

TABLE OF CONTENTS

SUMMARY OVERVIEW	1
U.S. AND SOUTH DAKOTA ECONOMIC FORECAST	2
U.S. ECONOMY	2
SOUTH DAKOTA ECONOMY	7
REVENUE ESTIMATE SUMMARY	11
BUDGET RESERVE & GENERAL REVENUE REPLACEMENT FUNDS	15
COMPARISON BETWEEN LEGISLATIVE AND REVISED ESTIMATE FOR FY2018.....	16
COMPARISON BETWEEN FY2017 AND FY2018 REVENUE COLLECTIONS.....	17
COMPARISON BETWEEN FY2018 AND FY2019 REVENUE COLLECTIONS.....	18
GENERAL FUND RECEIPTS.....	19
TAX EXPENDITURES.....	20
RECOMMENDED EXPENDITURES	25
SUMMARY OF RECOMMENDED BUDGET ADJUSTMENTS AND REORGANIZATIONS	28
SPECIAL APPROPRIATION RECOMMENDATIONS	46
GOVERNOR’S RECOMMENDATION FOR STATE EMPLOYEE COMPENSATION.....	49
GOVERNOR’S FY2019 GENERAL FUND RECOMMENDATIONS.....	50
GENERAL FUND CONDITION STATEMENT	51
TOTAL STATE GOVERNMENT BUDGET (EXCLUDING INFORMATION BUDGETS)	52
INFORMATION BUDGETS CONTAINED IN THE GENERAL APPROPRIATIONS BILL	53
TOTAL STATE GOVERNMENT BUDGET (INCLUDING INFORMATION BUDGETS).....	54

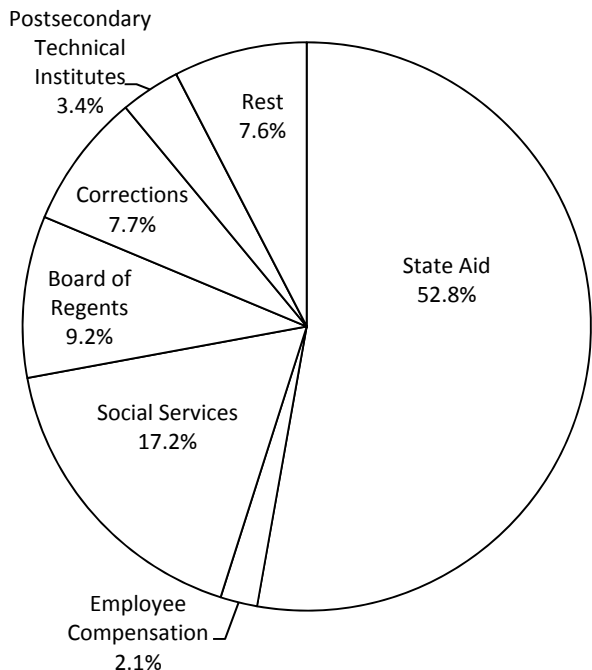
SUMMARY OVERVIEW

Governor Dugaard is recommending a budget (including special and continuing appropriations) for FY2019 totaling \$4,669,424,159 and 13,905.9 FTE. This represents an overall increase of \$58,920,541 in total funds and an increase of 44.6 FTE over the adopted FY2018 budget. For FY2019, the Governor is proposing a general fund budget of \$1,622,489,585 which is an increase of \$32,390,705 over the adopted FY2018 budget. This includes an increase of \$1,832,087 in continuing appropriations. The proposed FY2019 general fund budget is distributed as follows:

- \$571.6 million, or 35.2% for State Aid to Education
- \$569.1 million, or 35.1% for Health, Human, and Social Services
- \$211.4 million, or 13.0% for Higher Education
- \$101.5 million, or 6.3% for Corrections
- \$72.3 million, or 4.5% for the Legislature, Unified Judicial System, Public Utilities Commission, and Elected Officials
- \$23.6 million, or 1.4% for Agriculture, Environment and Natural Resources, and Game, Fish & Parks
- \$73.0 million, or 4.5% for the Remainder of State Government

The table below depicts the FY2019 recommended general fund increases, excluding special and continuing appropriations.

FY2019 General Fund Increases



TOTAL INCREASE: \$30,558,618

State Aid	\$16.1M
Employee Compensation	\$0.6M
Social Services	\$5.2M
Board of Regents	\$2.8M
Corrections	\$2.4M
Postsecondary Technical Institutes	\$1.0M
Rest of State Government	\$2.3M

U.S. AND SOUTH DAKOTA ECONOMIC FORECASTS

U.S. ECONOMY

RECENT ECONOMIC ACTIVITY

US economic growth strengthened in the second and third quarters of 2017 after a slow start in the first quarter. The weakness in the first quarter was a result of sluggish consumer spending, a slowdown in inventory accumulation, and decreases in federal government spending. The stronger growth in the second and third quarters was fueled by increases in consumer spending on both durable and nondurable goods as well as business fixed investment, despite disruptions from Hurricanes Harvey and Irma in the third quarter. The US economy continues to add jobs at a healthy pace during 2017. The average monthly gain in US payroll employment in 2017 has been 169,000 jobs through October and is currently 1.4% higher than a year ago. Job growth continues to support increases in consumer spending in 2017 and is expected to continue in 2018. Recent macroeconomic indicators suggest the US economy is growing at a steady pace, indicating continued expansion in 2018 and 2019.

Recently, the President and Congress have turned attention to tax reform after failing to make meaningful health care policy changes to the Affordable Care Act. If policy makers are successful in passing tax reform to reduce business and individual taxes, any increased consumer and business spending in 2018 would lead to higher consumption and higher overall economic growth than is currently assumed. Tax reform will continue to be a major topic over the next several months at the national level.

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 1.00% - 1.25% range, which was last increased by 0.25% in June of 2017. Since December of 2015, the Federal Reserve has increased the rate by 1.00%, reflecting steady US economic growth. The Federal Reserve is currently lowering the size of its balance sheet by gradually allowing securities to mature each month, reducing the amount of assets that were purchased during and after the Great Recession. The Federal Reserve continues to evaluate economic growth and inflationary pressures to determine the timing of additional rate increases. Currently, an additional 0.25% rate increase is expected in December 2017.

