continued consolidation combined with the migration of home office locations to South Dakota led to an increase in ongoing collections in FY2014, FY2015 and FY2016 of \$59.8 million, \$52.9 million and \$55.1 million, respectively.

Through early November of FY2017, net unclaimed property collections to the general fund were \$68.1 million, which included approximately \$7.5 million as a result of stock sales. For FY2017, after claim and reciprocity payments are made through the remainder of the year, net ongoing unclaimed property collections are forecast at \$53.0 million. This is a decrease of \$2.1 million, or 3.9%, compared to FY2016. For FY2018, ongoing unclaimed property collections are forecast to be \$52.8 million, a decrease of \$0.1 million, or 0.3% compared to the FY2017 revised estimate.

### ***TOBACCO TAXES***

The 2015 Legislature repealed several unnecessary funds including the Property Tax Reduction Fund, the Health Care Tobacco Tax Fund, and the Education Enhancement Tobacco Tax Fund. Now, the first \$30.0 million collected in tobacco taxes is allocated to the general fund and the next \$5.0 million is allocated to the tobacco prevention and reduction trust fund. Any collections in excess of \$35.0 million are now deposited directly into the general fund in the tobacco tax category. In FY2017 and FY2018, general fund receipts from tobacco taxes are projected at \$55.3 million and \$55.0 million, respectively.

### ***PROPERTY TAX REDUCTION FUND***

In FY2016, legislation was passed to repeal the Property Tax Reduction Fund (PTRF) and direct the ongoing sources of revenue directly to the state general fund. The PTRF has traditionally been the source from which the state has funded property tax relief. 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. Beginning in FY2016, all ongoing revenue that previously flowed through the PTRF is now categorized as follows: the telecommunications tax is included as a separate revenue category, the tobacco portion is included in the tobacco tax category, and the transfer from the wind energy tax fund is included in the "net transfers in" category.

Transfers from the PTRF to the general fund from ongoing revenue sources totaled \$112.7 million in FY2015, which was a 5.8% increase from FY2014. In

FY2016 moving forward, there are no PTRF receipts due to the repeal of the fund.

### ***OTHER ONGOING REVENUES***

Receipts included in this category come from the bank franchise tax; alcohol beverage tax; the alcohol beverage 2% wholesale tax; licenses, permits, and fees; investment income and interest; charges for goods and services; net transfers in; transfers from the Dakota Cement, Education Enhancement, and Health Care Trust Funds; severance taxes; and the sale-leaseback annuity payments. Beginning in FY2016, this will also include the telecommunications tax (previously included in the Property Tax Reduction Fund receipts). For FY2017, collections from other ongoing revenues are projected to be \$178.1 million, which is approximately 11% of total ongoing general fund revenues. In FY2018, collections from other ongoing revenues are expected to remain relatively unchanged compared to FY2016. For FY2018, collections are projected at \$178.4 million.

### ***ONE-TIME RECEIPTS***

In FY2017, collections from one-time receipts are projected to be \$14.1 million. This includes \$13.0 million in one-time unclaimed property receipts resulting from the sale of the unclaimed property stock portfolio and \$1.0 million in unexpended carryovers and specials. In FY2018, there are no one-time receipts projected at this time.

### ***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. For FY2017, the total amount of obligated cash carried forward was \$14.1 million. This was obligated to the Budget Reserve Fund from the budget surplus at the end of FY2016. In FY2017, the Governor is recommending that \$2.4 million of FY2017 cash be obligated to the Budget Reserve Fund to restore the combined reserve fund balances to a 10% level, which is reflected in FY2018 as obligated cash carried forward.

## **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. At the end of FY2014, FY2015 and FY2016, unobligated general fund cash in the amounts of \$9.9 million, \$21.5 million, and \$14.1 million, respectively, was obligated to the Budget Reserve Fund. These funds were transferred into the reserve at the beginning of FY2015, FY2016, and FY2017, respectively. In FY2017, the Governor recommends \$2.4 million of FY2017 general fund cash be obligated to the Budget Reserve Fund to bring the combined reserve fund balances to a 10% level at the beginning of FY2018.

### **BUDGET RESERVE FUND CONDITION STATEMENT**

	<u>ACTUAL FY2015</u>	<u>ACTUAL FY2016</u>	<u>ESTIMATED FY2017</u>	<u>ESTIMATED FY2018</u>
Beginning Balance	\$ 95,325,807	\$ 105,202,156	\$ 99,310,660	\$ 113,379,805
Calculations for Maximum Balance in the Fund:				
General Bill Appropriation for Prior Year	\$ 1,293,068,278	\$ 1,372,395,933	\$ 1,416,790,757	\$ 1,565,991,577
Budget Reserve Fund Percentage	10%	10%	10%	10%
Maximum Amount in the Fund	<u>\$ 129,306,828</u>	<u>\$ 137,239,593</u>	<u>\$ 141,679,076</u>	<u>\$ 156,599,158</u>
Maximum Transferable Amount	<u>\$ 33,981,021</u>	<u>\$ 32,037,437</u>	<u>\$ 42,368,416</u>	<u>\$ 43,219,353</u>
Amount of General Funds Available End of Prior Year	\$ 9,876,349	\$ 21,535,148	\$ 14,069,144	\$ 2,434,132
Transferred in from General Fund	<u>\$ 9,876,349</u>	<u>\$ 21,535,148</u>	<u>\$ 14,069,144</u>	<u>\$ 2,434,132</u>
Transferred out to General Fund	<u>\$ 0</u>	<u>\$ (27,426,643)</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Ending Balance</b>	<b><u>\$ 105,202,156</u></b>	<b><u>\$ 99,310,660</u></b>	<b><u>\$ 113,379,805</u></b>	<b><u>\$ 115,813,937</u></b>

**NOTE:** The totals may not add due to rounding.

**COMPARISON BETWEEN LEGISLATIVE ADOPTED AND  
REVISED ESTIMATE FOR FY2017**

	<b>LEG. ADOPTED FY2017</b>	<b>REVISED FY2017</b>	<b>DOLLAR CHANGE</b>	<b>PERCENT CHANGE</b>
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 1,006,724,206	\$ 974,733,819	\$ (31,990,387)	(3.18)
Lottery	111,997,154	113,069,133	1,071,979	0.96
Contractor's Excise Tax	107,427,227	109,439,189	2,011,962	1.87
Insurance Company Tax	85,396,833	88,416,992	3,020,159	3.54
Unclaimed Property Receipts	54,000,000	52,983,383	(1,016,617)	(1.88)
Licenses, Permits, and Fees	65,979,550	64,209,814	(1,769,736)	(2.68)
Tobacco Taxes	56,508,795	55,278,581	(1,230,214)	(2.18)
Trust Funds	35,158,903	35,180,307	21,404	0.06
Net Transfers In	18,932,912	21,418,442	2,485,530	13.13
Alcohol Beverage Tax	7,740,352	7,807,593	67,241	0.87
Bank Franchise Tax	11,472,803	11,430,506	(42,297)	(0.37)
Charges for Goods and Services	15,712,470	15,120,597	(591,873)	(3.77)
Telecommunications Tax	6,101,884	5,348,985	(752,899)	(12.34)
Severance Taxes	4,034,939	5,309,065	1,274,126	31.58
Sale-Leaseback	4,138,575	4,138,575	0	0.00
Investment Income and Interest	4,819,500	6,140,719	1,321,219	27.41
Alcohol Beverage 2% Wholesale Tax	1,993,744	2,044,416	50,672	2.54
<b>SUBTOTAL (ONGOING RECEIPTS)</b>	<b>\$ 1,598,139,847</b>	<b>\$ 1,572,070,116</b>	<b>\$ (26,069,731)</b>	<b>(1.63)</b>
<b>ONE-TIME RECEIPTS</b>				
One-Time Unclaimed Property Receipts	\$ 0	\$ 13,027,523	\$ 13,027,523	100.00
Unexpended Carryovers and Specials	0	1,028,900	\$ 1,028,900	100.00
Obligated Cash Carried Forward	0	14,069,144	14,069,144	100.00
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<b>\$ 0</b>	<b>\$ 28,125,567</b>	<b>\$ 28,125,567</b>	<b>100.00</b>
<b>GRAND TOTAL</b>	<b>\$ 1,598,139,847</b>	<b>\$ 1,600,195,683</b>	<b>\$ 2,055,836</b>	<b>0.13</b>

**NOTE:** The totals may not add due to rounding.



# COMPARISON BETWEEN FY2016 AND REVISED FY2017 REVENUE COLLECTIONS

	ACTUAL FY2016	REVISED FY2017	DOLLAR CHANGE	PERCENT CHANGE
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 860,905,705	\$ 974,733,819	\$113,828,115	13.22
Lottery	110,057,269	113,069,133	3,011,864	2.74
Contractor's Excise Tax	101,496,551	109,439,189	7,942,638	7.83
Insurance Company Tax	84,795,304	88,416,992	3,621,688	4.27
Unclaimed Property Receipts	55,107,516	52,983,383	(2,124,133)	(3.85)
Licenses, Permits, and Fees	56,712,050	64,209,814	7,497,764	13.22
Tobacco Taxes	57,967,713	55,278,581	(2,689,132)	(4.64)
Trust Funds	33,146,867	35,180,307	2,033,440	6.13
Net Transfers In	20,664,859	21,418,442	753,583	3.65
Alcohol Beverage Tax	11,403,076	7,807,593	(3,595,483)	(31.53)
Bank Franchise Tax	10,512,754	11,430,506	917,752	8.73
Charges for Goods and Services	11,589,517	15,120,597	3,531,080	30.47
Telecommunications Tax	5,943,316	5,348,985	(594,331)	(10.00)
Severance Taxes	6,131,259	5,309,065	(822,194)	(13.41)
Sale-Leaseback	4,663,938	4,138,575	(525,363)	(11.26)
Investment Income and Interest	5,438,611	6,140,719	702,108	12.91
Alcohol Beverage 2% Wholesale Tax	1,850,515	2,044,416	193,901	10.48
<b>SUBTOTAL (ONGOING RECEIPTS)</b>	<b>\$ 1,438,386,820</b>	<b>\$ 1,572,070,116</b>	<b>\$133,683,296</b>	<b>9.29</b>
<b>ONE-TIME RECEIPTS</b>				
One-Time Unclaimed Property Receipts	\$ 0	\$ 13,027,523	\$ 13,027,523	100.00
Transfer from Department of Corrections	6,572,387	0	(6,572,387)	(100.00)
Transfer from Petroleum Release Fund	3,500,000	0	(3,500,000)	(100.00)
Transfer from South Dakota Risk Pool	3,353,860	0	(3,353,860)	(100.00)
Prior Period Adjustments	(4,213,467)	0	4,213,467	(100.00)
Unexpended Carryovers and Specials	379,252	1,028,900	649,648	171.30
Transfer from Budget Reserve Fund	27,426,643	0	(27,426,643)	(100.00)
Obligated Cash Carried Forward	21,535,148	14,069,144	(7,466,003)	(34.67)
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<b>\$ 58,553,823</b>	<b>\$ 28,125,567</b>	<b>\$ (30,428,255)</b>	<b>(51.97)</b>
<b>GRAND TOTAL</b>	<b>\$ 1,496,940,642</b>	<b>\$ 1,600,195,683</b>	<b>\$103,255,041</b>	<b>6.90</b>

**NOTE:** The totals may not add due to rounding.

## COMPARISON BETWEEN REVISED FY2017 AND FY2018 REVENUE COLLECTIONS

	REVISED FY2017	PROJECTED FY2018	DOLLAR CHANGE	PERCENT CHANGE
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 974,733,819	\$ 1,013,126,355	\$ 38,392,536	3.94
Lottery	113,069,133	116,372,407	3,303,274	2.92
Contractor's Excise Tax	109,439,189	110,521,183	1,081,994	0.99
Insurance Company Tax	88,416,992	91,664,940	3,247,948	3.67
Unclaimed Property Receipts	52,983,383	52,844,258	(139,125)	(0.26)
Licenses, Permits, and Fees	64,209,814	66,132,256	1,922,442	2.99
Tobacco Taxes	55,278,581	54,975,501	(303,080)	(0.55)
Trust Funds	35,180,307	36,855,483	1,675,176	4.76
Net Transfers In	21,418,442	20,993,023	(425,419)	(1.99)
Alcohol Beverage Tax	7,807,593	7,954,219	146,626	1.88
Bank Franchise Tax	11,430,506	11,756,140	325,634	2.85
Charges for Goods and Services	15,120,597	15,865,139	744,542	4.92
Telecommunications Tax	5,348,985	4,939,787	(409,198)	(7.65)
Severance Taxes	5,309,065	5,659,938	350,873	6.61
Sale-Leaseback	4,138,575	0	(4,138,575)	(100.00)
Investment Income and Interest	6,140,719	6,044,972	(95,747)	(1.56)
Alcohol Beverage 2% Wholesale Tax	2,044,416	2,155,441	111,025	5.43
<b>SUBTOTAL (ONGOING RECEIPTS)</b>	<b>\$ 1,572,070,116</b>	<b>\$ 1,617,861,042</b>	<b>\$ 45,790,926</b>	<b>2.91</b>
<b>ONE-TIME RECEIPTS</b>				
One-Time Unclaimed Property Receipts	\$ 13,027,523	\$ 0	\$ (13,027,523)	(100.00)
Unexpended Carryovers and Specials	1,028,900	0	(1,028,900)	(100.00)
Obligated Cash Carried Forward	14,069,144	2,434,132	(11,635,012)	(82.70)
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<b>\$ 28,125,567</b>	<b>\$ 2,434,132</b>	<b>\$ (25,691,435)</b>	<b>(91.35)</b>
<b>GRAND TOTAL</b>	<b>\$ 1,600,195,683</b>	<b>\$ 1,620,295,174</b>	<b>\$ 20,099,491</b>	<b>1.26</b>

**NOTE:** The totals may not add due to rounding.

## GENERAL FUND RECEIPTS

	ACTUAL FY2015	ACTUAL FY2016	REVISED FY2017	PROJECTED FY2018
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 836,587,108	\$ 860,905,705	\$ 974,733,819	\$1,013,126,355
Lottery	6,952,306	110,057,269	113,069,133	116,372,407
Contractor's Excise Tax	100,116,439	101,496,551	109,439,189	110,521,183
Insurance Company Tax	79,976,685	84,795,304	88,416,992	91,664,940
Unclaimed Property Receipts	52,914,188	55,107,516	52,983,383	52,844,258
Licenses, Permits, and Fees	56,457,033	56,712,050	64,209,814	66,132,256
Tobacco Taxes	30,000,000	57,967,713	55,278,581	54,975,501
Trust Funds	30,826,330	33,146,867	35,180,307	36,855,483
Net Transfers In	30,394,471	20,664,859	21,418,442	20,993,023
Alcohol Beverage Tax	10,772,363	11,403,076	7,807,593	7,954,219
Bank Franchise Tax	8,583,099	10,512,754	11,430,506	11,756,140
Charges for Goods and Services	11,754,275	11,589,517	15,120,597	15,865,139
Telecommunications Tax	0	5,943,316	5,348,985	4,939,787
Severance Taxes	5,396,624	6,131,259	5,309,065	5,659,938
Sale-Leaseback	5,236,813	4,663,938	4,138,575	0
Investment Income and Interest	864,665	5,438,611	6,140,719	6,044,972
Alcohol Beverage 2% Wholesale Tax	1,861,746	1,850,515	2,044,416	2,155,441
Property Tax Reduction Fund	112,690,797	N/A	N/A	N/A
<b>SUBTOTAL (ONGOING RECEIPTS)</b>	<b>\$ 1,381,384,943</b>	<b>\$ 1,438,386,820</b>	<b>\$ 1,572,070,116</b>	<b>\$ 1,617,861,042</b>
<b>ONE-TIME RECEIPTS</b>				
One-Time Unclaimed Property Receipts	\$ 0	\$ 0	\$ 13,027,523	\$ 0
Transfer from Department of Corrections	0	6,572,387	0	0
Transfer from Petroleum Release Fund	0	3,500,000	0	0
Transfer from South Dakota Risk Pool	1,420,000	3,353,860	0	0
Refinancing Gains/Transfer from SDBA	5,567,283	0	0	0
Transfer from Large Project Liability Acct.	1,299,428	0	0	0
Prior Period Adjustments	1,954,866	(4,213,467)	0	0
Unexpended Carryovers and Specials	16,286,079	379,252	1,028,900	0
Transfer from Budget Reserve Fund	0	27,426,643	0	0
Obligated Cash Carried Forward	9,876,349	21,535,148	14,069,144	2,434,132
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<b>\$ 36,404,005</b>	<b>\$ 58,553,823</b>	<b>\$ 28,125,567</b>	<b>\$ 2,434,132</b>
<b>GRAND TOTAL</b>	<b>\$ 1,417,788,948</b>	<b>\$ 1,496,940,642</b>	<b>\$ 1,600,195,683</b>	<b>\$ 1,620,295,174</b>