Recent economic data releases indicate the economy continuing to expand in 2017. The following are recent key national economic statistics:

- Advance estimates indicate real GDP grew 3.0% in the third quarter of 2017, which was considered strong given the disruptions caused by hurricanes in Texas and Florida. The third quarter growth was led by spending on durable goods and business spending on equipment.
- The unemployment rate was 4.1% in October, 0.1% lower than September's rate. The current rate is 0.7% lower than October of 2016.
- The Institute of Supply Management's (ISM) manufacturing report on business was 58.7 in October, down from 60.8 in September. The index has been above 50 for the 14th consecutive month. A reading above 50 usually indicates the manufacturing sector is expanding.
- The ISM non-manufacturing report on business was 60.1 in October, up from 59.8 in September. This was the 94th consecutive monthly reading above 50, indicating continued expansion.
- US personal income increased at an annual rate of 3.0% in the second quarter and 2.8% in the third quarter of 2017. Personal income grew 5.3% in 2014, 5.0% in 2015, and 2.4% in 2016.
- Real total consumption increased 3.3% in the second quarter and 2.4% in the third quarter of 2017. Both quarters were driven by strong spending increases in durable goods of 7.6% and 8.3%, respectively.

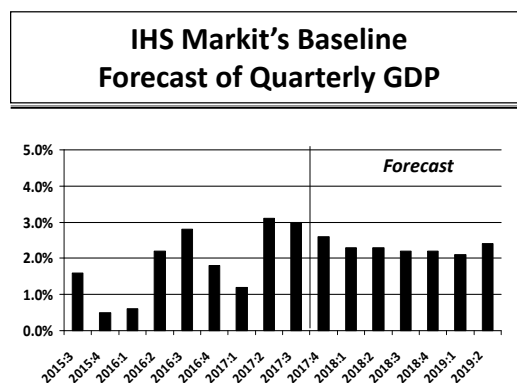
- Total construction spending was up 0.3% in September compared to August. Private construction was down 0.4%, while public construction was 2.6% higher compared to the prior month. Year-to-date through September 2017, total construction spending is up 4.3% compared to the same time period in 2016.

NATIONAL FORECAST HIGHLIGHTS

This section summarizes IHS Markit's forecast as of November 2017 for various categories of the US economy. IHS Markit is a leader in providing analytics and expertise to business and government worldwide.

GDP: US economic growth slowed in late 2016 and early 2017, mostly due to temporary factors. Volatile exports, slower consumer spending, and decreases in federal defense spending contributed to the slower growth rates. These factors pushed real GDP growth down to growth rates of 1.8% in the fourth quarter of 2016 and 1.2% growth in the first quarter of 2017. Stronger growth returned in the second quarter of 2017 due to stronger consumer spending, business fixed investment and exports which helped push the second quarter growth rate to 3.1%. Despite disruptions caused by Hurricanes Harvey and Irma, consumer spending, business spending, and growth in exports continued in the third quarter with real GDP growing 3.0%. IHS Markit is currently assigning a slightly higher probability of negative (20%) vs. positive (15%) risks in the US economic outlook at this time. IHS Markit's baseline forecast is for steady economic growth over the next several quarters. Anticipated growth over the coming year is primarily due to continued growth in consumer spending, stronger export growth and steady increases in business investment over the forecast period.

In the first three quarters of this year, real GDP grew 1.2%, 3.1%, and 3.0%, respectively. In the fourth quarter, GDP is forecast to grow 2.6%. In the four quarters in 2018, IHS Markit is projecting GDP growth of 2.3%, 2.3%, 2.2%, and 2.2%. In 2019, GDP is forecast to increase 2.1% and 2.4% in the first two quarters.



On an annual basis, GDP grew 2.2% in 2012, 1.7% in 2013, 2.6% in 2014, 2.9% in 2015, and 1.5% in 2016. IHS Markit's latest forecast projects real GDP to grow 2.2% in 2017, 2.5% in 2018, and 2.2% in 2019.

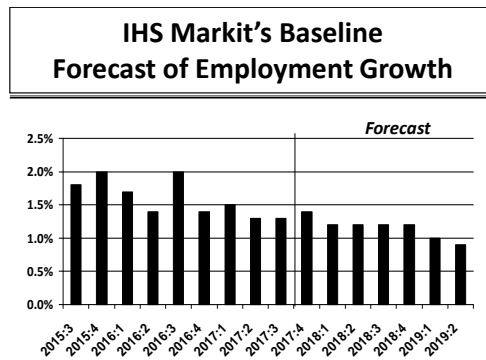
CONSUMERS: Consumer spending is a key component contributing to economic growth, as consumption accounts for over two-thirds of economic activity as measured by GDP. In 2008 and 2009, real consumer spending declined in both years as the recession caused major job losses leading to depressed consumer spending. Over the next six years, consumer spending improved with growth averaging 2.3% growth per year. In 2017, real consumption growth has been 1.9%, 3.3%, and 2.4% the first three quarters, and is anticipated to be 3.0% in the fourth quarter. The growth of 2.4% realized in the third quarter was led by an 8.3% increase in spending on durable goods, while nondurable goods spending grew 2.1% and spending on services grew just 1.5%. Recent news on consumer spending and confidence has been generally positive. The University of Michigan's index of consumer confidence in November registered a strong 97.8 reading, just down slightly from October's 100.7 level. The index has registered healthy readings throughout 2017, a positive sign heading into the holiday shopping season. IHS Markit expects holiday sales in November and December to increase 4.1% over last year, slightly better than last year's growth of 3.6%. On an annual basis, real consumption is projected to increase by 2.7% in 2017, 2.5% in 2018, and 2.2% in 2019.

The personal savings rate (as a percentage of disposable income) was 3.4% in the third quarter of 2017. This compares to the 3.9% and 3.8% savings rate registered in the first and second quarter. In 2014, 2015, and 2016 the savings rate was 5.7%, 6.1%, and 4.9%, respectively. The savings rate is projected to be 3.6% in 2017, 3.4% in 2018, and 4.2% in 2019.

EMPLOYMENT: The latest US payroll employment report indicated total nonfarm employment grew by 261,000 jobs in October, much stronger than the 18,000 jobs added in the month of September, which was disrupted by the hurricanes in Texas and Florida. In October, private sector employment increased by 252,000, which increased the total gains for private employment payrolls to slightly more than 1.6 million so far in 2017. The sectors showing the largest gains over the past several months include: professional and business services, health care, construction, and manufacturing. The retail trade, leisure, and hospitality sectors continued to show declines in the past few months. In the fourth quarter of 2017 nonfarm employment is expected to be 2.0 million jobs higher than the fourth quarter of 2016, representing a 1.4% year-over-year growth rate. Slower growth is anticipated in 2018 and 2019 as the US economy approaches full employment. The current forecast shows total employment growing 2.1 million jobs in 2017 on an annual basis compared to 2016. In 2018 and 2019, employment growth is estimated to be 1.9 million and 1.5 million jobs, registering growth rates of 1.3% and 1.0%, respectively.

The unemployment rate in October dropped slightly to 4.1%, which was 0.1% lower than September, but 0.7% lower than a year ago. The unemployment rate is expected to stabilize near 4.0% during 2018 and 2019 with steady employment gains as the US economy approaches full employment. On an annual basis, the unemployment rate was 6.2% in 2014, 5.3% in 2015, and 4.9% in 2016. In 2017, the unemployment rate is projected to be 4.4% on an annual basis. In 2018 and 2019, the unemployment rate is projected to average 4.0% each year.

In the first three quarters of 2017, nonfarm payroll employment realized growth rates of 1.5%, 1.3%, and 1.3%, respectively (seasonally adjusted annual rate). Employment growth is projected at 1.4% in the fourth quarter of 2017. Employment growth is expected to slow in 2018 with growth rates of 1.2% in each of the four quarters. In the first two quarters of 2019, payroll employment growth is projected at 1.0% and 0.9%, respectively.



On an annual basis, payroll employment in the US increased 1.9% in 2014, 2.1% in 2015, and 1.8% in 2016. Payroll employment is forecasted to grow 1.5% in 2017, 1.3% in 2018, and 1.0% in 2019.

HOUSING: Recent data indicate challenges in the housing market due to labor shortage, tight credit, and slower household formation for younger adults. After peaking in the first quarter, real spending on residential construction was lower in the second and third quarters of 2017. IHS Markit anticipates the recent slowdown in housing will end soon and will begin to gain momentum in early 2018. Home builders continue to be optimistic given the tight supply of homes as evidenced by relatively strong readings of the National Association of Home Builders index over the course of 2017. Existing home sales in September reached a 5.39 million unit annual rate, which was 1.5% lower than the same month a year ago. This was likely due to the hurricanes experienced during the month of September. Housing starts in the third quarter were at a rate of 1.16 million units, slightly lower than the second quarter of 1.17 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 6.1% in August, registering an all-time high, a sign of a tight housing market. The housing sector is anticipated to be a positive contributor to US economic growth in 2018 and

2019. Residential investment in housing is expected to contribute 0.06% and 0.24% growth to real GDP in 2018 and 2019, respectively.

Total housing starts are projected to be 1.19 million units in 2017 and 1.25 million units in 2018, and then grow to 1.37 million units in 2019. In 2014, 2015, and 2016, total housing starts were 1.00 million, 1.11 million, and 1.18 million units, respectively. IHS Markit forecasts the median price of existing homes to increase by 5.2% in 2017. In 2018 and 2019 prices are expected to grow 3.4% and 3.2%, respectively.

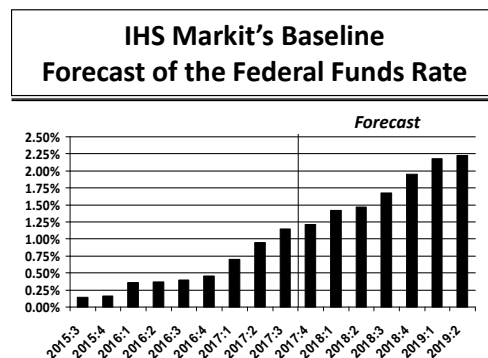
INFLATION: The Consumer Price Index (CPI) grew 0.1% in October. The October 2017 CPI was up 2.0% year-over-year. Inflation is anticipated to gradually firm over the next few years in response to stable long-run inflation expectations and a continued tight labor market. The core CPI (excludes food and energy prices) increased at a 1.8% rate year-over-year in October. IHS Markit expects core price increases to firm towards 2.0% in the next several months due to a gradual rise in wages. This gradual increase in wages suggests firming inflation near the Federal Reserve's target of 2.0%.

The CPI increased 1.6% in 2014, 0.1% in 2015, and 1.3% in 2016. The CPI is forecast to grow 2.1% in 2017, 1.9% in 2018, and 2.1% in 2019. The producer price index for finished goods grew 1.9% in 2014, and decreased 3.3% and 1.0% in 2015 and 2016, respectively. The current forecast indicates an increase of 2.9% in 2017, 1.8% in 2018, and 2.4% in 2019.

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 an economic stimulus package and a temporary cut in payroll taxes for employees. These actions helped stabilize the economy during and after the recession.

The steps taken by the Federal Reserve during the recession to stabilize the financial system and economy increased the Fed's balance sheet from under \$1 trillion in 2008 to nearly \$4.5 trillion at the present time. The Federal Reserve recently announced initial steps to reduce the amount of assets held by decreasing its reinvestment of principal payments for Treasury securities and mortgage-backed securities. This process is expected to be gradual over several years, with the end goal of lowering the Federal Reserve's balance sheet to normal levels. The Federal Reserve has gradually increased the target rate by 1.0% since December of 2015.

Currently, the federal funds target rate is current at the range of 1.00%-1.25%. IHS Markit expects the Federal Reserve will increase rates again in December of 2017 and gradually raise rates over the course of 2018 and 2019.



In terms of future fiscal policy, the outlook is unclear in 2018. The President and Congress are currently pushing for major tax cuts, although the Senate and House of Representatives have different versions, with no clear path forward. IHS Markit is currently not incorporating any tax cuts or any major fiscal changes in the current outlook.

The unified federal deficit for federal fiscal year 2017 was \$666 billion, which is \$80 billion higher than fiscal year 2016. The fiscal year 2017 deficit represents approximately 3.5% of GDP, an increase from 3.2% of GDP in fiscal 2016. IHS Economics forecasts a smaller deficit of \$545 billion for federal fiscal year 2018.

Real federal government purchases declined 5.8% in 2013, 2.5% in 2014, 0.1% in 2015 and were flat in 2016. Real federal government purchases are expected to decrease 0.2% in 2017, 0.3% in 2018, and 0.1% in 2019.