**NOTE:** The totals may not add due to rounding.

# TAX EXPENDITURES

**Annual Est. General  
Fund Revenue Loss**

## Sales and Use Tax Exemptions

### **Agriculture Group**

10-45-18, 10-45-18.2, 10-46-16, 10-46-16.2: Livestock, live poultry, ostriches, emus, or rheas, if such sales are part of a series of transactions incident to producing a finished product intended to be offered for an ultimate retail sale. Also includes live cattle, buffalo, sheep, goats, swine, poultry, and horses.	\$180,084,375
10-45-18.3: Feed for cattle, buffalo, sheep, goats, swine, poultry, ostriches, emus, rheas, and domesticated fur-bearing animals defined in chapter 40-35, if such feed is used by farmers or ranchers who are regularly engaged in the business of raising and feeding such animals, or producing milk for sale for human consumption, and horses and other animals with the family equidae. Poultry does not include any fowl other than domestic fowl kept and raised for the market or the production of eggs for human consumption.	\$57,695,985
10-45-16: Commercial fertilizer, either liquid or solid, when sold in quantities of five hundred pounds or more in a single sale to be used exclusively for agricultural purposes.	\$44,511,930
10-45-15: Seed legumes, seed grasses, and seed grains sold in quantities of 25 pounds or more in a single sale to be used exclusively for agricultural purposes.	\$35,552,835
10-45-3.4: (1) Parts or repairs on machinery or equipment which are clearly identifiable as used primarily for agricultural purposes, including irrigation equipment, if the part replaces a farm machinery or irrigation equipment part assigned a specific or generic part number by the manufacturer of the farm machinery or irrigation equipment; and (2) Maintenance items and maintenance services used on machinery or equipment which are clearly identifiable as used primarily for agricultural purposes, including irrigation equipment.	\$22,362,120
10-45-16.1, 10-46-17.5: Pesticides (including insecticides, herbicides, pesticides, rodenticides, and fumigants) and products or substances used in conjunction with application of the pesticides used exclusively for agricultural purposes. (Sales tax applies to endoparasitides and ectoparasitides)	\$21,831,525
10-45-19, 10-46-17: Motor fuel, including kerosene, tractor fuel, liquefied petroleum gas, natural and artificial gas, diesel fuels, and distillate, when used for agricultural purposes. Agricultural purposes includes hay grinding but does not include the lighting or heating of any farm residence.	\$20,158,020
10-45-12.1: Farm Product Warehousing & Storage	\$9,225,000
10-45-12.1: Agricultural Services, except: Veterinary Services and Animal Specialty Services.	\$8,285,625
10-45-93: Sale of agricultural and industrial production equipment in international commerce where physical delivery of the goods takes place in South Dakota if the property is to be shipped to a point outside the United States not to be returned to a point within the United States. (also 10-46E)	\$365,625
10-45-12.1: Forestry Services	\$160,515
10-45-18.6, 10-46-16.6: The sale of swine or cattle semen used for agricultural purposes.	\$219,375
10-45-16.2, 10-45-16.3: Rental of devices primarily used to apply fertilizers, pesticides, herbicides, and insecticides for agricultural purposes if sales or use tax was paid on the original purchase of the device.	\$2,260,620
10-45-18.4, 10-46-16.4: Live nondomestic animal regulated by the animal industry board pursuant to 40-3-26 if the animal is to be used by a farmer or rancher who is regularly engaged in the breeding and raising of such animals.	\$29,250
10-45-19.1, 10-46-17.2: Electricity used to power irrigation pumps and horsepower charge on electric motors powering irrigation pumps when the purchase is exclusively for agricultural purposes.	\$3,426,728
10-45-18.5, 10-46-16.5: Feed for nondomestic animals exempted in 10-45-18.4	\$5,625

# TAX EXPENDITURES

## Sales and Use Tax Exemptions

**Annual Est. General  
Fund Revenue Loss**

### Healthcare Group

10-45-12.1: Health Services; 10-45-14, 10-45-15: Purchases by nonprofit hospitals; 10-45-14.10: Drugs to the extent used by humans that are prescribed, dispensed, or administered by a physician, chiropractor, optometrist, dentist, podiatrist, or audiologist; 10-45-14.9: Insulin that is not sold by prescription; 10-45-14.11: Durable medical equipment, mobility enhancing equipment, and prosthetic devices used by humans when prescribed by prescription, dispensed, or administered for a specific patient by a physician, chiropractor, optometrist, dentist or podiatrist; 10-45-14.12: Medical devices used by humans when prescribed by prescription, dispensed, or administered for a specific patient by a physician, chiropractor, optometrist, dentist or podiatrist; 10-45-14.6: Hospital meals paid for by a public entity.	\$139,539,330
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### Government

10-45-10: Purchases by the Federal Government, State Government, Public or Municipal Corporations, and Indian tribes. Estimate includes purchases by Educational Institutions and 10-45-14: purchases by Religious or Private Educational Institutions.	\$186,385,500
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### Business Group

10-45-7: Lodging or campsites provided to any person for 28 or more consecutive days. Occasional rental of sleeping accommodations or camp sites, which is 10 or less days/year.	\$35,241,938
10-45-11.1, 10-46-17.3: Goods and services furnished to meet warranty obligation.	N/A
10-45-20.6, 10-46-9.6: Replacement parts sold to retailers that will be installed in tangible personal property that will ultimately be for resale.	N/A
10-45-12.1: Exempts advertising services, which is the preparing and placement of ads. Exempts charges by media for placement of an ad in that media.	\$21,641,418
10-45-68, 10-46-56: Sale of credit card processing services to retailers.	\$2,433,195
10-45-12.1: Water Supply	\$6,841,013
10-45-9.1: Personal Property sold for lease.	\$23,575,680
10-45-13.1: Membership fees to membership organizations and services provided by membership organizations.	\$8,033,805
10-45-5.2: Sanitary services except for the collection and disposal of solid waste which is specifically listed as subject to sales tax.	\$968,163
10-45-20.1: Payments made by one member of a controlled group to another member of a controlled group which represent an allocation, reimbursement, or charge for services provided by or rendered by the members of the controlled group. The exemption provided in this section does not apply to the lease of tangible personal property unless the sales or use tax has been paid on the property by the lessor. (estimate also includes 10-45-20.2)	N/A
10-45-29.1 Allows deduction from gross receipts charges to clients for tangible personal property or services purchased by the attorney or accountant on behalf of a client, provided the purchase was not a resale purchase.	N/A
10-45-12.5, 10-46-9.5: Fees or commissions received for rendering a service which provides for the sale of tangible personal property or services. 10-45-84, 10-45-90 Fees or commissions received by a retailer for arranging a loan for a customer to pay for property sold by that retailer.	N/A
10-45-12.1: Motion picture rentals to a commercially operated theater primarily engaged in the exhibition of motion pictures.	\$622,034
10-45-5.2: Research, development, and testing services (SIC 8733)	\$6,655,320

# TAX EXPENDITURES

## Sales and Use Tax Exemptions

**Annual Est. General  
Fund Revenue Loss**

### **Business Group (Continued)**

10-45-7.1, 10-46-68: Membership fees paid to a lodging house or hotel membership organization operated for the benefit of its members.	N/A
10-45-96: Deduction allowed for actual disbursements, including appropriate reserves, for the wages, salaries, payroll taxes, payroll deductions, workers' compensation costs, insurance premiums, welfare benefits, retirement benefits, and other employee benefits of its co-employees.	\$369,461
10-45-5.2: Radio & Television Broadcasting	N/A
10-45-5: Leases of tangible personal property between one telephone company and another telephone company.	N/A
10-45-5.2: Goods or services with money advanced as an accommodation are retail purchases and are not included in gross receipts for funeral services, and fees paid or donated for religious ceremonies are not included in gross receipts for funeral services.	N/A
10-45-5.5, 10-46-2.5: Chemicals purchased for use by Lawn & Garden Services.	N/A
10-45-92: Deduction allowed from auction's gross receipts for expenses for tangible personal property or services purchased by the auctioneer for that client, provided the purchase was not a resale purchase.	N/A
10-45-14.2, 10-46-9.1: Ink and newsprint used to produce shoppers' guides.	N/A
10-45-94: Postage by a mailing service provided the cost of postage is itemized on the customer's bill and the cost of the postage is no greater than the cost of the postage to the mailing service.	N/A
10-45-12.4: Services provided to a rural water system by a wholly owned cooperative or nonprofit corporation.	Included in water estimate
10-45-110: Exempts coins, currency, or bullion.	N/A
10-45-12.7: Any person officiating an amateur sporting event. However, this exemption does not apply to any person officiating any sporting event sponsored and operated by any elementary, secondary, or postsecondary school.	\$37,847
10-45-90, 10-46-63: Services performed for rodeos by promoters, stock contractors, stock handlers, announcers, judges, and clowns.	\$969,255
10-45-18.1, 10-46-16.1: Live gamebirds sold by the producer to nonprofit organizations which release such birds or to commercial hunting operators who charge fees to hunt such birds.	\$554,715
10-45-12.1: Consumer Credit Reporting Agencies and Mercantile Reporting Agencies.	\$63,227

### **Educational Services**

10-45-12.1: Educational Services - Exempt schools: Continuing education programs, tutoring, and vocational counseling not including Rehabilitation counseling (See Social Services exemption for Rehabilitation counseling).	\$5,603,457
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# TAX EXPENDITURES

## Sales and Use Tax Exemptions

**Annual Est. General  
Fund Revenue Loss**

### **Financial Group**

10-45-12.1: Commissions earned or service fees paid by an insurance company to an agent or representative for the sale of a policy. 10-44-8 Insurance companies are exempt from all other taxes, except sales or use tax on tangible personal property and taxes on real property. Insurance companies do not owe use tax on the purchase of services, if the service provider does not collect the applicable sales tax.	\$3,955,050
10-44-8: Insurance companies are exempt from all other taxes, except sales or use tax on tangible personal property and taxes on real property. Insurance companies do not owe use tax on the purchase of services, if the service provider does not collect the applicable sales tax.	\$117,162,001
10-45-20.5, 10-46-2.1: Services by a related corporation to a financial institution or services by a financial institution to a related corporation if they are part of a controlled group of corporations.	N/A
10-45-12.1: Commodity Contracts Brokers & Dealers; 10-45-12.1: Brokers, Dealers, and Flotation Companies; 10-46-9.2: Brokers licensed under Title 47.	\$8,162,010
10-43-5: Bank franchise tax is paid in lieu of other taxes, except sales or use tax on tangible personal property. Financial institutions do not owe use tax on services, if the service provider does not collect the applicable sales tax.	N/A
10-45-12.1: Financial services of institutions subject to the tax under Chapter 10-43 (Bank Franchise) including loan origination fees, late payment charges, nonsufficient fund check charges, stop payment charges, safe deposit box rent, exchange charges, commission on travelers checks, charges for administration of trusts, interest charges, and "points" charged on loans.	\$77,475,934
10-45-12.6, 10-46-6.2: Sale of credit services by credit bureaus to financial institutions that are paying bank franchise taxes.	N/A
10-45-13.5: Exempts receipts received by the state and political subdivisions from management services provided to a revolving loan fund operated by a nonprofit entity.	N/A

### **Transportation Group**

10-45-12.1: Railroad Transportation & Rental of Railroad Cars.	\$9,011,250
10-45-12.1: Arrangement of Passenger Transportation; Arrangement of Transportation of Freight & Cargo; Local and Suburban Passenger Transportation, except Limousine Services; Trucking and Courier services, except air, except collection and disposal of solid waste; Pipelines, except Natural Gas; Transportation on rivers and canals; and school buses. 10-45-67, 10-46-55: Natural gas transportation by pipeline.	\$14,185,620

### **Social Services**

10-45.12.1: Social services and credit counseling services provided by individual and family social services.	\$4,754,250
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### **Manufacturing Group**

10-46-5: Excludes the fabrication costs from the fair market value of tangible personal property fabricated by a contractor or subcontractor for use in the contract. The fair market value is subject to use tax.	N/A
10-46-3: Tangible personal property not originally purchased for use in this state, but thereafter used, stored, or consumed in this state if the equipment is more than seven years old at the time it is brought into this state.	N/A
10-45-14.4, 10-46-9.3: Packing material used or consumed by manufacturers, processors, or fabricators as raw material. 10-45-14.5, 10-46-9.4 Packing material sold to retailers if the retailer used the article as wrappers or containers to hold other tangible personal property sold by the retail that is subject to sales or use tax and the articles are supplied free by the retailer as a convenience to the customer.	N/A

## **TAX EXPENDITURES**

**Annual Est. General  
Fund Revenue Loss**

### **Sales and Use Tax Exemptions**

#### **Civic & Nonprofit Association Events/Admissions/Donations**

10-45-13: Exempts tax on the gross receipts of various sales and admission for civic and nonprofit associations and purposes.	N/A
10-45-13.2, 10-46-15.4: Donations of tangible personal property or services given without charge to organizations exempt from sales tax.	N/A

#### **Federal Law Prohibition/Subject to Tax/Fees in other Laws**

10-45-14.7, 10-46-15.2: Authorized purchases made with food stamps. 10-45-14.8, 10-46-15.3: Authorized purchases of food under section 17 c of the Child Nutrition Act of 1966.	\$6,702,121
10-45-5.1, 10-45-5.6: Coin operated washers and dryers annual license fee is in lieu of sales tax on receipts.	\$54,601
10-45-13.3: Sale of lottery tickets.	\$2,434,420
10-45-2.1, 10-46-5.1: Mobile homes and manufactured homes are subject to the 4% initial registration tax in lieu of sales, use, and contractor's excise tax.	\$2,011,995

#### **Other Miscellaneous Sales Tax Exemptions**

Mini-storage receipts are not specifically subject to tax and therefore are exempt.	\$758,735
10-45-13.4: Library copying charges.	N/A

<b>Total Sales and Use Tax Exemptions</b>	<b>\$1,092,378,498</b>
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### **Other Tax Expenditures**

10-44-4: Tax credit for principal office or regional home office for insurance companies.	\$14,127,083
10-45-27.2: Collection allowance for sales tax of 1.5% of collections with a maximum of \$70 per month.	\$4,601,670
10-50-18: Distributor discount of 1% of cigarette stamp face value.	\$568,755
13-65-2: Tax credit to insurance companies that contribute to an organization providing educational scholarships to certain students. The bill caps credits at two million dollars per year.	\$2,000,000

<b>Total Other Tax Expenditures</b>	<b>\$21,297,508</b>
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<b>Grand Total Tax Expenditures</b>	<b>\$1,113,676,006</b>
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Sources: Department of Revenue - Summary of Sales Tax Exemptions (July 2015) and Department of Labor and Regulation.



## RECOMMENDED EXPENDITURES

### OVERVIEW

Governor Daugaard's FY2018 budget recommendation 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 that the state continue to invest in the state employee workforce, which is any organization's greatest resource.

The Governor recommends a 1.0% inflationary increase to the target teacher salary for state aid to general education. This increases the ongoing target teacher salary to \$48,985 for general education. The Governor is recommending a 1.0% inflationary increase for postsecondary technical institutes, which brings the per student allocation to \$3,549.82.

The ongoing budget for the Board of Regents contains a net decrease of \$0.3 million in general funds. Included in this amount is an increase of \$0.4 million related to the South Dakota Opportunity Scholarship; \$0.9 million to maintain an M&R budget, which is 2% of the replacement value of the buildings; \$0.8 million for operations of the State Animal Disease Research and Diagnostic Laboratory; and a decrease of \$2.6 million related to lower utility costs and utilization.

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. The Departments of Health, Human Services, and Social Services account for \$8.3 million of the \$19.5 million in ongoing general fund increases. In terms of the total ongoing budget, this category is 35.6% of the general funds and 32.2% of the total ongoing funds, which amounts to nearly \$1.5 billion in total ongoing funding.

Social Services will see ongoing increases of \$8.3 million in general funds and \$24.4 million in federal fund expenditure authority. This includes a decrease of \$7.7 million in general funds with a corresponding increase in federal fund expenditure authority due to the Federal Medical Assistance Percentage (FMAP) rate change. Increases of \$3.7 million in general funds, \$3.8 million in federal fund expenditure authority, and \$0.02 million in other fund expenditure authority are for a 1.0%

provider inflation increase. Increases of \$4.4 million in general funds and \$8.5 million in federal fund expenditure authority are due to a projected increase in the number of Medicaid clients. An increase of \$0.7 million in general funds and \$0.8 million in federal fund expenditure authority is for provider rate adjustments.