INTERNATIONAL: Global economic growth has improved in 2017 as growth in most key foreign economies improved compared to 2016, increasing world GDP growth to an estimated 3.1% in 2017. Canada, Japan, Europe, South American economies, Asian economies, as well as China all realized increases in the second and third quarters of 2017. The fundamentals in the Chinese economy suggest a path of slower, yet steady growth over the next several years. Real GDP growth in China was 6.4% in the third quarter and is anticipated to be similar in the fourth quarter of 2017. The Chinese economy grew 6.7% in 2016 and is forecast for growth of 6.8% in 2017 and 6.5% in 2018.

In terms of GDP, global economic growth is projected to be 3.1% in 2017, 3.2% in 2018, and 3.1% in 2019.

The underlying story of US trade remains the same as experienced over the past year. Both imports and exports have grown as domestic demand for capital goods have strengthened and fading effects of the strong US dollar have improved exports. An issue that continues to be monitored is future trade policies and agreements. Additional barriers to international trade could lower US economic growth over the long term and create winners and losers in certain sectors of the economy.

The US trade deficit increased in September to \$43.5 billion compared to \$42.8 billion in August as exports increased by \$2.1 billion and imports increased by \$2.8 billion. After declining 0.3% in 2016, real exports are expected to grow 3.1% in 2017 and 4.0% in 2018. Overall, IHS Markit forecasts net exports to be -\$534 billion in 2017, -\$464 billion in 2018, and -\$399 billion in 2019. Continued growth in the world economy and a weaker US dollar are expected to grow exports at a faster rate than imports in 2018 and 2019.

RISKS TO THE FORECAST

The US economy continued a modest pace of growth in 2017, despite weather related disruptions in the third quarter. Increases in consumption and business investment helped push the economy to 3.1% and 3.0% GDP growth in the second and third quarter. Currently, IHS Markit 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 Markit's optimistic scenario, GDP is projected to grow 2.3% in 2017, followed by strong growth of 3.7% in 2018 and 3.3% in 2019. The optimistic scenario assumes more housing starts, driven by increasing household formation rates. An improving economy combined with strong consumer and business confidence drive consumer spending higher than the baseline scenario. This leads to consumption gains, higher earnings, and gains in financial markets. In the optimistic scenario, foreign economic growth improves, with the help of structural reforms, leading to stronger export growth. The US dollar is lower initially, but moves higher than the baseline forecast level by 2019 due to stronger domestic growth.

While the US economic expansion appears on solid ground, it would take an unforeseen shock to end the current economic expansion. IHS Markit's pessimistic scenario is currently assigned a 20% probability of occurring. In the pessimistic scenario, the US economy experiences a two quarter economic recession in late 2018. In this scenario, the US economy is pulled down by declines in commercial real estate prices, low business and consumer confidence, and declining financial markets. The value of the US dollar weakens, driving up long-term interest rates. These higher interest rates negatively impact the housing market and spending on capital goods throughout the economy. Unemployment rises towards the end of 2018 and throughout 2019, while employment growth stalls. In the pessimistic forecast, GDP grows 2.1% in 2017, with growth slowing to 0.8% in 2018, and 1.0% in 2019.

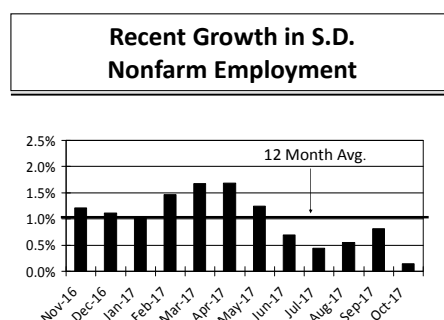
SOUTH DAKOTA ECONOMY

RECENT ECONOMIC ACTIVITY

This section briefly summarizes recent economic activity in South Dakota. An important indicator of a state's economic health is the growth rate of nonfarm employment, as it is considered by many 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 2016, positive growth returned with growth rates averaging 1.2% per year. So far in 2017, employment growth has been positive, but the rate of growth has slowed throughout the year.

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 2016, nonfarm employment added an average of 4,900 jobs per year. In October 2017, nonfarm employment was up 0.14% from a year ago.



The following are some recent key South Dakota economic statistics:

- In the last twelve months (November 2016 through October 2017), nonfarm employment (seasonally adjusted) in South Dakota grew by 1.0% over the same period a year ago. The major employment sectors that experienced growth in the last twelve months are as follows: leisure and hospitality (2.27%); financial activities (1.84%); other services (1.66%); education and health services (1.40%); professional and business services (0.94%); mining, logging, and construction (0.74%); trade, transportation, and utilities (0.16%); and government (1.95%). The one sector that experienced a decline in the past twelve months was manufacturing (-1.89%).
- The unemployment rate in South Dakota in October of 2017 was 3.5%. This was 0.6% below the national rate of 4.1% in October, but 0.6% higher compared to a year ago.
- During the twelve-month period from November 2016 through October 2017, the number of titles issued for new noncommercial vehicles was 41,485, which was down 353, or 0.8%, compared to the prior twelve-month period.
- The total number of residential units authorized by building permits issued January through October of 2017 was 4,694, which was down 141 units from the same time period in 2016. The value of residential building permits issued year-to-date in 2017 was \$765.2 million. This is an increase of \$9.1 million from the first 10 months of 2016.

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 \$2.46 billion in 2016, a record high in South Dakota. This was a 4.5% growth in the economic impact compared to 2015. In 2016, the number of visitors in South Dakota totaled more than 13.8 million, spending more than \$3.83 billion statewide. The growth experienced in 2016 was largely due to increases in both spending and the number of visitors compared to 2015.

Tourism activity in 2017 was steady through most of year. National park visitation in South Dakota is up 3% in 2017 as compared to a year ago and state park visitation is up 1%. While hotel occupancy rates are down slightly so far in 2017, revenue continues to be higher than a year ago. The tourism tax so far in calendar year 2017 is up 3.3% through October, indicating steady tourism activity across the state. Gas prices remain relatively low and overall lower cost of visitation in South Dakota still makes the state an affordable travel destination. The outlook for the South Dakota tourism industry is cautiously optimistic heading into 2018 as the state continues to promote South Dakota as a travel destination in traditional and new markets.

AGRICULTURE: In 2016, the agricultural economy in South Dakota produced cash receipts of \$9.06 billion, which was a decrease of \$0.13 billion from 2015's cash receipts. Crops generated \$5.42 billion and livestock generated \$3.63 billion in 2015. Lower livestock prices were the primary reason for the decrease in cash income compared to 2015.

Overall, crop production in 2016 was strong due to favorable growing conditions across the state. In 2016, corn for grain production totaled 825.9 million bushels, up from the 799.8 million bushels in 2015 due to record high yields. The average yield of 161 bushels per acre was up from 2015's yield of 159 bushels per acre. Soybean production was 255.9 million bushels, an increase compared to 2015's production of 235.5 million bushels, with an average yield of 49.5 bushels per acre. Wheat production in 2016 was 111.3 million bushels compared to 103.4 million bushels the prior year, due to higher yields. Livestock production in 2016 was up compared to 2015 levels. The 2016 calf crop totaled 1.69 million head, up 2 percent compared to the prior year. The pig crop in 2016 was 4.17 million head, higher than 2015's production of 3.83 million head.

Overall, crop production levels are lower for South Dakota producers in 2017 due to drought conditions that impacted portions of the state. According to the National Agricultural Statistics Service, as of November 1, corn production is projected to be 787.5 million bushels, down 38 million bushels compared to 2016. The corn yield is estimated to be 150 bushels per acre, down 11 bushels from last year's record yield. Soybean production is expected to be 252.5 million bushels, down 1.3% from a year ago, with a yield of 45 bushels per acre, down 4.5 bushels from the 2016 yield. Both winter wheat and spring wheat production in 2017 was also lower compared to 2016. Overall, net farm income for 2017 is anticipated to be lower from 2016 due to lower crop prices compared to a year ago, while livestock prices are slightly higher than a year ago.

The Council's outlook for the agricultural economy is cautious for 2018 and 2019. Large supplies of crops worldwide have put downward pressure on crop 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, feeder cattle prices improved over levels that were received in 2016, which has helped to offset a portion of the lower crop prices. The Council expects marginal improvement in 2018, but is specifically concerned with the current renegotiations of the North American Free Trade Agreement (NAFTA), which has been a benefit to South Dakota producers through higher exports for many years.

CONSTRUCTION: So far in 2017, construction activity has been steady, but slightly lower than a year ago. Contractor's excise tax collections are down 5.1% so far through the first 9 months of activity in calendar year 2017 compared to the prior year. Total housing units authorized by residential building permits through October 2017 were lower by 141 units, but the value of permits was \$9.1 million higher than the same time period a year earlier. The increase in value is mostly attributable to increased single family housing permits.

Interest rates continue to be attractive, although credit conditions and lack of labor continue to be a challenge. However, with steady employment anticipated, the Council believes construction and housing activity will remain healthy as long as the economy continues to create jobs in 2018 and 2019.

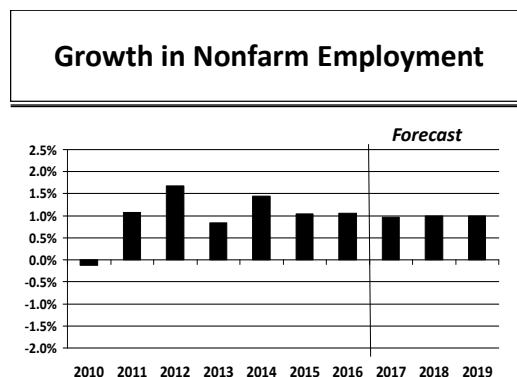
SOUTH DAKOTA FORECAST HIGHLIGHTS

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

The South Dakota economy has been in a growth phase for nearly eight years as increases in employment, income, and overall spending have been growing since early 2010. However, the pace of the recovery has been modest and employment growth has slowed in 2017. The agriculture sector has supported overall economic growth directly and indirectly in the early portion of the recovery, although farm income has been lower in recent years. Overall, South Dakota's economy is expected to continue to grow at a slow pace in 2018 and into 2019.

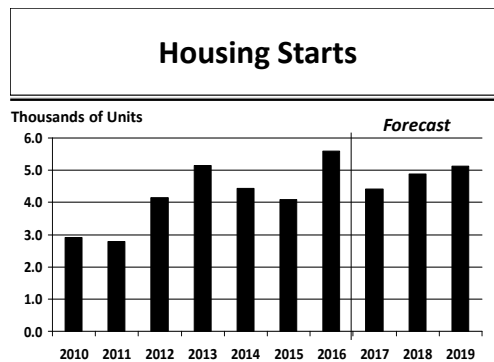
EMPLOYMENT: South Dakota has several advantages over other states which account for its ability to grow employment. Some of these advantages include a pro-business environment, a central geographic location, a low cost of doing business, and a high quality of life. A challenge the state continues to 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 six years (2011-2016) employment growth has been modest, averaging 1.2% growth. For 2017, the employment levels are expected to grow 1.0% compared to 2016 on an annual basis. In 2018 and 2019, nonfarm employment growth is projected to be 1.0% each year.

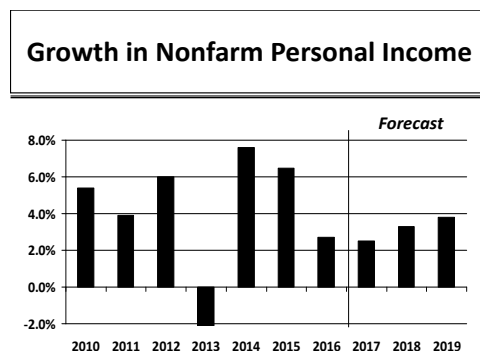


HOUSING/CONSTRUCTION: Favorable interest rates and changing demographics in the state contributed to a strong housing sector from 1998 through 2005 with the number of housing starts in South Dakota increasing each year. Then, from 2005 through 2011, the number of housing starts in South Dakota declined each year due to high inventories and reduced housing demand from the economic 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 and then rebounded again in 2016, with strong numbers, primarily in multi-family structures. Thus far in 2017, the numbers of housing starts are slightly lower due to fewer multi-family units compared to a year ago.

After a strong year in 2016, the housing market is anticipated to pull back slightly in 2017, and then rebound in 2018 and 2019 to normal levels. Long term interest rates still remain attractive and job growth will lead to steady construction activity in 2018 and 2019. Housing starts were 5,590 in 2016 and are projected to be 4,420 in 2017, 4,880 in 2018, and 5,130 in 2019.



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 2004-2008, 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 2.1%, reflecting slower job growth and higher federal payroll taxes reinstated in January 2013. Growth rebounded to 7.4% in 2014 and 6.7% in 2015, before slowing to 2.7% in 2016. In 2017, growth is forecast at 2.5%, reflecting slower employment growth and the indirect impacts of lower farm income. In 2018 and 2019, growth is anticipated to be 3.3% and 3.8%, respectively.