The Human Services ongoing budget is decreasing by \$0.5 million in general funds, increasing by \$4.1 million in federal fund expenditure authority, and decreasing by \$0.03 million in other fund expenditure authority. A decrease of \$1.7 million in general funds with a corresponding increase in federal fund expenditure authority is due to the FMAP rate change. Increases of \$0.6 million in general funds, \$0.8 million in federal fund expenditure authority, and \$0.1 million in other fund expenditure authority are for a 1.0% provider inflation increase. Also included in the budget are increases of \$0.9 million in general funds and \$0.9 million in federal fund expenditure authority for additional clients served, as well as decreases of \$0.2 million in general funds, \$0.2 million in federal fund expenditure authority, and 12.0 FTE to align the budget with anticipated utilization.

The ongoing budget for the Department of Health includes increases of \$0.4 million in general funds, \$0.5 million in federal fund expenditure authority and \$2.3 million in other fund expenditure authority. This includes increases of \$0.2 million in general funds and \$0.3 million in federal fund expenditure authority to support the first year of a rural family medicine residency track in Pierre. And an increase of \$2.3 million in other fund expenditure authority for Correctional Healthcare due to inflationary increases and inmate growth.

To address the safety of our State's citizens, a progressive criminal justice system is in place. The ongoing budget for the Department of Corrections includes increases of \$0.3 million in general funds and \$0.7 million in federal fund expenditure authority; and a decrease of 39.0 FTE. The primary increases throughout the department include: \$3 million in general funds for Correctional Healthcare; \$0.3 million in general funds for Correctional Officer pay and additional positions; and \$0.7 million in general funds for costs related to ongoing maintenance and contractual increases at the adult institutions. Also included is a decrease of \$3.5 million in general funds due to a lower projected average daily population for juveniles.

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 \$0.1 million in general funds, \$0.3 million in federal fund expenditure authority, \$0.5 million in other fund expenditure authority, and a decrease of 1.0 FTE. The Office of the Attorney General's ongoing general fund budget is increasing by \$0.2 million and 9.0 FTE due to the passage of Amendment S, Crime Victims' Rights, and the Smart on Crime Initiative.

The safety of South Dakota's citizens is also addressed within the ongoing budget for the Unified Judicial System, which is being increased by \$0.6 million in general funds. This includes increases of \$0.3 million in general funds and 1.0 FTE for Drug/DUI and Mental Health Courts. Also included are increases of \$0.2 million in general funds for the alternative care program, which helps reduce recidivism.

The Governor is recommending a 1.0% pay increase for all permanent state employees. Additionally, the Governor is recommending adjusting the artificially lowered pay grade minimums to 90% of the true market minimums, to bring the state's pay structures closer to the market. The pay-for-performance component of the employee salary package, previously used with the career bands and scheduled to be implemented for the general pay structure in FY2018, is recommended to be postponed until next year.

Executive Branch agencies, under direct control of the Governor, have the following funding changes for FY2018, excluding the employee compensation package:

General Funds	\$	6,505,088
Federal Funds	\$	28,408,739
Other Funds	\$	9,721,154

FTE	(64.4)
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<u>Description</u>	<u>Inc./Dec.</u>	<u>FTE</u>
Executive Branch	\$6,505,088	(64.4)
Board of Regents	(\$314,915)	14.0
State Aid	\$6,846,447	
UJS/Legislature/Elected	\$755,519	12.0
Technical Institutes	(\$390,212)	
Employee Comp.	\$6,105,939	
Total	<u>\$19,507,866</u>	<u>(38.4)</u>

## SUMMARY OF RECOMMENDED BUDGET ADJUSTMENTS

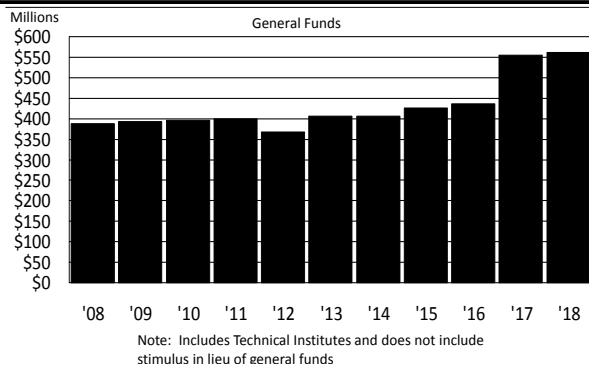
### STATE AID, TECHNICAL INSTITUTES, HIGHER EDUCATION, AND EDUCATION

The budgets included in this category include State Aid to K-12 Education and Technical Institutes, Higher Education, and the Department of Education. General funds in this budget account for a \$6.4 million increase out of the \$19.5 million in ongoing general fund increases. In terms of the total ongoing budget, the education category is 48.9% of the general funds and 33.8% of the total ongoing funds, which amounts to \$1.6 billion in total ongoing funding for education.

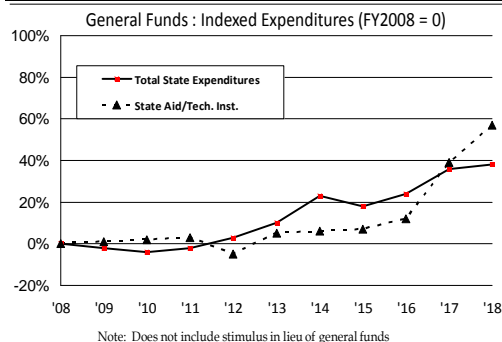
### STATE AID TO K-12 EDUCATION AND TECHNICAL INSTITUTES

This category includes State Aid to K-12 General Education, Special Education, Technical Institutes, sparse school district funding, Technology in Schools and National Board Certified Teachers.

#### State Aid to Schools



#### State Aid to Schools



### STATE AID TO K-12 EDUCATION

The Governor's recommendation for State Aid to K-12 Education reflects an increase of \$6,846,447 in general funds. The total recommended budget for FY2018 is \$534,337,239 in general funds and \$4,372,827 in other fund expenditure authority.

The Governor is recommending a 1.0% inflationary increase to the target teacher salary for FY2018. This brings the target teacher salary to \$48,985 for FY2018.

The Governor is recommending an increase of \$5,892 in general funds for payments to sparse school districts. An estimated 28 schools will be eligible for sparse payments in FY2018. Also recommended is an increase of \$527,700 in general funds for Every Student Succeeds Act (ESSA) accountability compliance database support.

The State Aid to Special Education budget is recommended to remain at \$63,646,857 in FY2018. Funding for each disability level is recommended to increase 1.0%. Due to child count projections and anticipated valuation growth, the state share is anticipated to decrease. No change is recommended due to the maintenance of effort requirement.

### STATE AID TO TECHNICAL INSTITUTES

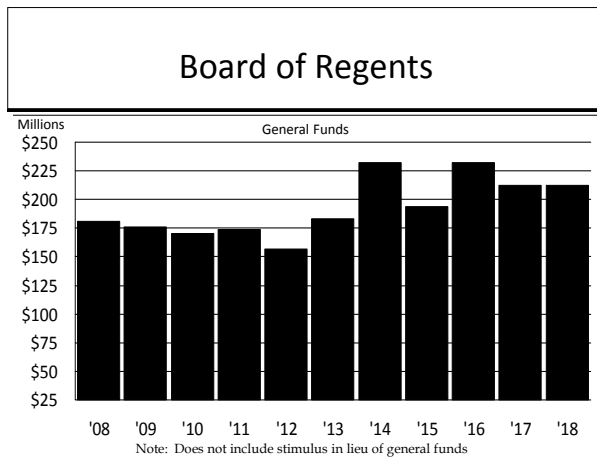
The Governor's recommendation for State Aid to Technical Institutes reflects a decrease of \$390,212 in general funds. The total recommended budget for FY2018 is \$27,518,584 in general funds.

The increase in general funds is based on a per student funding level of \$3,549.82 for FY2018, which is a 1.0% increase from FY2017. The estimated number of students for the FY2018 budget is a decrease of 170 for a total of 5,735. The Governor recommends an increase of \$5,696 in general funds for the state share of the postsecondary technical institute bond payment.

### 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, Black Hills State University-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 decrease of \$92,681,803 in total funds and an increase of 14.0 FTE over the FY2017 budget. The changes consist of decreases of \$314,915 in general funds, \$46,559,356 in federal fund expenditure authority, and \$45,807,532 in other fund expenditure authority. The total FY2018 recommended budget for the Board of Regents consists of \$211,782,362 in general funds, \$83,647,760 in federal fund expenditure authority, and \$483,444,548 in other fund expenditure authority, for a total FY2018 budget of \$778,874,670 and 5,154.4 FTE.

The Governor's recommended budget includes \$146,493 in general funds to increase instructor salaries at the South Dakota School for the Blind and Visually Impaired and the South Dakota School for the Deaf, as these teachers are similar to K-12 teachers who received an increase as part of the 2017 legislation to improve teacher salaries.

The Governor is also recommending \$918,737 in general funds to sustain an M&R budget, which is 2% of the replacement value of the buildings. An increase of \$800,000 is recommended to support the operations at the State Animal Disease and Diagnostic Laboratory. Also included in the recommendation is a decrease of \$2,592,943 in general funds and an increase of \$656,535 in other fund expenditure authority due to utility projections and lease adjustments.

Other recommendations in the Governor's budget include an increase of \$412,798 in general funds to support the South Dakota Opportunity Scholarship awards, which include funding the third class of students at \$6,500. Decreases of \$46,559,356 in federal fund expenditure authority and \$46,464,067 in other fund expenditure authority are recommended to align the budget with anticipated utilization within research

grant informational centers. Also, FTE increases of 12.0 FTE at Northern State University are related to funding appropriated during the 2017 Legislative Session for additional e-Learning capabilities, and 2.0 FTE at the School for the Deaf are related to outreach expansion.

## EDUCATION

The Governor's recommendation for the Department of Education reflects increases of 3.0 FTE and \$290,097 in general funds, as well as decreases of \$1,676,852 in federal fund expenditure authority and \$150,000 in other fund expenditure authority. The total recommended budget for FY2018 is \$16,375,872 in general funds, \$186,342,326 in federal fund expenditure authority, \$3,591,466 in other fund expenditure authority, and 187.0 FTE.

### GENERAL ADMINISTRATION

The Governor recommends an increase of \$67,307 in general funds and 1.0 FTE to monitor grants and contracts in the department. A decrease of \$1,681,743 in federal fund expenditure authority is recommended to align the budget with anticipated utilization. The total recommended FY2018 budget for this division is \$2,589,674 in general funds, \$4,658,606 in federal fund expenditure authority, \$212,999 in other fund expenditure authority, and 34.0 FTE.

### EDUCATION SERVICES AND RESOURCES

This budget includes the Division of Accountability Systems, the Division of Educational Services and Support, the Division of Career and Technical Education, and the Division of Learning and Instruction. The Governor recommends increases of \$222,790 in general funds, \$4,891 in federal fund expenditure authority and 2.0 FTE, as well as a decrease of \$150,000 in other fund expenditure authority. The total recommended FY2018 budget is \$9,668,567 in general funds, \$179,216,148 in federal fund expenditure authority, \$1,011,170 in other fund expenditure authority, and 86.5 FTE. An increase of \$132,146 in general funds and 2.0 FTE is recommended to oversee the design and development of the accountability system. An increase of \$90,569 in general funds is due to a growth in utilization of the dual credit program. A funding change of \$4,891 from general funds to federal fund expenditure authority in the birth to three program is due to the decrease in the state's share in the Federal Medical Assistance Percentage (FMAP). A decrease of \$150,000 in other fund expenditure authority is to align the budget with anticipated utilization.

## HISTORY

The total recommended FY2018 History budget consists of \$2,202,382 in general funds, \$1,222,054 in federal fund expenditure authority, \$2,339,397 in other fund expenditure authority, and 44.0 FTE.

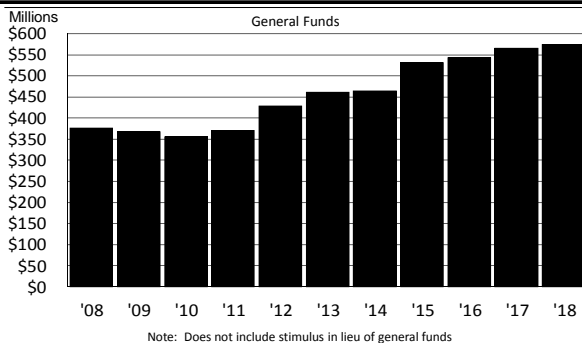
### STATE LIBRARY

The Governor's recommendation for the State Library is \$1,915,249 in general funds, \$1,245,518 in federal fund expenditure authority, \$27,900 in other fund expenditure authority, and 22.5 FTE.

## HEALTH, HUMAN, AND SOCIAL SERVICES

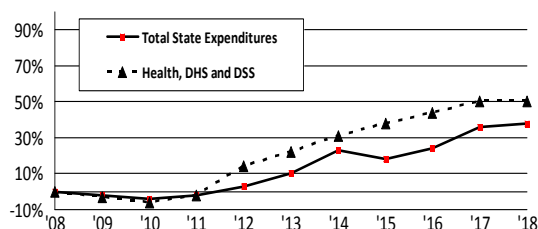
The budgets included in this category are the Department of Health, Department of Human Services, and Department of Social Services. General funds account for an \$8.3 million increase out of the \$19.5 million in total ongoing general fund increases. In terms of the total ongoing budget, this category is 35.6% of the general funds and 32.2% of the total ongoing funds, which amounts to nearly \$1.5 billion in total ongoing funding.

### Health, Human, and Social Services



### Health, Human, and Social Services

General Funds : Indexed Expenditures (FY2008 = 0)



## HEALTH

The total recommended budget is \$9,070,129 in general funds, \$42,147,094 in federal fund expenditure authority, and \$46,618,421 in other fund expenditure authority, for a total of \$97,835,644 and 437.4 FTE. This includes increases of \$376,889 in general funds, \$483,238 in federal fund expenditure authority, \$2,335,650 in other fund expenditure authority, and 6.0 FTE.

### ADMINISTRATION

The total recommended budget for Administration is \$959,706 in general funds, \$1,718,848 in federal fund expenditure authority, \$1,514,661 in other fund expenditure authority, and 32.0 FTE.

### HEALTH SYSTEMS DEVELOPMENT AND REGULATION

The total recommended budget for Health Systems Development and Regulation is \$3,819,896 in general funds, \$10,674,745 in federal fund expenditure authority, \$3,166,044 in other fund expenditure authority, and 70.0 FTE. This includes an increase of \$236,889 in general funds and \$292,354 in federal fund expenditure authority to support the first year of a rural family medicine track.

### FAMILY AND COMMUNITY HEALTH

The total recommended budget for Family and Community Health is \$4,290,527 in general funds, \$24,849,030 in federal fund expenditure authority, \$6,000,072 in other fund expenditure authority, and 191.5 FTE. This includes an increase of \$140,000 in general funds for the Cribs for Kids Program. Also included is an increase of \$51,935 in federal fund expenditure authority and 1.0 FTE for an epidemiologist to manage the Opioid Surveillance Grant. Additionally, \$138,949 in federal fund expenditure authority and 2.0 FTE is included to manage the Woman, Infants and Children Electronic Benefits Transfer and Pregnancy Risk Assessment Monitoring System programs.

### LABORATORY SERVICES

The total recommended budget for Laboratory Services is \$3,341,820 in federal fund expenditure authority, \$3,490,359 in other fund expenditure authority, and 29.0 FTE. This includes an increase of 1.0 FTE for an additional Forensic Chemist.

### CORRECTIONAL HEALTH

The total recommended budget for Correctional Health is \$23,564,581 in other fund expenditure authority and

89.0 FTE. This includes an increase of \$14,915 in other fund expenditure authority for a 1.0% provider inflation increase, \$2,161,212 for other inflationary costs, and \$146,798 and 2.0 FTE for additional nurses at the Jameson Annex.

#### **TOBACCO PREVENTION**

The total recommended budget for Tobacco Prevention is \$1,562,651 in federal fund expenditure authority, \$4,500,223 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 twelve 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, Board of Massage Therapy, and Board of Speech-Language Pathology. The Governor is recommending an increase of \$12,725 in other fund expenditure authority in the Board of Dentistry for consultants, rent, and telecommunication costs. The total recommended budget for the Boards is \$4,382,481 in other fund expenditure authority and 22.9 FTE.

### ***HUMAN SERVICES***

The Governor is recommending a decrease of \$452,716 in general funds, an increase of \$4,066,681 in federal fund expenditure authority, a decrease of \$27,895 in other fund expenditure authority, and a decrease of 12.0 FTE. This budget includes a funding change of \$1,720,373 from general funds to federal fund expenditure authority due to the decrease in the state's share in the Federal Medical Assistance Percentage (FMAP). For FY2018, a total budget consisting of \$79,025,586 in general funds, \$115,689,423 in federal fund expenditure authority, \$9,699,749 in other fund expenditure authority, and 533.4 FTE is recommended.

#### **SECRETARIAT**

The Governor is recommending decreases of \$56,135 in general funds and 1.0 FTE to eliminate the Juvenile Corrections Monitor position. An increase of \$1,569 in general funds is for a 1.0% provider inflation increase. The total recommended budget is \$925,804 in general funds, \$759,499 in federal fund expenditure authority,

\$1,430 in other fund expenditure authority, and 17.0 FTE.

#### **DEVELOPMENTAL DISABILITIES**

The recommendation for the Division of Developmental Disabilities includes an increase of \$97,535 in general funds, an increase of \$3,163,465 in federal fund expenditure authority, and a decrease of \$85,485 in other fund expenditure authority. Increases of \$583,101 in general funds, \$773,062 in federal fund expenditure authority, and \$56,071 in other fund expenditure authority are for a 1.0% provider inflation increase. Also, increases of \$897,345 in general funds and \$865,936 in federal fund expenditure authority are to address growth in individuals needing services who have developmental disabilities. The total recommended budget for the Division of Developmental Disabilities is \$61,122,677 in general funds, \$80,775,963 in federal fund expenditure authority, \$5,663,174 in other fund expenditure authority, and 20.5 FTE.

#### **SOUTH DAKOTA DEVELOPMENTAL CENTER**

The recommendation for the South Dakota Developmental Center includes a decrease of \$476,591 in general funds, and an increase of \$44,053 in federal fund expenditure authority. Decreases of \$53,794 in general funds and \$66,393 in federal fund expenditure authority are for utility cost adjustments. Increases of \$26,893 in general funds and \$33,190 in federal fund expenditure authority are for food service inflation. Decreases of \$162,949 in general funds, \$209,485 in federal fund expenditure authority, and 12.0 FTE align the budget with anticipated utilization. The total recommended budget is \$11,308,269 in general funds, \$14,015,974 in federal fund expenditure authority, \$794,724 in other fund expenditure authority, and 364.6 FTE.

#### **REHABILITATION SERVICES**

The Governor's recommended budget for Rehabilitation Services includes a decrease of \$19,094 in general funds, an increase of \$859,163 in federal fund expenditure authority, an increase of \$57,590 in other fund expenditure authority, and an increase of 1.0 FTE. Increases of \$29,960 in general funds and \$24,596 in federal fund expenditure authority are for a 1.0% provider inflation increase. An increase of \$337,134 in federal fund expenditure authority is for Disability Determination Services operating cost increases, and an increase of \$57,590 in other fund expenditure authority is for deaf services. Also included are increases of \$444,655 in federal fund expenditure authority and 1.0 FTE for the Cooperative Disability Investigations Unit, as well as \$1,667 in general funds and \$2,057 in federal

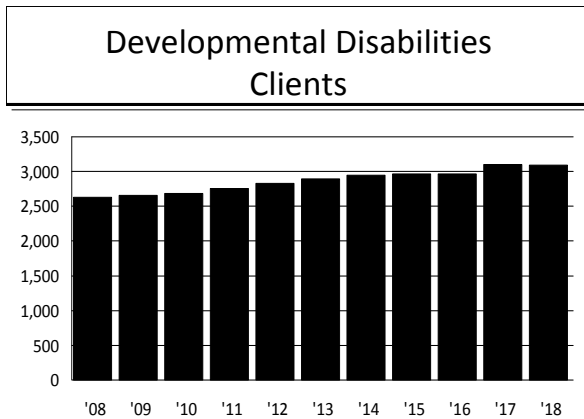
fund expenditure authority for year two of the Governor's plan to increase provider reimbursement rates to at least 90% of methodology target over three years. The total recommended budget is \$4,699,326 in general funds, \$17,473,841 in federal fund expenditure authority, \$1,551,015 in other fund expenditure authority, and 102.1 FTE.

#### **TELECOMMUNICATION DEVICES FOR THE DEAF**

The total recommended FY2018 budget is \$1,301,680 in other fund expenditure authority.

#### **SERVICE TO THE BLIND AND VISUALLY IMPAIRED**

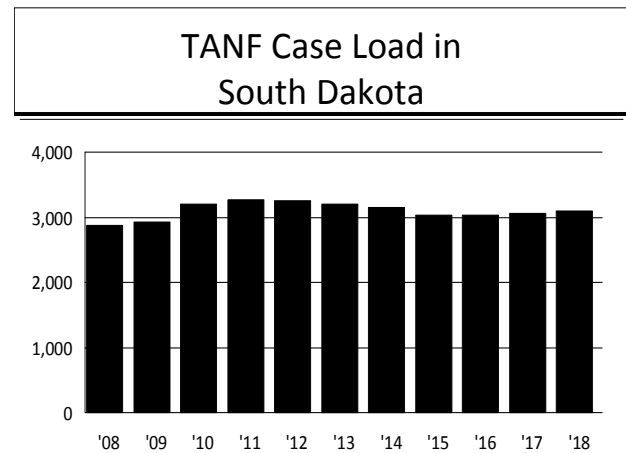
The total recommended budget is \$969,510 in general funds, \$2,664,146 in federal fund expenditure authority, \$387,726 in other fund expenditure authority, and 29.2 FTE.



funds along with an increase of a like amount in federal fund expenditure authority due to the FMAP change.

#### **ECONOMIC ASSISTANCE**

The Governor's recommended budget for Economic Assistance includes decreases of \$116,098 in general funds and \$83,471 in federal fund expenditure authority. A decrease of \$7,315 in general funds with a matching federal fund expenditure authority increase are due to the FMAP change. Increases of \$126,163 in general funds and \$5,078 in federal fund expenditure authority are for a provider inflation increase of 1.0%. Also included is a decrease of \$234,946 in general funds and \$95,864 in federal fund expenditure authority for a reduction in Auxiliary Placement due to decreased utilization. The total recommended budget is \$26,205,439 in general funds, \$60,513,129 in federal fund expenditure authority, \$341,252 in other fund expenditure authority, and 320.5 FTE.



#### **SOCIAL SERVICES**

The Governor's recommended budget for the Department of Social Services is \$486,470,228 in general funds, \$679,975,373 in federal fund expenditure authority, and \$10,555,355 in other fund expenditure authority for a total FY2018 budget of \$1,177,000,956 and 1,653.3 FTE. This recommendation includes increases of \$8,336,173 in general funds, \$24,382,195 in federal fund expenditure authority, \$8,547 in other fund expenditure authority, as well as a decrease of 9.0 FTE. This budget includes a funding change of \$7,678,573 from general funds to federal fund expenditure authority due to the decrease in the state's share of the Federal Medical Assistance Percentage (FMAP).

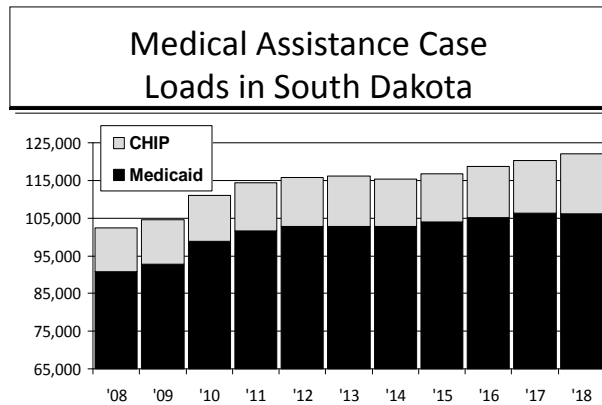
#### **ADMINISTRATION**

The Governor's recommended changes within Administration include a decrease of \$6,749 in general

#### **MEDICAL AND ADULT SERVICES**

The Governor's recommended budget for Medical and Adult Services includes increases of \$7,039,256 in general funds, \$24,733,943 in federal fund expenditure authority, and 2.0 FTE. The FY2018 recommended budget is \$323,332,585 in general funds, \$517,283,673 in federal fund expenditure authority, \$1,801,787 in other fund expenditure authority, and 153.0 FTE. Increases of \$5,486,989 in general funds and \$4,432,004 in federal fund expenditure authority are for inflationary increases required by federal regulations. Increases of \$2,845,178 in general funds and \$3,495,341 in federal fund expenditure authority are recommended for a 1.0% provider inflation increase. Increases of \$4,430,101 in general funds and \$8,476,330 in federal fund expenditure authority are due to changes in utilization and the projected number of participants in the Medicaid program. Also included are increases of \$648,799 in general funds and \$800,709 in federal fund expenditure authority for year two of the Governor's

plan to increase provider reimbursement rates to at least 90% of methodology target over three years.



### CHILDREN'S SERVICES

The Governor's recommended FY2018 budget for Children's Services includes increases of \$51,418 in general funds, \$285,800 in federal fund expenditure authority, and \$5,031 in other fund expenditure authority. This includes increases of \$487,200 in general funds and \$67,691 in federal fund expenditure authority for additional subsidized adoptions and guardianships. In addition, increases of \$232,466 in general funds, \$231,972 in federal fund expenditure authority, and \$5,031 in other fund expenditure authority are recommended for a provider inflation increase of 1.0%. Also included is a reduction of \$616,215 in general funds due to decreased utilization of child care subsidies. Additionally, a decrease of \$262,276 in general funds and \$323,684 in federal fund expenditure authority is recommended due to decreased placements at Psychiatric Residential Treatment Facilities. An increase of \$27,042 in general funds for year two of the Governor's plan to increase provider reimbursement rates to at least 90% of methodology target over three years is also included. The total recommended budget for Children's Services is \$45,914,602 in general funds, \$47,865,251 in federal fund expenditure authority, \$4,803,665 in other fund expenditure authority, and 359.8 FTE.

### BEHAVIORAL HEALTH

The Governor recommends increases of \$1,368,346 in general funds and \$3,516 in other fund expenditure authority, as well as decreases of \$560,826 in federal fund expenditure authority and 17.0 FTE for Behavioral Health. Increases of \$486,147 in general funds, \$136,126 in federal fund expenditure authority, and \$3,516 in other fund expenditure authority are recommended for a 1.0% provider inflation increase. Recommended changes at the Human Services Center (HSC) include \$293,604 in general funds for medical supplies and increased operating expenses; and

decreases of \$12,517 in general funds and \$11,979 in federal fund expenditure authority for utility usage and rate changes. Also, included in the HSC budget is a funding change of \$727,000 from federal fund expenditure authority to general funds due to a decrease of federal revenue. A decrease of \$97,143 in general funds, \$344,653 in federal fund expenditure authority and 10.0 is recommended due to the closure of the Adolescent Chemical Dependency Unit at HSC. A decrease of \$389,748 in general funds and 7.0 FTE is recommended due to the closure of STAR Academy. The total recommended FY2018 budget is \$81,810,139 in general funds, \$37,421,642 in federal fund expenditure authority, and \$3,146,433 in other fund expenditure authority for a total of \$122,378,214 and 636.0 FTE.

### BOARDS – INFORMATIONAL

Included in the Department of Social Services are the informational budgets of four boards. The boards are the Board of Counselor Examiners, Board of Psychology Examiners, Board of Social Work Examiners, and the Board of Addiction and Prevention Professionals. The total recommended budget for FY2018 for the boards is \$442,314 in other fund expenditure authority and 1.3 FTE.

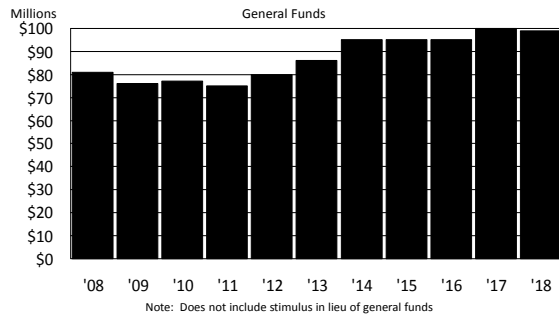
### CORRECTIONS

The Governor's FY2018 budget recommendation for the Department of Corrections includes \$99,491,344 in general funds, \$6,681,643 in federal fund expenditure authority, and \$3,703,784 in other fund expenditure authority for a total FY2018 budget of \$109,876,771 and 750.0 FTE. This budget recommendation includes increases of \$252,335 in general funds and \$668,967 in federal fund expenditure authority, as well as a decrease of 39.0 FTE.

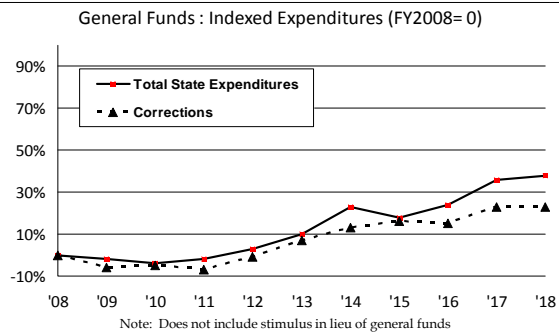
The average daily population (ADP) of adult inmates is projected to be 3,845 in FY2018. This represents an increase of 259 inmates over the actual FY2016 ADP of 3,586 inmates and an increase of 50 inmates over the budgeted FY2017 ADP of 3,795. The ADP of juveniles is projected to be 392 in FY2017 and 350 in FY2018. This represents a decrease of 123 juveniles when compared to the actual FY2016 ADP of 473.



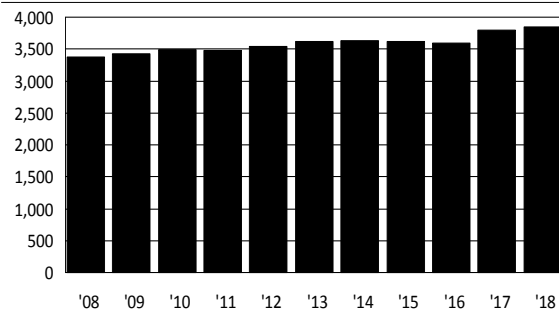
## Corrections



## Corrections



## Average Daily Population of Adult Inmates



### ADMINISTRATION

The Governor is recommending a net increase of \$46,205 in general funds relating to software upgrades. The FY2018 recommended budget for Administration is \$2,868,447 in general funds, \$969,182 in federal fund expenditure authority, and 22.0 FTE.

### MIKE DURFEE STATE PRISON

The Governor is recommending an increase of \$89,246 in total funds. Included in this budget is a net increase of \$17,373 in general funds for food services and an Electronics Specialist position, as well as a decrease in general funds for utilities and contractual services. Also

included is an increase of \$71,873 in federal fund expenditure authority for a Corrections Specialist. The FY2018 recommended budget for Mike Durfee State Prison is \$18,021,365 in general funds, \$154,935 in federal fund expenditure authority, and 210.0 FTE.

### STATE PENITENTIARY

The Governor is recommending an increase of \$516,485 in total funds. Included in this budget is an increase of \$458,863 in general funds associated with food services, Correctional Officer pay, and contractual services. This budget also includes an increase of \$57,622 in federal fund expenditure authority for a Native American Inmate Mentor Program Manager. The FY2018 recommended budget for the State Penitentiary is \$24,635,935 in general funds, \$178,840 in federal fund expenditure authority, and 309.0 FTE.

### WOMEN'S PRISON

The Governor is recommending an increase of \$106,391 in general funds for food services. The FY2018 recommended budget for the Women's Prison is \$5,673,950 in general funds, \$69,179 in federal fund expenditure authority, and 70.0 FTE.

### PHEASANTLAND INDUSTRIES

The FY2018 recommended budget for Pheasantland Industries is \$3,703,784 in other fund expenditure authority and 16.0 FTE.

### INMATE SERVICES

The Governor is recommending an increase of \$3,705,529 in total funds. Included in this budget is an increase of \$3,005,529 in general funds due to Correctional Healthcare. Also included is an increase of \$700,000 in federal fund expenditure authority for a Justice Reinvestment Initiative Grant. The FY2018 recommended budget for Inmate Services is \$28,613,550 in general funds, \$1,076,244 in federal fund expenditure authority, and 27.0 FTE.

### PAROLE SERVICES

The Governor is recommending an increase of \$85,626 in general funds for contractual services. The FY2018 recommended budget for Parole Services is \$5,601,687 in general funds and 57.0 FTE.

### JUVENILE COMMUNITY CORRECTIONS

The Governor is recommending a net increase of \$291,575 in total funds. Included in this budget is a net decrease of \$15,840 in general funds and 5.0 FTE due to

a decrease in juvenile placements. Also included is an increase of \$307,415 in federal fund expenditure authority due to provider inflation and the change in the State's share of the Federal Medical Assistance Percentage (FMAP). The FY2018 recommended budget for Juvenile Community Corrections is \$13,535,526 in general funds, \$4,233,263 in federal fund expenditure authority, and 35.0 FTE.