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 2018. National economic fundamentals appear to be on solid footing, but an unforeseen shock from specific sectors, such as commercial real estate, or from geopolitical events from abroad could change the national and state economic outlook.

Another downside risk is the uncertainty surrounding trade policy, specifically the current renegotiation of the North American Free Trade Agreement. South Dakota exports, which are mostly agriculture related, totaled more than \$1.2 billion in 2016. More than 60% of South Dakota's exports went to Canada and Mexico. Fair trade is vital to the economy, and any additional barriers to trade with our neighbors could have a negative impact in South Dakota.

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 can strengthen exports of goods and services produced within our state and improve the overall economic outlook.

REVENUE ESTIMATE SUMMARY

General fund receipts for FY2018 are forecast at \$1,595.4 million. Ongoing receipts comprise \$1,569.8 million of the total. One-time revenues comprise \$25.6 million of the total, which includes a \$7.2 million transfer from the budget reserve fund and \$7.9 million of obligated cash carried forward from FY2017. The ongoing estimate for FY2018 includes an increase of \$29.0 million from actual FY2017 ongoing receipts. Categories forecasted to show major increases in FY2018 include the sales and use tax (+\$28.1M), ongoing unclaimed property (+\$4.2M), lottery (+\$3.6M), the insurance company tax (+\$3.6M). Categories forecast for major decreases from FY2017 actual receipts are the sale-leaseback (-\$4.2M), contractor's excise tax (-\$4.1M), bank franchise tax (-\$3.1M) and severance taxes (-\$2.5M).

The revised ongoing estimate for FY2018 is \$20.3 million lower than the ongoing estimate adopted during the 2017 legislative session. Major negative adjustments for the revised FY2018 estimate compared to the adopted FY2018 estimate are for the sales and use tax (-\$9.7M), contractor's excise tax (-\$7.9M), insurance company tax (-\$6.1M) and unclaimed property receipts (-\$2.8M). The most significant positive revisions compared to the adopted FY2018 estimate are for licenses, permits and fees (+\$2.6M) and net transfers in (+\$1.1M).

General fund receipts for FY2019 are projected to be \$1,622.5 million, of which all receipts are considered ongoing. The forecast for ongoing receipts in FY2018 is an increase of \$52.7 million from the revised FY2018 projection. The significant sources of growth are from sales and use tax (+\$37.6M), contractor's excise tax (+\$6.1M), insurance company tax (+\$3.2M), lottery (+\$3.1M) license permits and fees (+\$2.3), and trust fund transfers (+\$1.5M). The categories forecast for major decreases in FY2019 are unclaimed property receipts (-\$1.8M) and charges for goods and services (-\$1.2M).

CURRENT REVENUE FORECAST (Dollars in Millions)

	<u>FY2018</u>	<u>FY2019</u>
Sales and Use Tax	979.3	1,016.9
Lottery	115.4	118.6
Contractor's Excise Tax	102.7	108.8
Insurance Company Tax	86.9	90.1
Unclaimed Property	48.6	46.8
Tobacco Taxes	55.5	55.4
Other Ongoing Revenues	181.4	185.9
One-Time Receipts	10.5	0.0
Transfer from Budget Reserve Fund	7.2	0.0
Obligated Cash Carried Forward	7.9	0.0
Total Revenue	<u>1,595.4</u>	<u>1,622.5</u>

SALES AND USE TAX

The sales and use tax is the single largest revenue source for the state's general fund and accounts for approximately 63% of ongoing general fund revenue. Between FY1992 and FY2017, the sales and use tax grew from \$263.6 million to \$951.2 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. 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 lower inflation and a moderate economic recovery. FY2014 realized a 6.1% growth due to large 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 consumer spending. In FY2017, growth was 10.5%, which reflects the

0.5% sales and use tax rate increase. Excluding the rate increase in FY2017, sales tax would have declined by 1.6%, reflecting lower farm income, low inflation, and slower economic growth.

Net collections from the sales and use tax in FY2017 were \$979.3 million, which was an increase of \$90.3 million, or 10.5%, compared to 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 in FY2017. Through the first four months of FY2018, sales and use tax collections to the general fund were \$350.5 million, which is an increase of 2.3% from the first four months of FY2017. For the revised FY2018 estimate, the sales and use tax is forecast at \$979.3 million, which is an increase of \$28.1 million, or 3.0%, compared to FY2017. For FY2019, the sales and use tax is forecast at \$1,016.9 million, which is an increase of \$37.6 million, or 3.8%, over the revised FY2018 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 FY2018, lottery collections are anticipated at \$115.4 million, which includes the general fund's share of instant lottery ticket sales of \$5.5 million, the first \$1.4 million of online ticket sales, and \$108.5 million in video lottery receipts. In FY2019, lottery receipts are projected at \$118.6 million, which includes \$5.9 million from instant lottery income, the first \$1.4 million from online lottery income, and \$111.2 million from the state's share of video lottery receipts. In FY2016 and FY2017, video lottery receipts were \$102.5 million and \$104.8 million, respectively. So far in FY2018, video lottery receipts are up 4.0% through the first four months compared to the prior year. In FY2018 and FY2019, receipts of \$108.5 million and \$111.2 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 \$24.0 million in FY1992 to \$106.8 million in FY2017, representing an average annual increase of 6.2%. In FY2017, net collections to the general fund from the contractor's excise tax grew \$5.3 million, or 5.3%, from FY2016. Through the first four months of FY2018, net contractor's excise tax collections were \$43.1 million, a decrease of 7.3% compared to the first four months of FY2017. A reason for the decrease in FY2018 is related to a large construction project that took place during the first four months of FY2017. Contractor's excise tax collections for FY2018 are forecast to be \$102.7 million, which is a decrease of \$4.1 million, or 3.8%, compared to FY2017 collections. FY2019 collections are forecast at \$108.8 million, which is an increase of \$6.1 million, or 6.0%, compared to the revised FY2018 estimate. In FY2019, the Governor is recommending changes to the Building South Dakota program. The recommended changes include repealing the dedication of contractor's excise tax to the building South Dakota fund. This proposal is estimated to increase contractor's excise tax by \$3.0 million in FY2019, which is included in the forecast.