#### YOUTH CHALLENGE CENTER

The Governor is recommending a decrease of \$525,168 in general funds and 5.0 FTE due to the closure of the State Treatment and Rehabilitation Academy (STAR). The FY2018 recommended budget for the Youth Challenge Center is \$0 in total funds.

#### PATRICK HENRY BRADY ACADEMY

The Governor is recommending a decrease of \$508,753 in general funds and 5.0 FTE due to the closure of STAR Academy. The FY2018 recommended budget for Patrick Henry Brady Academy is \$0 in total funds.

#### STATE TREATMENT AND REHABILITATION ACADEMY

The Governor is recommending a decrease of \$2,685,551 in total funds and 22.0 FTE. Included in this budget are decreases of \$2,217,608 in general funds and \$467,943 in federal fund expenditure authority due to the closure of STAR Academy. The FY2018 recommended budget for the State Treatment and Rehabilitation Academy is \$540,887 in general funds and 4.0 FTE.

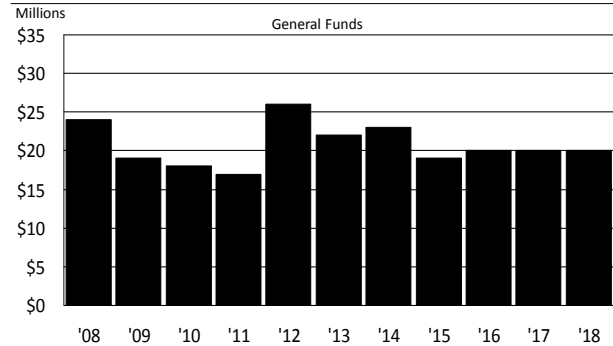
#### QUEST

The Governor is recommending a decrease of \$200,283 in general funds and 2.0 FTE due to the closure of STAR Academy. The FY2018 recommended budget for QUEST is \$0 in total funds.

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

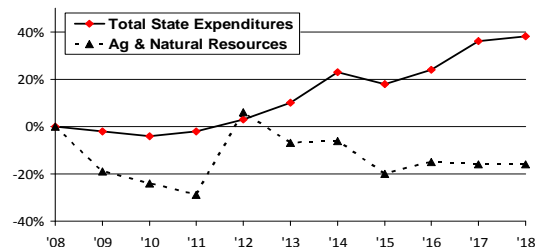
The budgets included in this category are the Department of Agriculture, Department of Environment and Natural Resources, and Department of Game, Fish, and Parks. General funds account for an increase of \$0.2 million out of the \$19.5 million in total ongoing general fund increases. In terms of the total ongoing state budget, this category is 1.3% of the general funds and 3.6% of the total ongoing funds, which amounts to \$164.6 million in total ongoing funding.

### Agriculture, Natural Resources and Game, Fish, and Parks



### Agriculture, Natural Resources and Game, Fish, and Parks

General Funds : Indexed Expenditures (FY2007 = 0)



### AGRICULTURE

The total recommended budget for the Department of Agriculture is \$49,132,222, consisting of \$7,441,300 in general funds, \$6,968,798 in federal fund expenditure authority, \$34,722,124 in other fund expenditure authority, and 223.9 FTE. The Governor is recommending total increases of \$201,714 in general funds and \$2,868,134 in other fund expenditure authority, along with decreases of \$350,810 in federal fund expenditure authority and 2.0 FTE.

#### OFFICE OF THE SECRETARY

The total recommended budget for the Office of the Secretary is \$1,126,594, consisting of \$892,555 in general funds, \$62,078 in federal fund expenditure authority, \$171,961 in other fund expenditure authority, and 9.5 FTE.

#### AGRICULTURAL SERVICES AND ASSISTANCE

The Governor is recommending a net decrease of \$149,096 in total funds. A decrease of \$350,810 in federal fund expenditure authority and 2.0 FTE is due to a reduction in federal grant awards in the Wildland Fire division. An increase of \$201,714 in general funds is to replace a portion of the lost federal funds and to fund a

capital asset replacement plan. The total recommended budget for Agricultural Services and Assistance includes \$2,327,680 in general funds, \$3,547,388 in federal fund expenditure authority, and \$3,094,632 in other fund expenditure authority, for a total budget of \$8,969,700 and 79.9 FTE.

#### **AGRICULTURAL DEVELOPMENT AND PROMOTION**

The total recommended budget for Agricultural Development and Promotion is \$4,238,675, consisting of \$1,775,910 in general funds, \$1,622,973 in federal fund expenditure authority, \$839,792 in other fund expenditure authority, and 29.0 FTE.

#### **ANIMAL INDUSTRY BOARD**

The total recommended budget for the Animal Industry Board is \$4,137,859 and 41.0 FTE. This budget is comprised of \$2,122,558 in general funds, \$1,736,359 in federal fund expenditure authority, and \$278,942 in other fund expenditure authority.

#### **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 budget for the Agricultural Boards and Commissions is \$27,113,268 in other fund expenditure authority and 45.0 FTE. The Governor is recommending increases in other fund expenditure authority of \$2,659,204 for the Corn Utilization Council, \$341,066 for the American Dairy Association, \$55,518 for the Brand Board, and \$30,190 for the Oilseeds Council. The Governor is also recommending a decrease in other fund expenditure authority of \$217,844 for the Wheat Commission. The total increase in other fund expenditure authority for the boards and commissions is \$2,868,134.

#### **STATE FAIR**

The total recommended budget for the State Fair is \$322,597 in general funds and \$3,223,529 in other fund expenditure authority for a total budget of \$3,546,126 and 19.5 FTE.

#### **ENVIRONMENT AND NATURAL RESOURCES**

The total recommended budget for the Department of Environment and Natural Resources is \$24,572,867 and

consists of \$6,626,659 in general funds, \$8,333,257 in federal fund expenditure authority, \$9,612,951 in other fund expenditure authority, and 180.5 FTE. This budget recommendation includes an increase of \$162,000 in other fund expenditure authority and a decrease of a like amount in federal fund expenditure authority.

#### **FINANCIAL AND TECHNICAL ASSISTANCE**

The total recommended budget for Financial and Technical Assistance is \$5,903,285 and 56.5 FTE, consisting of \$2,557,306 in general funds, \$2,315,115 in federal fund expenditure authority, and \$1,030,864 in other fund expenditure authority.

#### **ENVIRONMENTAL SERVICES**

The Governor is recommending an increase of \$162,000 in other fund expenditure authority and a decrease of a like amount in federal fund expenditure authority for administration of the Drinking Water Program. The total recommended budget for Environmental Services is \$13,570,933 and 119.0 FTE, consisting of \$4,069,353 in general funds, \$6,018,142 in federal fund expenditure authority, and \$3,483,438 in other fund expenditure authority.

#### **REGULATED RESPONSE FUND – INFORMATIONAL**

The Regulated Response Fund budget is informational and continuously appropriated with \$1,750,002 in other fund expenditure authority.

#### **LIVESTOCK CLEANUP FUND – INFORMATIONAL**

The Livestock Cleanup Fund budget is informational and continuously appropriated with \$765,000 in other fund expenditure authority.

#### **PETROLEUM RELEASE COMPENSATION**

The total recommended budget for Petroleum Release Compensation is \$2,583,647 in other fund expenditure authority and 5.0 FTE.

#### **GAME, FISH, AND PARKS**

The total recommended budget for the Department of Game, Fish, and Parks is \$90,902,377, including \$6,280,153 in general funds, \$25,792,835 in federal fund expenditure authority, \$58,829,389 in other fund expenditure authority, and 578.9 FTE. This budget reflects an overall increase of \$2,307,202, including increases of \$634,587 in federal fund expenditure authority and \$1,688,551 in other fund expenditure authority, and a decrease of \$15,936 in general funds.

## ADMINISTRATION

The total recommended budget for Administration includes \$959,444 in general funds, \$3,263,534 in other fund expenditure authority, and 27.6 FTE, for a total budget of \$4,222,978. This includes a decrease of \$406 in general funds resulting from changes in bond payments related to the Division of Wildlife's fish hatcheries.

## WILDLIFE – INFORMATIONAL

The Governor is recommending increases of \$204,878 in federal fund expenditure authority and \$94,055 in other fund expenditure authority for operating expenses. The total recommended budget for the Division of Wildlife is \$48,385,447, composed of \$17,947,306 in federal fund expenditure authority, \$30,438,141 in other fund expenditure authority, and 294.0 FTE.

## WILDLIFE DEVELOPMENT AND IMPROVEMENT – INFORMATIONAL

The total recommended budget for the Wildlife Development and Improvement Division is \$3,032,135, including \$1,552,350 in federal fund expenditure authority, and \$1,479,785 in other fund expenditure authority. This includes increases of \$474,100 in federal fund expenditure authority and \$785,450 in other fund expenditure authority to align the budget with the capital development project list.

## STATE PARKS AND RECREATION

The total recommended budget for the Division of State Parks and Recreation is \$24,728,614 and 248.2 FTE, consisting of \$5,320,709 in general funds, \$3,620,429 in federal fund expenditure authority, and \$15,787,476 in other fund expenditure authority. This includes a decrease of \$15,530 in general funds due to changes in bond payments related to the State Parks. A decrease of \$22,191 in federal fund expenditure authority and an increase of \$308,953 in other fund expenditure authority reflect activity based cost increases in the maintenance and operations budget of the state parks system.

## STATE PARKS AND RECREATION DEVELOPMENT AND IMPROVEMENT

The total recommended budget for the State Parks and Recreation Development and Improvement Division is \$9,204,500, composed of \$2,672,750 in federal fund expenditure authority and \$6,531,750 in other fund expenditure authority. This includes a decrease of \$22,200 in federal fund expenditure authority and an

increase of \$478,093 in other fund expenditure authority to align the budget with anticipated costs from the capital development project list.

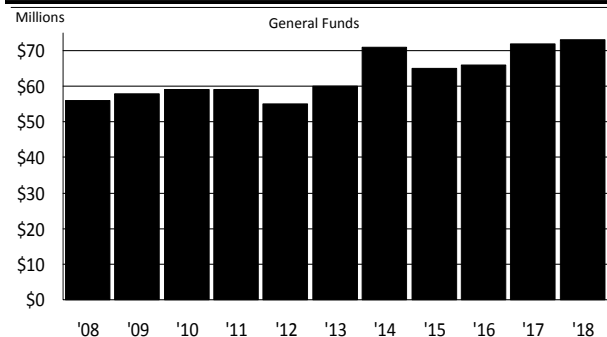
## SNOWMOBILE TRAILS – INFORMATIONAL

The Governor is recommending an increase of \$22,000 in other fund expenditure authority to reflect changes in the capital asset budget. The total recommended budget for the Snowmobile Trails Program is \$1,328,703 in other fund expenditure authority and 9.1 FTE.

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

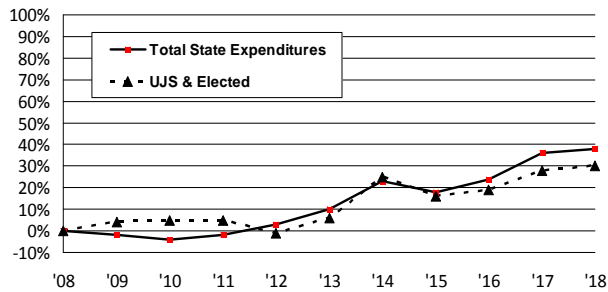
The budgets included in this category are the Legislature, Unified Judicial System, Public Utilities Commission, Office of the Attorney General, Secretary of State, School and Public Lands, Office of the State Auditor, and Office of the State Treasurer. General funds account for an increase of \$0.8 million out of the \$19.5 million in total ongoing general fund increases. In terms of the total ongoing state budget, this category is 4.3% of the general funds and 3.1% of the total ongoing funds, which amounts to \$143.5 million in total ongoing funding.

## UJS, Legislature and Elected Officials



## UJS, Legislature and Elected Officials

General Funds : Indexed Expenditures (FY2007= 0)



### LEGISLATURE

The FY2018 budget for the Legislature is \$9,594,430 in general funds, \$1,000,000 in other fund expenditure authority, and 71.6 FTE.

The Legislative Research Council's budget includes decreases of \$173,594 in general funds and \$6,000 in other fund expenditure authority. The overall FY2018 budget for the Legislative Research Council is \$5,892,018 in general funds, \$1,000,000 in other fund expenditure authority, and 31.6 FTE.

The Governor's recommended changes for Legislative Audit include an increase of \$78,635 in general funds, a decrease of \$132,000 in other fund expenditure authority, and a decrease of 1.0 FTE. A general fund increase of \$61,213 and 1.0 FTE is for an additional staff person in the Pierre office. An increase of \$17,422 in general funds is for ongoing operating expenses. Also included in the recommendation are decreases of \$132,000 in other fund expenditure authority and 2.0 FTE for unutilized positions. The overall FY2018 budget for Legislative Audit is \$3,702,412 in general funds and 40.0 FTE.

### UNIFIED JUDICIAL SYSTEM

The Governor's recommended changes for the Unified Judicial System include increases of \$631,872 in general funds, \$25,543 in federal fund expenditure authority, and 2.0 FTE.

This recommendation includes increases of \$348,386 in general funds, \$25,543 in federal fund expenditure authority, and 1.0 FTE, for Drug/DUI/Specialty Courts. Also included is \$207,627 in general funds for community based services; \$42,059 in general funds and 1.0 FTE for a secretarial position within the State Court Administrator's Office; and \$33,800 in general funds to

align the budget with anticipated operating expenditures.

The total recommended budget for the Unified Judicial System is \$55,015,672, consisting of \$44,606,941 in general funds, \$818,070 in federal fund expenditure authority, \$9,590,661 in other fund expenditure authority, and 581.4 FTE.

### PUBLIC UTILITIES COMMISSION

The Governor's total recommended budget for the Public Utilities Commission is \$576,859 in general funds, \$296,723 in federal fund expenditure authority, \$3,853,451 in other fund expenditure authority, and 31.2 FTE. This includes a decrease of \$2,970 in federal fund expenditure authority to align the budget with anticipated expenses. Also included is an increase of \$95,946 in other fund expenditure authority for the One Call Board for increases in contractual services.

### ATTORNEY GENERAL

The Governor's FY2018 budget recommendation for the Office of the Attorney General consists of \$11,613,659 in general funds, \$4,099,781 in federal fund expenditure authority, and \$10,744,861 in other fund expenditure authority for a total FY2018 budget of \$26,458,301 and 190.0 FTE. This budget recommendation includes increases of \$241,408 in general funds, \$496,503 in other fund expenditure authority, and 9.0 FTE; as well as a decrease of \$78,984 in federal fund expenditure authority.

### LEGAL SERVICES

The FY2018 recommended budget for the Legal Services Program is \$8,435,123 in total funds and 70.0 FTE. Included in this budget recommendation is a decrease of \$78,984 in federal fund expenditure authority to align the budget with anticipated utilization, as well as an increase of \$100,632 in other fund expenditure authority for a Prisoner Litigation attorney.

### CRIMINAL INVESTIGATION

The FY2018 recommended budget for the Department of Criminal Investigation is \$15,211,128 in total funds and 103.5 FTE. Included in this budget are increases of \$241,408 in general funds and \$395,871 in other fund expenditure authority for operating expenses and the Cooperative Disability Investigation Unit.

## **LAW ENFORCEMENT TRAINING**

The FY2018 recommended budget for the Law Enforcement Training Program is \$2,319,663 in total funds and 11.5 FTE.

### **911 TRAINING**

The FY2018 recommended budget for the 911 Training Program is \$227,700 in total funds and 2.0 FTE.

## **INSURANCE FRAUD UNIT - INFORMATIONAL**

The FY2018 budget for the Insurance Fraud Unit is \$264,687 in total funds and 3.0 FTE.

### **SECRETARY OF STATE**

The total recommended budget for FY2018 is \$1,253,706 in general funds, \$1,955,960 in federal fund expenditure authority, \$474,019 in other fund expenditure authority, and 15.6 FTE. Included in this budget are decreases of \$22,802 in general funds, \$54,986 in federal fund expenditure authority, and \$99,246 in other fund expenditure authority to align the budget with anticipated expenditures.

### **SCHOOL AND PUBLIC LANDS**

The Governor's recommendation for the FY2018 School and Public Lands' budget is \$557,196 in general funds, \$273,492 in other fund expenditure authority, and 6.0 FTE.

### **STATE AUDITOR**

The Governor's recommendation for the State Auditor's FY2018 budget is \$1,283,279 in general funds, \$100,000 in other fund expenditure authority, and 16.0 FTE.

### **STATE TREASURER**

The total FY2018 recommended budget is \$40,759,237 consisting of \$541,831 in general funds, \$40,217,406 in other fund expenditure authority, and 43.3 FTE. This includes a total increase of \$4,967,737 in other fund expenditure authority.

## **TREASURY MANAGEMENT**

The total FY2018 recommended budget within Treasury Management is \$541,831 in general funds and 5.2 FTE.

## **UNCLAIMED PROPERTY - INFORMATIONAL**

The total recommended budget for Unclaimed Property is \$20,920,157 in other fund expenditure authority and 3.8 FTE. This includes an increase of \$3,998,800 in other fund expenditure authority to align the budget with anticipated expenditures for claim payments and capital outlay.

## **INVESTMENT OF STATE FUNDS**

The Governor is recommending an increase of \$354,671 in other fund expenditure authority for the Investment of State Funds for the South Dakota Investment Council (SDIC). This includes increases of \$142,669 and 2.0 FTE for two entry level positions, \$151,690 for promotional development and salary adjustments for staff, and a net increase of \$60,312 to align the budget with anticipated expenditures. The total recommended budget for the Investment of State Funds is \$8,530,259 in other fund expenditure authority and 34.3 FTE.

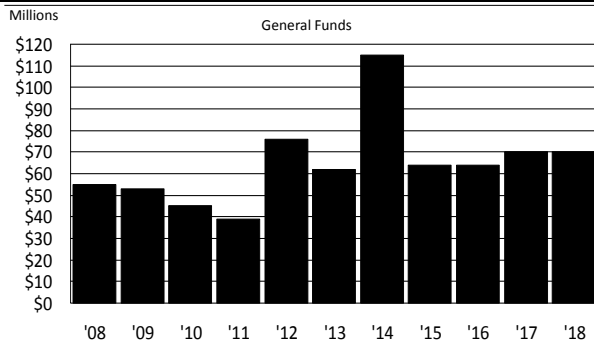
## **PERFORMANCE BASED COMPENSATION**

The Governor is recommending an increase of \$614,266 in other fund expenditure authority within Performance Based Compensation for the SDIC. The total recommended budget for the Performance Based Compensation is \$10,766,990 in other fund expenditure authority.

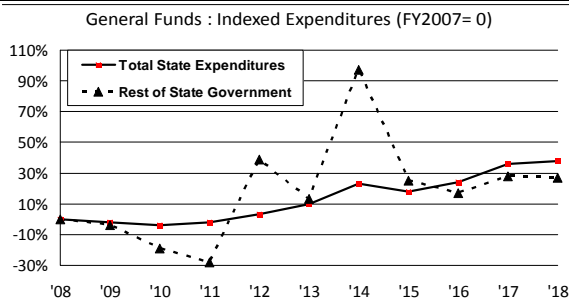
### **REMAINDER OF STATE GOVERNMENT**

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 \$3.6 million out of the \$19.5 million in total ongoing increases. Included in this category is the Employee Compensation pool budgeted in Executive Management, totaling \$6.1 million in general funds and \$15.5 million in total funds. In terms of the total ongoing state budget, this category is 3.7% of the general funds and 25.0% of the total ongoing funds, which amounts to \$1.1 billion in total ongoing funding.

## Remainder of State Government



## Remainder of State Government



## EXECUTIVE MANAGEMENT

The Governor's recommendation for the Department of Executive Management includes increases of \$2,584,885 in general funds, \$2,975,613 in federal fund expenditure authority, \$10,200,130 in other fund expenditure authority, and 3.6 FTE. The total FY2018 budget includes \$43,669,174 in general funds, \$15,824,844 in federal fund expenditure authority, \$166,723,882 in other fund expenditure authority, and 801.9 FTE.

### GOVERNOR'S OFFICE

The total recommended budget for the Governor's Office, including the Lt. Governor, is \$2,472,612 in general funds and 22.0 FTE.

### OFFICE OF ECONOMIC DEVELOPMENT

The Governor's total recommended FY2018 budget is \$7,073,091 in general funds, \$11,491,092 in federal fund expenditure authority, \$56,339,727 in other fund expenditure authority, and 107.9 FTE. This includes an increase of \$300,000 in general funds to support the South Dakota Ellsworth Development Authority. This recommendation also includes an increase of \$65,445 in other fund expenditure authority for increases in insurance and contract costs in the in the South Dakota

Ellsworth Development Authority. Decreases of \$189,095 in federal fund expenditure authority and \$742,343 in other fund expenditure authority are recommended due to changes in the Governor's House program. Also recommended is an increase of \$1,306,337 in other fund expenditure authority and a decrease of 0.4 FTE for the South Dakota Science and Technology Authority to reflect anticipated expenses for xenon gas purchases and facility upgrades as well as to align the budget with anticipated utilization.

### BUREAU OF FINANCE AND MANAGEMENT

The total recommended FY2018 budget is \$7,549,073 in general funds, \$3,198,632 in federal fund expenditure authority, \$15,435,394 in other fund expenditure authority, and 42.0 FTE. This includes increases of \$2,467,914 in general funds, \$3,164,708 in federal fund expenditure authority, and \$6,671,104 in other fund expenditure authority. A general fund decrease of \$4,000,000 is attributable to the Bureau of Finance and Management's sale-leaseback payment schedule. Also recommended are general fund increases of \$20,000 for economic consulting and \$50,000 for a municipal financial advisor contract. A decrease of \$86,384 in other fund expenditure authority is recommended to move annual software maintenance costs for imaging software to the Bureau of Human Resources.

The Governor recommends \$6,542,004 in general funds, \$3,198,632 in federal fund expenditure authority, and \$7,078,663 in other fund expenditure authority for the employee compensation and billing pools.

Decreases in other fund expenditure authority of \$16,668 for the South Dakota Building Authority, \$45,977 for the Health and Educational Facilities Authority, and \$44,424 for the Education Enhancement Funding Corporation are to align the budget with anticipated expenditures.

### BUREAU OF ADMINISTRATION

The Governor recommends a decrease of \$183,029 in general funds and an increase of \$703,777 in other fund expenditure authority. This recommendation includes an increase of \$26,421 in general funds to sustain an M&R budget, which is 2% of the replacement value of the buildings. A decrease of \$289,450 in general funds is for the Bureau of Administration's sale-leaseback payments. An increase of \$703,777 in other fund expenditure authority is recommended to replace older vehicles in the State fleet. Also included is an increase of \$80,000 in general funds to cover the costs of special assessments, interest, and penalties, which are currently covered in an annual appropriation. The FY2018 recommended budget is \$19,076,253 in general funds,



\$500,000 in federal fund expenditure authority, \$38,809,906 in other fund expenditure authority, and 162.0 FTE.

#### **BUREAU OF INFORMATION AND TELECOMMUNICATIONS**

The Governor recommends increases of \$2,109,426 in other fund expenditure authority and 4.0 FTE. An increase of \$1,991,698 in other fund expenditure authority is recommended to purchase Windows 10 and Office 365 licenses for all users. An increase of 2.0 FTE is for technology engineers focused on security. An increase of \$117,728 in other fund expenditure authority and 2.0 FTE is for digital content producers in South Dakota Public Broadcasting. The Governor's total recommended FY2018 budget for the Bureau of Information and Telecommunications is \$7,216,565 in general funds, \$635,120 in federal fund expenditure authority, \$49,354,556 in other fund expenditure authority, and 394.5 FTE.

#### **BUREAU OF HUMAN RESOURCES**

The total FY2018 budget consists of \$281,580 in general funds, \$6,784,299 in other fund expenditure authority, and 73.5 FTE. The Governor recommends an increase of \$86,384 in other fund expenditure authority to move annual software maintenance costs for imaging software from the Bureau of Finance and Management.

### **MILITARY**

The Governor's FY2018 budget recommendation for the Department of Military includes \$4,114,165 in general funds, \$20,722,929 in federal fund expenditure authority, \$29,254 in other fund expenditure authority, and 107.4 FTE. The budget reflects an increase of \$108,742 in general funds and 2.0 FTE, as well as a decrease of \$33,618 in federal fund expenditure authority.

#### **OFFICE OF THE ADJUTANT GENERAL**

The Governor's FY2018 budget recommendation for the Office of the Adjutant General includes \$565,094 in general funds, \$10,306 in federal fund expenditure authority, \$29,254 in other fund expenditure authority, and 5.3 FTE.

#### **ARMY GUARD**

The Governor's recommendation for the Army Guard includes increases of \$132,974 in general funds, \$39,078 in federal fund expenditure authority, and 2.0 FTE for statewide maintenance and repair (M&R) and the Captive Insurance program on South Dakota National

Guard armories, and for converting two contractual positions into state employees. The overall FY2018 budget for the Army Guard division is \$18,398,757 in total funds and 54.1 FTE.

#### **AIR GUARD**

The Governor's FY2018 total recommended budget for the Air Guard includes \$416,665 in general funds, \$5,446,272 in federal fund expenditure authority, and 48.0 FTE.

### **VETERANS' AFFAIRS**

The Governor's FY2018 budget recommendation for the Department of Veterans' Affairs includes \$4,083,911 in general funds, \$3,231,546 in federal fund expenditure authority, and \$4,547,500 in other fund expenditure authority for a total of \$11,862,957 and 138.2 FTE. This budget recommendation consists of increases of \$885,344 in general funds and \$1,064,595 in federal fund expenditure authority, as well as a decrease of \$1,705,639 in other fund expenditure authority.

#### **VETERANS' BENEFITS AND SERVICES**

The recommended FY2018 budget for Veterans' Benefits and Services includes an increase of \$32,352 in general funds for Veteran outreach activities and the county reimbursement program. Also included are decreases of \$78,459 in federal fund expenditure authority and \$45,000 in other fund expenditure authority due to a reduction in education grants and a funding change for the Honor Guard Funeral stipend. The overall FY2018 budget for Veterans' Benefits and Services is \$1,862,388 in total funds and 20.0 FTE.

#### **STATE VETERAN'S HOME**

The Governor's recommendation for the State Veteran's Home includes increases of \$852,992 in general funds and \$1,143,054 in federal fund expenditure authority, as well as a decrease of \$1,660,639 in other fund expenditure authority. The changes are related to the number of Medicaid eligible beds, food services, and utility costs. The overall FY2018 budget for the State Veteran's Home is \$10,000,569 in total funds and 118.2 FTE.

### **REVENUE**

The Governor's recommended FY2018 budget for the Department of Revenue totals \$75,249,999, consisting of \$1,301,766 in general funds, \$300,000 in federal fund expenditure authority, \$73,648,233 in other fund expenditure authority, and 249.5 FTE. This budget



includes increases of \$300,000 in federal fund expenditure authority, \$52,878 in other fund expenditure authority, and 1.0 FTE.

#### **SECRETARIAT**

The total FY2018 Governor's recommended budget for the Secretariat division consists of \$3,801,251 in other fund expenditure authority and 28.0 FTE.

#### **BUSINESS TAX**

The total FY2018 Governor's recommended budget for Business Tax consists of \$4,585,044 in other fund expenditure authority and 57.5 FTE.

#### **MOTOR VEHICLES**

The total FY2018 Governor's recommended budget for Motor Vehicles consists of \$9,234,697 in other fund expenditure authority and 47.0 FTE. This budget includes an increase of \$300,000 in federal fund expenditure authority to support ongoing maintenance costs for the International Registration Plan and International Fuel Agreement systems. Also included is an increase of \$52,878 in other fund expenditure authority and 1.0 FTE for a revenue agent to investigate title and odometer fraud.

#### **PROPERTY AND SPECIAL TAXES**

The total FY2018 Governor's recommended budget for Property and Special Taxes consists of \$1,301,766 in general funds and 15.0 FTE.

#### **AUDITS**

The total FY2018 Governor's recommended budget consists of \$4,609,711 in other fund expenditure authority and 55.0 FTE.

#### **LOTTERY**

The total FY2018 Governor's recommended budget for Lottery is \$41,037,420 of other fund expenditure authority and 31.0 FTE.

#### **COMMISSION ON GAMING – INFORMATIONAL**

The total FY2018 Governor's recommended budget for the Commission on Gaming is \$10,680,110 in other fund expenditure authority and 16.0 FTE.

### ***TOURISM***

The Governor's recommended budget for the Department of Tourism consists of \$878,000 in federal fund expenditure authority, \$16,656,848 in other fund expenditure authority, and 28.0 FTE. This includes an increase of \$918,218 in other fund expenditure authority.

#### **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 FY2018 recommended budget consists of \$15,710,143 in other fund expenditure authority and 25.0 FTE. Included in this budget is an increase of \$817,148 in other fund expenditure authority due to projected revenue increases from promotion and gaming taxes.

#### **ARTS**

The total recommended FY2018 Arts budget consists of \$878,000 in federal fund expenditure authority, \$946,705 in other fund expenditure authority, and 3.0 FTE. This budget includes an increase of \$101,070 in other fund expenditure authority due to projected revenue increases from the promotion tax.

### ***TRIBAL RELATIONS***

The total recommended budget for the Department of Tribal Relations is \$524,651 in general funds, \$20,000 in other fund expenditure authority, and 6.0 FTE.

### ***TRANSPORTATION***

The recommended FY2018 budget for the Department of Transportation is \$688,648,286 consisting of \$547,589 in general funds, \$388,523,246 in federal fund expenditure authority, \$299,577,451 in other fund expenditure authority, and 1,014.3 FTE. The budget includes decreases of \$656,789 in other fund expenditure authority and 12.0 FTE.

#### **GENERAL OPERATIONS**

The Governor's total FY2018 recommended budget for General Operations includes \$547,589 in general funds, \$41,454,373 in federal fund expenditure authority, \$155,033,166 in other fund expenditure authority, and 1,014.3 FTE. This includes a decrease of \$166,337 in other fund expenditure authority for utilities. Also included in the recommendation are decreases of

\$490,452 in other fund expenditure authority, and 12.0 FTE to align the budget with anticipated utilization.

#### **CONSTRUCTION CONTRACTS - INFORMATIONAL**

The total budget for Construction Contracts is \$491,613,158, consisting of \$347,068,873 in federal fund expenditure authority and \$144,544,285 in other fund expenditure authority.

### **LABOR & REGULATION**

The Governor's FY2018 recommendation for the Department of Labor and Regulation is \$2,039,124 in general funds, \$30,495,249 in federal fund expenditure authority, and \$11,648,086 in other fund expenditure authority for \$44,182,459 in total funds and 419.3 FTE. This includes decreases of \$1,242,046 in federal fund expenditure authority and \$103,454 in other fund expenditure authority, as well as a decrease of 5.0 FTE.

#### **ADMINISTRATION**

The recommended budget is \$658,743 in general funds, \$11,475,908 in federal fund expenditure authority, and \$301,515 in other fund expenditure authority. This budget includes a decrease of \$500,000 in federal fund expenditure authority due to the completion of the SDWORKS software upgrade. The FY2018 budget for Administration is \$12,435,896 in total funds and 52.5 FTE.

#### **UNEMPLOYMENT INSURANCE**

The recommended budget is \$6,808,594 in federal fund expenditure authority and 74.0 FTE. This budget includes a decrease of \$608,857 in federal fund expenditure authority and 2.0 FTE to align the budget with anticipated utilization.

#### **EMPLOYMENT SERVICES**

The total recommended budget is \$655,578 in general funds, \$11,813,044 in federal fund expenditure authority, and 166.0 FTE.

#### **STATE LABOR LAW ADMINISTRATION**

The total recommended budget is \$725,073 in general funds, \$357,221 in federal fund expenditure authority, \$501,107 in other fund expenditure authority, and 16.0 FTE. This budget includes a decrease of \$133,189 in federal fund expenditure authority and 3.0 FTE due to vacancies within the division.

### **PROFESSIONAL AND OCCUPATIONAL LICENSING - INFORMATIONAL**

This division is comprised of the informational budgets of nine professional and occupational licensing boards including: Board of Accountancy, Board of Barber Examiners, Cosmetology Commission, Plumbing Commission, Board of Technical Professions, the Electrical Commission, the Abstractors Board of Examiners, the Real Estate Commission, and the South Dakota Athletic Commission. The Governor's FY2018 recommendation for the Boards and Commissions include other fund expenditure authority increases to match projected expenditures within the Board of Accountancy for \$2,500 and the Cosmetology Commission for \$2,000. The recommended FY2018 budget is \$4,019,857 in other fund expenditure authority and 43.6 FTE.

#### **BANKING**

The recommended FY2018 budget is \$23,479,499 in other fund expenditure authority and 29.5 FTE.

#### **SECURITIES**

The FY2018 recommended budget consists of \$433,810 in other fund expenditure authority and 5.7 FTE. This budget includes a decrease of \$107,954 in other fund expenditure authority due to reorganization within the department.