INSURANCE COMPANY TAX

Collections from the insurance company tax account for approximately 6% of ongoing general fund revenues. From FY1992 to FY2017, insurance company tax collections grew from \$28.6 million to \$83.3 million, which was an average annual increase of 4.4%. In FY2017, insurance company tax collections were \$83.3 million, which was a decrease of \$1.5 million, or 1.8%, compared to FY2016 collections. The primary reason for the decrease in FY2017 was due to a softening property and casualty insurance market compared to previous years and a one-time tax refund. During the first four months of FY2018, insurance company tax collections were \$36.5 million, which is an increase of 5.6% over the same period in FY2017. For FY2018, insurance company tax collections are forecast at \$86.9 million, which is an increase of \$3.6 million, or 4.3%, over FY2017 collections. For FY2019, insurance company tax collections are forecast

to be \$90.1 million, which is an increase of \$3.2 million, or 3.7%, over the revised FY2018 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 both FY2018 and FY2019.

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. 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 through FY2016 of more than \$50 million annually, net of property claims. In FY2017, ongoing collections totaled \$44.4 million due to increased property claims paid to the rightful owner compared to previous years. Through early November of FY2018, net unclaimed property collections to the general fund were \$47.4 million. For FY2018, ongoing unclaimed property collections are forecast at \$48.6 million. This is an increase of \$4.2 million, or 9.5%, compared to FY2017. For FY2019, ongoing unclaimed property collections are forecast to be \$46.8 million, a decrease of \$1.8 million, or 3.8% compared to the FY2018 revised estimate.

TOBACCO TAXES

The tobacco taxes include the cigarette excise tax of \$1.53 per pack of cigarettes and the tax on other tobacco products, which is assessed at 35% of the wholesale price. In FY2017, cigarette taxes totaled \$53.0 million, while the other tobacco products tax totaled \$8.8 million. 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 deposited directly into the general fund in the tobacco tax category. The general fund's portion totaled \$56.8 million in FY2017. In FY2018 and FY2019, general fund receipts from tobacco taxes are projected at \$55.4 million for each year.

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 telecommunications tax. For FY2018, collections from other ongoing revenues are projected to be \$181.4 million, which is approximately 11.5% of total ongoing general fund revenues. In FY2019, collections from other ongoing revenues are projected at \$185.9 million. In FY2019, increases are projected in licenses, permits, and fees (+\$2.3M); transfers from the trust funds (+\$1.5M); and net transfers in (+\$1.3M). In FY2019, the Governor is recommending changes to the Building South Dakota program. Included in this recommendation is a \$1.5 million transfer from the South Dakota Housing Development Authority for five years and \$0.4 million from the private activities bond fee fund on an ongoing basis to support the Building South Dakota program.

ONE-TIME RECEIPTS

In FY2018, collections from one-time receipts are projected to be \$10.5 million. This includes a transfer of \$2.5 million from the South Dakota Health and Educational Facilities Authority to support the rural healthcare recruitment assistance program and additional education funding needed in FY2018. The remaining \$8.0 million one-time receipts represent transfers from various funds in state agencies to help balance the FY2018 budget. In FY2019, there are no one-time receipts projected at this time.

TRANSFER FROM BUDGET RESERVE FUND

In FY2018, the Governor is recommending \$7.2 million be transferred from the Budget Reserve Fund to the general fund to pay for additional state aid to education funding needed in FY2018. This \$7.2 million represents the amount of reserves in excess of ten percent of the revised FY2018 budget as recommended by the Governor.

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 FY2018, the total amount of obligated cash carried forward was \$7.9 million. This was obligated to the Budget Reserve Fund from the budget surplus at the end of FY2017.

BUDGET RESERVE & GENERAL REVENUE REPLACEMENT FUNDS

During the 1991 Legislative Session, the Budget Reserve Fund was created to place resources into a reserve which would only be used to address emergency situations without having to raise taxes or cut spending. Currently, the maximum funding level of the Budget Reserve Fund is 10% of the general fund appropriations from the General Appropriations Act for the prior fiscal year. At the end of FY2015, FY2016, and FY2017, unobligated general fund cash in the amounts of \$21.5 million, \$14.1 million, and \$7.9 million respectively, was obligated to the Budget Reserve Fund. These funds were transferred into the reserve at the beginning of FY2016, FY2017, and FY2018, respectively. In FY2018, the Governor recommends transferring \$7.2 million from the Budget Reserve Fund to the general fund for a one-time shortfall in state aid to education, leaving a projected ending balance of \$114.1 million. The ending cash balance in the Budget Reserve Fund assumes no surplus funds will be available at the end of FY2018.

During the 2015 Legislative Session, the General Revenue Replacement Fund was established to replace the Property Tax Reduction Fund to assist in balancing the annual budget in the event of an unforeseen revenue shortfall. The maximum level of funding can be up to 15% of the general fund appropriations in the General Appropriations Act for the prior fiscal year. The cash balance of the General Revenue Replacement Fund is \$44.0 million, which was the cash balance when the fund was created.

BUDGET RESERVE FUND & GENERAL REVENUE REPLACEMENT FUND CONDITION STATEMENT

	ACTUAL FY2016	ACTUAL FY2017	ESTIMATED FY2018	ESTIMATED FY2019
Budget Reserve Fund Beginning Balance	\$ 105,202,156	\$ 99,310,660	\$ 113,379,805	\$ 114,112,624
Calculations for Maximum Balance in the Fund:				
General Bill Appropriation for Prior Year	\$ 1,372,395,933	\$ 1,416,790,757	\$ 1,554,021,368	\$ 1,581,126,718
Budget Reserve Fund Percentage	10%	10%	10%	10%
Maximum Amount in the Fund	<u>\$ 137,239,593</u>	<u>\$ 141,679,076</u>	<u>\$ 155,402,137</u>	<u>\$ 158,112,672</u>
Maximum Transferable Amount	<u>\$ 32,037,437</u>	<u>\$ 42,368,416</u>	<u>\$ 42,022,332</u>	<u>\$ 44,000,048</u>
Transferred in from General Fund	\$ 21,535,148	\$ 14,069,144	\$ 7,943,412	\$ 0
Transferred out to General Fund	<u>\$ (27,426,643)</u>	<u>\$ 0</u>	<u>\$ (7,210,593)</u>	<u>\$ 0</u>
Ending Budget Reserve Fund Balance	<u>\$ 99,310,660</u>	<u>\$ 113,379,805</u>	<u>\$ 114,112,624</u>	<u>\$ 114,112,624</u>
General Revenue Replacement Fund Balance	\$ 44,000,048	\$ 44,000,048	\$ 44,000,048	\$ 44,000,048
General Funds Obligated to Budget Reserve	\$ 14,069,144	\$ 7,943,412	\$ 0	\$ 0
ENDING TOTAL RESERVES BALANCE	<u><u>\$ 157,379,853</u></u>	<u><u>\$ 165,323,265</u></u>	<u><u>\$ 158,112,672</u></u>	<u><u>\$ 158,112,672</u></u>

NOTE: The totals may not add due to rounding.