#### **INSURANCE**

The Governor's FY2018 recommended budget consists of \$40,482 in federal fund expenditure authority and \$2,912,298 in other fund expenditure authority for \$2,952,780 in total funds and 32.0 FTE.

### **PUBLIC SAFETY**

The Governor's FY2018 budget recommendation for the Department of Public Safety includes \$3,763,050 in general funds, \$17,352,753 in federal fund expenditure authority, and \$37,310,078 in other fund expenditure authority for \$58,425,881 in total funds and 410.5 FTE. This includes an increase of \$43,500 in general funds, \$302,096 in federal fund expenditure authority, and \$539,668 in other fund expenditure authority, as well as a decrease of 1.0 FTE.

#### **ADMINISTRATION**

The Governor's FY2018 budget recommendation for Administration is \$146,144 in general funds, \$94,986 in federal fund expenditure authority, and \$628,673 in

other fund expenditure authority for \$869,803 in total funds 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 FY2018 recommendation includes \$1,408,615 in general funds, \$7,256,785 in federal fund expenditure authority, and \$24,700,708 in other fund expenditure authority. The overall FY2018 budget for Highway Patrol is \$33,366,108 in total funds and 275.0 FTE. This budget includes increases of \$302,096 in federal fund expenditure authority and \$539,668 in other fund expenditure authority due to an increase in the Motor Carrier Safety Alliance Program grant, increases for capital outlay, and for additional troopers needed for the Smart on Crime Initiative.

### EMERGENCY SERVICES AND HOMELAND SECURITY

The Division of Emergency Services and Homeland Security includes: Emergency Management, the State Fire Marshal, and the Office of Homeland Security. The FY2018 budget recommendation for the Division of Emergency Services and Homeland Security includes \$1,374,978 in general funds, \$9,670,450 in federal fund expenditure authority, and \$277,725 in other fund expenditure authority for \$11,323,153 in total funds and 30.5 FTE.

### LEGAL AND REGULATORY SERVICES

The Division of Legal and Regulatory Services includes Weights and Measures, Driver Licensing, and Inspections. The FY2018 recommended budget includes \$833,313 in general funds, \$330,532 in federal fund expenditure authority, and \$7,794,380 in other fund expenditure authority. The Governor is recommending an increase of \$43,500 in general funds for the State Metrology Lab. The overall FY2018 budget for Legal and Regulatory Services is \$8,958,225 in total funds and 95.5 FTE.

### 911 COORDINATION BOARD - INFORMATIONAL

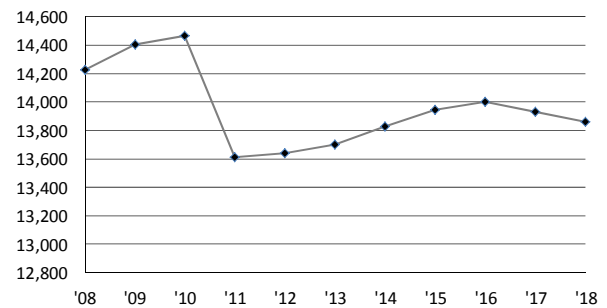
The FY2018 budget for the 911 Coordination Board is \$3,905,592 in other fund expenditure authority and 1.0 FTE.

### SOUTH DAKOTA RETIREMENT SYSTEM

The Governor's FY2018 recommended budget for the South Dakota Retirement System is \$4,391,342 in other fund expenditure authority, and 33.0 FTE.

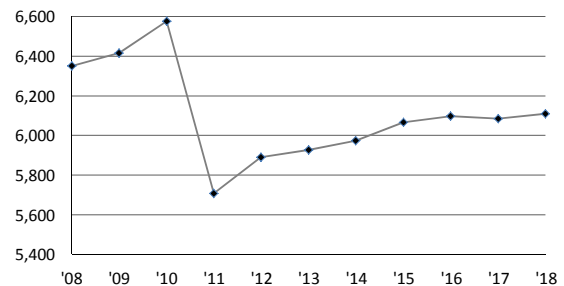
### FTE CHANGE

#### FTE History All of State Government



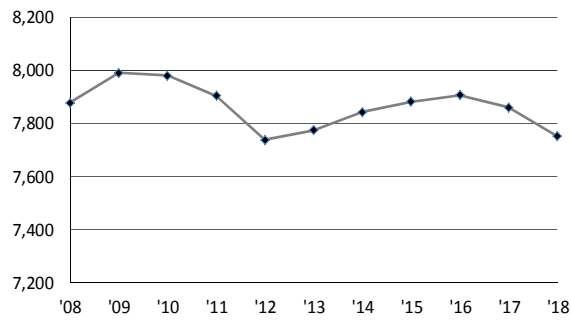
The total appropriated FTE decreased from 14,226.9 in FY2008 to a recommended level of 13,862.0 for FY2018. This is a decrease of 364.9 FTE, or 2.6%, over the decade. The recommended change in FTE for FY2018 is a decrease of 38.4 across state government.

#### FTE History for Offices Outside Control of Governor



For offices outside the control of the Governor, total appropriated FTE changed from 6,348.9 in FY2008 to a recommended level of 6,109.5 for FY2018 for a net decrease of 239.4 FTE. The recommended changes for these offices in the FY2018 budget are a net increase of 26.0 FTE. This includes increases of 14.0 FTE in the Board of Regents, 9.0 FTE in the Attorney General's Office, 2.0 FTE in the Investment Council, and 2.0 FTE within the Unified Judicial System. Also included is a decrease of 1.0 FTE in the Auditor General's Office.

## FTE History for Offices Under Control of Governor



The agencies under direct control of the Governor had total appropriated FTE of 7,878.0 in FY2008. The FY2018 budget recommendation brings the FTE to a level of 7,752.5. This is a decrease of 125.5 FTE, or 1.6%, over the decade. The recommended decrease of 64.4 FTE in the FY2018 budget includes increases of 6.0 FTE in the Department of Health, 4.0 FTE in the Bureau of Information and Telecommunications, 3.0 FTE in the Department of Education, 2.0 FTE in the Department of the Military, and 1.0 FTE in the Department of Revenue. Decreases include 0.4 FTE in the Governor's Office, 1.0 FTE in the Department of Public Safety, 2.0 FTE in the Department of Agriculture, 5.0 FTE in the Department of Labor and Regulation, 9.0 FTE in the Department of Social Services, 12.0 FTE in the Department of Transportation, 12.0 FTE in the Department of Human Services, and 39.0 FTE in the Department of Corrections.

## SPECIAL APPROPRIATION RECOMMENDATIONS

FY2017 EMERGENCY SPECIAL APPROPRIATIONS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
State Animal Disease Research and Diagnostic Laboratory		\$ 5,000,000		\$ 12,500,000	\$ 17,500,000
Fire Suppression Fund		\$ 3,300,000			\$ 3,300,000
Spearfish Canyon		\$ 2,500,000		\$ 2,500,000	\$ 5,000,000
Extraordinary Litigation Fund		\$ 1,004,242			\$ 1,004,242
Rural Healthcare Recruitment Assistance		\$ 843,081			\$ 843,081
Intensive Methamphetamine Treatment		\$ 603,740			\$ 603,740
Tax Refunds for Elderly and Disabled		\$ 450,000			\$ 450,000
DOM Land Purchase from Meade County School District		\$ 360,000			\$ 360,000
SDDC Vacant Building Sale		\$ 350,000			\$ 350,000
Omnibus Water Bill			\$ 150,000	\$ 14,500,000	\$ 14,650,000
Resource Conservation Grant				\$ 1,000,000	\$ 1,000,000
Mental Health Initiative				\$ 655,343	\$ 655,343
<b>TOTAL FY2017 EMERGENCY SPECIAL APPROPRIATIONS</b>	<b>0.0</b>	<b>\$ 14,411,063</b>	<b>\$ 150,000</b>	<b>\$ 31,155,343</b>	<b>\$ 45,716,406</b>

**NOTE:** FY2017 emergency special appropriations become available for expenditure upon passage of the bill and are included in the FY2017 column of the General Fund Condition Statement.

The Governor is recommending total emergency special appropriations of \$14,411,063 in general funds, \$150,000 in federal fund expenditure authority, and \$31,155,343 in other fund expenditure authority. The following paragraphs highlight each recommended emergency special appropriation.

- **State Animal Disease Research and Diagnostic Laboratory:** The Governor is recommending \$5,000,000 in general funds and \$12,500,000 in other fund expenditure authority for the construction and renovation of the laboratory.
- **Fire Suppression Fund:** The Governor is recommending \$3,300,000 in general funds for the Fire Suppression Fund for costs related to the suppression of wildfires in South Dakota.
- **Spearfish Canyon:** The Governor is recommending \$2,500,000 in general funds and \$2,500,000 in other fund expenditure authority to create Spearfish Canyon State Park.
- **Extraordinary Litigation Fund:** The Governor is recommending \$1,004,242 in general funds be deposited into the Extraordinary Litigation Fund to fund litigation expenses which are not eligible to be paid under SDCL 3-22-1.
- **Rural Healthcare Recruitment Assistance:** The Governor is recommending \$843,081 in general funds to assist rural communities to recruit physicians, dentists, physician assistants, nurse practitioners, and nurse midwives.
- **Intensive Methamphetamine Treatment:** The Governor is recommending \$603,740 in general funds to provide services using an evidence based model shown to be effective for treating methamphetamine addiction.
- **Tax Refunds for Elderly and Disabled Persons:** The Governor is recommending \$450,000 in general funds for tax refunds for elderly and disabled individuals who meet income guidelines.
- **DOM Land Purchase from Meade County School District:** The Governor is recommending \$360,000 in general funds for the Department of the Military to purchase thirty acres of training ground for the Army National Guard.
- **SDDC Vacant Building Sale:** The Governor is recommending \$350,000 in general funds for costs associated with the sale of two buildings on the campus of SDDC in Redfield.
- **Omnibus Water Bill:** The Governor is recommending \$150,000 in federal fund expenditure authority and \$14,500,000 in other fund expenditure authority for water development, solid waste, and water quality improvement projects throughout the state.
- **Resource Conservation Grant:** The Governor is recommending \$1,000,000 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.
- **Mental Health Initiative:** The Governor is recommending \$655,343 in other fund expenditure authority to provide technical assistance to the mental health oversight council and to implement recommendations of the task force.

FY2017 GENERAL BILL AMENDMENTS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
Correctional Healthcare Shortfall		\$ 1,755,707		\$ 1,755,707	\$ 3,511,414
USD Law School		\$ 1,200,000			\$ 1,200,000
DOC Security and Operations		\$ 907,641	\$ 458,642		\$ 1,366,283
Veterans Home Operations		\$ 830,466	\$ 989,678	\$ (1,730,144)	\$ 90,000
Crime Victims' Rights		\$ 400,000			\$ 400,000
UJS HOPE Incentives		\$ 390,000			\$ 390,000
Joining Forces Initiative		\$ 92,820			\$ 92,820
BFM Financial Advisor		\$ 50,000			\$ 50,000
Technical Institute Revision		\$ (694,160)			\$ (694,160)
Statewide Utilities		\$ (3,546,444)	\$ (343,944)	\$ (178,549)	\$ (4,068,937)
State Treatment and Rehabilitation (STAR) Academy	(41.0)	\$ (3,660,132)	\$ (467,943)		\$ (4,128,075)
DSS Operations	(10.0)	\$ (6,368,468)	\$ (1,605,154)		\$ (7,973,622)
State Aid Revision and Operations		\$ (20,348,774)		\$ 80,000	\$ (20,268,774)
Highway Patrol Motor Carrier Services			\$ 952,628		\$ 952,628
BOR FTE and Expenditure Authority	14.0			\$ 2,626,607	\$ 2,626,607
UJS Odyssey Redaction				\$ 1,030,000	\$ 1,030,000
Tourism Promotion and Gaming				\$ 287,900	\$ 287,900
Security Grants to Counties				\$ 250,000	\$ 250,000
<b>TOTAL FY2017 GENERAL BILL AMENDMENTS</b>	<b>(37.0)</b>	<b>\$ (28,991,344)</b>	<b>\$ (16,093)</b>	<b>\$ 4,121,521</b>	<b>\$ (24,885,916)</b>

**NOTE:** FY2017 general bill amendments are changes needing to be made to the FY2017 General Appropriations Act and are included in the FY2017 column of the General Fund Condition Statement.

The Governor is recommending total general bill amendments of (\$28,991,344) in general funds, (\$16,093) in federal fund expenditure authority, and \$4,121,521 in other fund expenditure authority. The following paragraphs highlight the recommended changes to the FY2017 General Bill.

- **Correctional Healthcare Shortfall:** The Governor is recommending \$1,755,707 in general funds and \$1,755,707 in other fund expenditure authority to cover the shortfall in Correctional Health due to costs associated with providing inmate healthcare.
- **USD Law School:** The Governor is recommending \$1,200,000 in general funds to help offset lost tuition as a result of reducing enrollments and to improve student outcomes.
- **DOC Security and Operations:** The Governor is recommending \$907,641 in general funds and \$458,642 in federal fund expenditure authority for security upgrades and increases to federal awards.
- **Veterans Home Operations:** The Governor is recommending increases of \$830,466 in general funds, \$989,678 in federal fund expenditure authority, and a decrease of \$1,730,144 in other fund expenditure authority due to the additional Medicaid eligible nursing care beds at the facility.
- **Crime Victims' Rights:** The Governor is recommending \$400,000 in general funds for software upgrades to the Statewide Automated Victim Information and Notification (SAVIN) system.
- **UJS HOPE Incentives:** The Governor is recommending \$390,000 in general funds to incentivize counties to implement HOPE Courts.
- **Joining Forces Initiative:** The Governor is recommending \$92,820 in general funds to assist veterans, service members, and their families in receiving benefits and services.
- **BFM Financial Advisor:** The Governor is recommending \$50,000 in general funds for a municipal financial advisor contract to provide financial advice to the state, as well as the SD Building Authority and SD Health Education Facilities Authority.
- **Technical Institute Revision:** The Governor is recommending a decrease of \$694,160 in general funds due to updated full time equivalent student numbers.
- **Statewide Utilities:** The Governor is recommending decreases of \$3,546,444 in general funds, \$343,944 in federal fund expenditure authority, and \$178,549 in other fund expenditure authority due to utility cost projections.
- **State Treatment and Rehabilitation (STAR) Academy:** The Governor is recommending decreases of \$3,660,132 in general funds, \$467,943 in federal fund expenditure authority, and 41.0 FTE due to the closure of STAR Academy.

- **DSS Operations:** The Governor is recommending decreases of \$6,368,468 in general funds, \$1,605,154 in federal fund expenditure authority, and 10.0 FTE due to decreases in utilization and the closure of STAR Academy.
- **State Aid Revision and Operations:** The Governor is recommending a decrease of \$20,348,774 in general funds due to fewer students and higher local property tax effort than budgeted in FY2017; and an increase of \$80,000 in other fund expenditure authority for enhancements to the longitudinal data system.
- **Highway Patrol Motor Carrier Services:** The Governor is recommending \$952,628 in federal fund expenditure authority due to an increase in the Motor Carrier Safety Alliance Program grant.
- **BOR FTE and Expenditure Authority:** The Governor is recommending \$2,626,607 in other fund expenditure authority and 14.0 FTE for e-Learning at Northern State University and to expand outreach at the South Dakota School for the Deaf.
- **UJS Odyssey Redaction:** The Governor is recommending \$1,030,000 in other fund expenditure authority to provide for the redaction of certain personal information from certain court records prior to publishing the information.
- **Tourism Promotion and Gaming:** The Governor is recommending \$287,900 in other fund expenditure authority due to an increase in promotion and gaming revenues.
- **Security Grants to Counties:** The Governor is recommending \$250,000 in other fund expenditure authority to provide grants to counties for security upgrades.

**GOVERNOR DAUGAARD'S RECOMMENDATION FOR THE  
FY2018 STATE EMPLOYEE COMPENSATION PLAN**

	<u>GENERAL FUNDS</u>	<u>FEDERAL FUNDS</u>	<u>OTHER FUNDS</u>	<u>TOTAL FUNDS</u>
<b>MARKET ADJUSTMENT:</b>	<b>\$ 3,650,333</b>	<b>\$ 1,654,499</b>	<b>\$ 4,300,783</b>	<b>\$ 9,605,615</b>

The Governor is recommending all permanent state employees receive a 1.0% market adjustment or salary increase.

<b>PAY FOR PERFORMANCE:</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
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Permanent employees using the Accountability and Competency Evaluation system (ACEs) were eligible to receive a pay-for-performance increase for FY2018; however due to lack of available funding, the Governor is recommending this component of the employee compensation package be delayed for this fiscal year. Along with recommending no pay-for-performance, no increase outside of the market adjustment is recommended for the remaining classified employees.

<b>ADJUST ARTIFICIAL MINIMUMS:</b>	<b>\$ 779,087</b>	<b>\$ 516,966</b>	<b>\$ 389,615</b>	<b>\$ 1,685,668</b>
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The Governor is again recommending movement of the artificial minimums of the General Pay Structure towards the true market minimums. For FY2018, this would move the minimums for all pay grades to at least 90% of the true market minimums. This will allow the state to hire new employees closer to what the market dictates.

<b>HEALTH INSURANCE:</b>	<b>\$ 1,820,609</b>	<b>\$ 866,366</b>	<b>\$ 1,932,553</b>	<b>\$ 4,619,528</b>
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An increase of \$342 per benefitted employee is recommended by the Governor for the employer-paid portion of the state employee health insurance plan for FY2018.

<b>TOTAL COST OF RECOMMENDED STATE EMPLOYEE COMPENSATION PLAN:</b>	<b><u>\$ 6,250,029</u></b>	<b><u>\$ 3,037,831</u></b>	<b><u>\$ 6,622,951</u></b>	<b><u>\$15,910,811</u></b>
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REMAINING FY2017 POOL:	\$ (144,090)	\$ (33,924)	\$ (214,106)	\$ (392,120)
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<b>TOTAL INCREASE FOR RECOMMENDED STATE EMPLOYEE COMPENSATION PLAN:</b>	<b><u>\$ 6,105,939</u></b>	<b><u>\$ 3,003,907</u></b>	<b><u>\$ 6,408,845</u></b>	<b><u>\$15,518,691</u></b>
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For FY2018, the state employee compensation plan is recommended as a pool in the Bureau of Finance and Management to be distributed to agencies following the passage of the General Appropriations Act.



**GOVERNOR'S RECOMMENDED FY2018  
GENERAL FUND BASE BUDGET**

<b>GENERAL BILL</b>	<b>FTE EXPANSION/ (REDUCTION)</b>	<b>GENERAL FUND EXPANSION/ (REDUCTION)</b>	<b>TOTAL GENERAL FUND ADOPTED BUDGET</b>
Administration	0.0	(183,029)	19,076,253
Agriculture	(2.0)	201,714	7,441,300
Attorney General	9.0	241,408	11,613,659
Corrections	(39.0)	252,335	99,491,344
Education (Excluding State Aid and Technical Institutes)	3.0	290,097	16,375,872
State Aid to Education		6,846,447	534,337,239
Technical Institutes		(390,212)	27,518,584
Environment and Natural Resources	0.0	0	6,626,659
Finance and Management	0.0	(3,638,025)	(7,969,618)
Employee Compensation Package		6,105,939	15,518,691
Game, Fish, and Parks	0.0	(15,936)	6,280,153
Office of the Governor (Excluding GOED)	0.0	0	2,472,612
Governor's Office of Economic Development	(0.4)	300,000	7,073,091
Health	6.0	376,889	9,070,129
Human Resources	0.0	0	281,580
Human Services	(12.0)	(452,716)	79,025,586
Information and Telecommunications	4.0	0	7,216,565
Labor and Regulation (Includes SD Retirement System)	(5.0)	0	2,039,124
Legislature	(1.0)	(94,959)	9,594,430
Military	2.0	108,742	4,114,165
Public Safety	(1.0)	43,500	3,763,050
Public Utilities Commission	0.0	0	576,859
Regents	14.0	(314,915)	211,782,362
Revenue	1.0	0	1,301,766
School and Public Lands	0.0	0	557,196
Secretary of State	0.0	(22,802)	1,253,706
Social Services	(9.0)	8,336,173	486,470,228
State Auditor	0.0	0	1,283,279
State Treasurer (Including Investment Council)	2.0	0	541,831
Tourism	0.0	0	0
Transportation	(12.0)	0	547,589
Tribal Relations	0.0	0	524,651
Unified Judicial System	2.0	631,872	44,606,941
Veterans' Affairs	0.0	885,344	4,083,911
<b>TOTAL FY2018 GENERAL BILL RECOMMENDATIONS</b>	<b>(38.4)</b>	<b>19,507,866</b>	<b>1,614,490,787</b>
<b>BREAKDOWN</b>			
Executive Branch	(64.4)	6,505,088	752,833,398
Unified Judicial System and Other Elected Officials	12.0	755,519	72,500,513
State Aid	0.0	6,846,447	534,337,239
Technical Institutes	0.0	(390,212)	27,518,584
Board of Regents	14.0	(314,915)	211,782,362
Employee Compensation Package	0.0	6,105,939	15,518,691
<b>TOTAL FY2018 GENERAL BILL RECOMMENDATIONS</b>	<b>(38.4)</b>	<b>19,507,866</b>	<b>1,614,490,787</b>

## GENERAL FUND CONDITION STATEMENT

	ACTUAL FY2015	ACTUAL FY2016	REVISED FY2017	PROJECTED FY2018
<b>RECEIPTS</b>				
Sales and Use Tax	\$ 836,587,108	\$ 860,905,705	\$ 974,733,819	\$ 1,013,126,355
Lottery	6,952,306	110,057,269	113,069,133	116,372,407
Contractor's Excise Tax	100,116,439	101,496,551	109,439,189	110,521,183
Insurance Company Tax	79,976,685	84,795,304	88,416,992	91,664,940
Unclaimed Property Receipts	52,914,188	55,107,516	52,983,383	52,844,258
Tobacco Taxes	30,000,000	57,967,713	55,278,581	54,975,501
Bank Franchise Tax	8,583,099	10,512,754	11,430,506	11,756,140
Property Tax Reduction Fund	112,690,797	N/A	N/A	N/A
Other	153,564,321	157,544,009	166,718,513	166,600,258
One-Time Receipts	26,527,656	9,592,032	14,056,423	-
Transfer from Budget Reserves	-	27,426,643	-	-
Obligated Cash Carried Forward	9,876,349	21,535,148	14,069,144	2,434,132
<b>TOTAL RECEIPTS</b>	<u>\$ 1,417,788,948</u>	<u>\$ 1,496,940,642</u>	<u>\$ 1,600,195,683</u>	<u>\$ 1,620,295,174</u>
<b>EXPENDITURES</b>				
General Bill Excl. State Aid				
to Education	\$ 969,421,953	\$ 995,436,422	\$ 1,058,849,559	\$ 1,080,153,548
State Aid to Education	391,438,343	410,926,937	507,142,018	534,337,239
Special Appropriations	-	-	-	-
Emergency Special Appropriations	22,575,311	51,828,686	14,411,063	-
Continuous Appropriations	2,941,844	3,144,305	3,289,767	3,370,255
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,386,377,451</u>	<u>\$ 1,461,336,350</u>	<u>\$ 1,583,692,407</u>	<u>\$ 1,617,861,042</u>
<b>TRANSFERS</b>				
Budget Reserve Fund	\$ 9,876,349	\$ 21,535,148	\$ 14,069,144	\$ 2,434,132
<b>TOTAL TRANSFERS</b>	<u>\$ 9,876,349</u>	<u>\$ 21,535,148</u>	<u>\$ 14,069,144</u>	<u>\$ 2,434,132</u>
<b>Beginning Unobligated Cash Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net (Receipts less Expend./Transfers)</b>	<u>\$ 21,535,148</u>	<u>\$ 14,069,144</u>	<u>\$ 2,434,132</u>	<u>\$ -</u>
<b>OBLIGATIONS AGAINST CASH</b>				
Budget Reserve Fund	\$ (21,535,148)	\$ (14,069,144)	\$ (2,434,132)	\$ -
<b>Total Obligations Against Cash</b>	<u>(21,535,148)</u>	<u>(14,069,144)</u>	<u>(2,434,132)</u>	<u>-</u>
<b>Ending Unobligated Cash Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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 Informational Budgets)

### GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2015	ACTUAL FY 2016	BUDGETED FY 2017	REQUESTED FY 2018	GOVERNOR'S RECOMMENDED FY 2018	RECOMMENDED INC/(DEC) FY 2018
<b>FUNDING SOURCE:</b>						
General Funds	\$ 1,360,860,291	\$ 1,406,363,358	\$ 1,594,982,921	\$ 1,653,749,061	\$ 1,614,490,787	\$ 19,507,866
Federal Funds	1,009,962,062	1,015,235,213	1,266,200,116	1,186,599,107	1,175,223,321	( 90,976,795 )
Other Funds	800,776,247	791,383,893	925,451,994	804,717,464	810,649,470	( 114,802,524 )
<b>Total</b>	<b>\$ 3,171,598,600</b>	<b>\$ 3,212,982,464</b>	<b>\$ 3,786,635,031</b>	<b>\$ 3,645,065,632</b>	<b>\$ 3,600,363,578</b>	<b>( \$ 186,271,453 )</b>
<b>EXPENDITURE DETAIL:</b>						
Personal Services	\$ 819,791,030	\$ 816,887,477	\$ 929,797,245	\$ 831,417,070	\$ 829,890,496	( \$ 99,906,749 )
Operating Expenses	2,351,807,570	2,396,094,987	2,856,837,786	2,813,648,562	2,770,473,082	( 86,364,704 )
<b>Total</b>	<b>\$ 3,171,598,600</b>	<b>\$ 3,212,982,464</b>	<b>\$ 3,786,635,031</b>	<b>\$ 3,645,065,632</b>	<b>\$ 3,600,363,578</b>	<b>( \$ 186,271,453 )</b>
Staffing Level FTE:	11,300.1	11,224.5	12,628.9	11,889.9	11,823.5	( 805.4 )

### SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2017	GOVERNOR'S RECOMMENDED FY 2018	RECOMMENDED INC/(DEC) FY 2018
General Funds	( \$ 11,290,514 )	\$ 3,370,255	\$ 14,660,769
Federal Funds	6,133,907	6,000,000	( 133,907 )
Other Funds	50,760,134	1,283,270	( 49,476,864 )
<b>Total</b>	<b>\$ 45,603,527</b>	<b>\$ 10,653,525</b>	<b>( \$ 34,950,002 )</b>
Staffing Level FTE:	(37.0)	0.0	37.0

### TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2017	GOVERNOR'S RECOMMENDED FY 2018	RECOMMENDED INC/(DEC) FY 2018
General Funds	\$ 1,583,692,407	\$ 1,617,861,042	\$ 34,168,635
Federal Funds	1,272,334,023	1,181,223,321	( 91,110,702 )
Other Funds	976,212,128	811,932,740	( 164,279,388 )
<b>Total</b>	<b>\$ 3,832,238,558</b>	<b>\$ 3,611,017,103</b>	<b>( \$ 221,221,455 )</b>
Staffing Level FTE:	12,591.9	11,823.5	( 768.4 )

## INFORMATIONAL BUDGETS CONTAINED IN THE GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2015	ACTUAL FY 2016	BUDGETED FY 2017	REQUESTED FY 2018	GOVERNOR'S RECOMMENDED FY 2018	RECOMMENDED INC/(DEC) FY 2018
<b>FUNDING SOURCE:</b>						
General Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal Funds	337,845,504	350,046,432	389,135,601	466,035,151	464,854,289	75,718,688
Other Funds	342,190,878	430,310,215	444,731,737	536,846,174	535,307,708	90,575,971
<b>Total</b>	<b>\$ 680,036,382</b>	<b>\$ 780,356,647</b>	<b>\$ 833,867,338</b>	<b>\$ 1,002,881,325</b>	<b>\$ 1,000,161,997</b>	<b>\$ 166,294,659</b>
<b>EXPENDITURE DETAIL:</b>						
Personal Services	\$ 113,109,955	\$ 114,727,193	\$ 144,179,740	\$ 218,831,888	\$ 218,719,334	\$ 74,539,594
Operating Expenses	566,926,427	665,629,454	689,687,598	784,049,437	781,442,663	91,755,065
<b>Total</b>	<b>\$ 680,036,382</b>	<b>\$ 780,356,647</b>	<b>\$ 833,867,338</b>	<b>\$ 1,002,881,325</b>	<b>\$ 1,000,161,997</b>	<b>\$ 166,294,659</b>
Staffing Level FTE:	1,959.2	1,963.4	1,271.5	2,039.3	2,038.5	767.0

### INFORMATIONAL BUDGETS

South Dakota Housing Development Authority  
 SD Science & Technology Authority  
 SD Ellsworth Development Authority  
 Building South Dakota  
 South Dakota Building Authority  
 SD Health & Educational Facilities Authority  
 Education Enhancement Funding Corporation  
 Risk Management Administration  
 Risk Management Claims  
 Lottery Instant and On-Line Operations  
 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  
 Division of Wildlife  
 Wildlife Development and Improvement  
 Snowmobile Trails Program  
 Board of Counselor Examiners  
 Board of Psychology Examiners  
 Board of Social Work Examiners  
 Board of Addiction & Prevention Professionals  
 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 Examiners in Optometry  
 Board of Pharmacy  
 Board of Podiatry Examiners  
 Board of Massage Therapy  
 Board of Language and Speech Pathology  
 Board of Accountancy  
 Board of Barber Examiners  
 Cosmetology Commission  
 Plumbing Commission  
 Board of Technical Professions  
 Electrical Commission  
 Real Estate Commission  
 Abstractors Board of Examiners  
 SD Athletic Commission  
 Trust Captive Insurance Company  
 Highway Construction Contracts  
 Workforce Education Fund  
 911 Coordination Board  
 Tuition and Fee Fund  
 Board of Regents Research  
 Army Guard  
 Air National Guard  
 Regulated Response Fund  
 Livestock Cleanup  
 Petroleum Release Fund  
 PUC Administration  
 Grain Warehouse  
 Fixed Utilities  
 Pipeline Safety  
 One-Call Notification Board  
 State Bar Association  
 Insurance Fraud Unit  
 Unclaimed Property Fund

## TOTAL STATE GOVERNMENT BUDGET (Including Informational Budgets)

### GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2015	ACTUAL FY 2016	BUDGETED FY 2017	REQUESTED FY 2018	GOVERNOR'S RECOMMENDED FY 2018	RECOMMENDED INC/(DEC) FY 2018
<b>FUNDING SOURCE:</b>						
General Funds	\$ 1,360,860,291	\$ 1,406,363,358	\$ 1,594,982,921	\$ 1,653,749,061	\$ 1,614,490,787	\$ 19,507,866
Federal Funds	1,347,807,566	1,365,281,645	1,655,335,717	1,652,634,258	1,640,077,610	( 15,258,107 )
Other Funds	1,142,967,124	1,221,694,108	1,370,183,731	1,341,563,638	1,345,957,178	( 24,226,553 )
<b>Total</b>	<b>\$ 3,851,634,982</b>	<b>\$ 3,993,339,111</b>	<b>\$ 4,620,502,369</b>	<b>\$ 4,647,946,957</b>	<b>\$ 4,600,525,575</b>	<b>( \$ 19,976,794 )</b>
<b>EXPENDITURE DETAIL:</b>						
Personal Services	\$ 932,900,985	\$ 931,614,670	\$ 1,073,976,985	\$ 1,050,248,958	\$ 1,048,609,830	( \$ 25,367,155 )
Operating Expenses	2,918,733,997	3,061,724,441	3,546,525,384	3,597,697,999	3,551,915,745	5,390,361
<b>Total</b>	<b>\$ 3,851,634,982</b>	<b>\$ 3,993,339,111</b>	<b>\$ 4,620,502,369</b>	<b>\$ 4,647,946,957</b>	<b>\$ 4,600,525,575</b>	<b>( \$ 19,976,794 )</b>
Staffing Level FTE:	13,259.3	13,187.8	13,900.4	13,929.2	13,862.0	( 38.4 )

### SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2017	GOVERNOR'S RECOMMENDED FY 2018	RECOMMENDED INC/(DEC) FY 2018
General Funds	( \$ 11,290,514 )	\$ 3,370,255	\$ 14,660,769
Federal Funds	6,133,907	6,000,000	( 133,907 )
Other Funds	50,760,134	1,283,270	( 49,476,864 )
<b>Total</b>	<b>\$ 45,603,527</b>	<b>\$ 10,653,525</b>	<b>( \$ 34,950,002 )</b>
Staffing Level FTE:	(37.0)	0.0	37.0

### TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2017	GOVERNOR'S RECOMMENDED FY 2018	RECOMMENDED INC/(DEC) FY 2018
General Funds	\$ 1,583,692,407	\$ 1,617,861,042	\$ 34,168,635
Federal Funds	1,661,469,624	1,646,077,610	( 15,392,014 )
Other Funds	1,420,943,865	1,347,240,448	( 73,703,417 )
<b>Total</b>	<b>\$ 4,666,105,896</b>	<b>\$ 4,611,179,100</b>	<b>( \$ 54,926,796 )</b>
Staffing Level FTE:	13,863.4	13,862.0	( 1.4 )