COMPARISON BETWEEN LEGISLATIVE ADOPTED AND REVISED ESTIMATE FOR FY2018

	LEG. ADOPTED FY2018	REVISED FY2018	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 989,040,000	\$ 979,294,904	(9,745,096)	(0.99)
Lottery	115,318,879	115,444,817	125,938	0.11
Contractor's Excise Tax	110,614,834	102,736,361	(7,878,473)	(7.12)
Insurance Company Tax	93,000,000	86,870,686	(6,129,314)	(6.59)
Unclaimed Property Receipts	51,461,196	48,617,609	(2,843,587)	(5.53)
Licenses, Permits, and Fees	64,000,000	66,640,728	2,640,728	4.13
Tobacco Taxes	55,031,773	55,423,609	391,836	0.71
Trust Funds	36,960,438	37,025,022	64,584	0.17
Net Transfers In	21,000,000	21,979,954	979,954	4.67
Alcohol Beverage Tax	8,000,000	7,738,563	(261,437)	(3.27)
Bank Franchise Tax	10,944,525	11,567,064	622,539	5.69
Charges for Goods and Services	16,115,139	17,168,192	1,053,053	6.53
Telecommunications Tax	5,337,875	4,690,291	(647,584)	(12.13)
Severance Taxes	5,825,663	6,508,475	682,812	11.72
Investment Income and Interest	5,248,558	6,049,700	801,142	15.26
Alcohol Bev 2% Wholesale Tax	2,200,000	2,033,098	(166,902)	(7.59)
TOTAL (ONGOING RECEIPTS)	\$ 1,590,098,880	\$1,569,789,073	(\$20,309,807)	(1.28)
ONE-TIME RECEIPTS				
Transfer from SD Health and Ed Facilities Authority	\$ 0	\$ 2,500,000	2,500,000	100.00
Transfer from Homemaker Fees Fund	0	2,000,000	2,000,000	100.00
Transfer from Petroleum Release Fund	0	1,300,000	1,300,000	100.00
Transfer from Workforce Education Fund	0	792,729	792,729	100.00
Transfer from Prescription Drug Plan Fund	0	750,000	750,000	100.00
Transfer from Telecommunication Fund	0	750,000	750,000	100.00
Transfer from Video Lottery Fund	0	500,000	500,000	100.00
Transfer from Court Automation Fund	0	500,000	500,000	100.00
Transfer from Technology Fund	0	500,000	500,000	100.00
Transfer from Private Activities Bond Fee Fund	0	480,743	480,743	100.00
Transfer from Budgetary Accounting Fund	0	261,396	261,396	100.00
Transfer from Veterans' Home Operating Fund	0	120,000	120,000	100.00
Transfer from Budget Reserve Fund	0	7,210,593	7,210,593	100.00
Obligated Cash Carried Forward	0	7,943,412	7,943,412	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 0	\$ 25,608,873	\$ 25,608,873	100.00
GRAND TOTAL	\$ 1,590,098,880	\$1,595,397,946	\$5,299,066	0.33

NOTE: The totals may not add due to rounding.

COMPARISON BETWEEN ACTUAL FY2017 AND REVISED FY2018 REVENUE COLLECTIONS

	ACTUAL FY2017	REVISED FY2018	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 951,223,081	\$ 979,294,904	\$ 28,071,823	2.95
Lottery	111,827,256	115,444,817	3,617,561	3.23
Contractor's Excise Tax	106,828,537	102,736,361	(4,092,176)	(3.83)
Insurance Company Tax	83,271,532	86,870,686	3,599,154	4.32
Unclaimed Property Receipts	44,386,220	48,617,609	4,231,389	9.53
Licenses, Permits, and Fees	64,730,175	66,640,728	1,910,553	2.95
Tobacco Taxes	56,809,149	55,423,609	(1,385,540)	(2.44)
Trust Funds	35,194,697	37,025,022	1,830,325	5.20
Net Transfers In	21,897,071	21,979,954	82,883	0.38
Alcohol Beverage Tax	7,617,533	7,738,563	121,030	1.59
Bank Franchise Tax	14,688,771	11,567,064	(3,121,707)	(21.25)
Charges for Goods and Services	15,562,672	17,168,192	1,605,520	10.32
Telecommunications Tax	5,329,876	4,690,291	(639,585)	(12.00)
Severance Taxes	8,968,233	6,508,475	(2,459,758)	(27.43)
Sale-Leaseback	4,138,575	0	(4,138,575)	(100.00)
Investment Income and Interest	6,366,142	6,049,700	(316,442)	(4.97)
Alcohol Bev 2% Wholesale Tax	1,954,454	2,033,098	78,644	4.02
TOTAL (ONGOING RECEIPTS)	\$ 1,540,793,973	\$1,569,789,073	\$ 28,995,100	1.88
ONE-TIME RECEIPTS				
Transfer from SD Health and Ed Facilities Authority	\$ 0	\$ 2,500,000	\$ 2,500,000	100.00
Transfer from Homemaker Fees Fund	0	2,000,000	2,000,000	100.00
Transfer from Petroleum Release Fund	0	1,300,000	1,300,000	100.00
Transfer from Workforce Education Fund	0	792,729	792,729	100.00
Transfer from Prescription Drug Plan Fund	0	750,000	750,000	100.00
Transfer from Telecommunication Fund	800,000	750,000	(50,000)	(6.25)
Transfer from Video Lottery Fund	500,000	500,000	0	0.00
Transfer from Court Automation Fund	500,000	500,000	0	0.00
Transfer from Technology Fund	0	500,000	500,000	100.00
Transfer from Private Activities Bond Fee Fund	911,625	480,743	(430,882)	(47.27)
Transfer from Budgetary Accounting Fund	0	261,396	261,396	100.00
Transfer from Veterans' Home Operating Fund	0	120,000	120,000	100.00
One-Time Unclaimed Property Receipts	12,714,729	0	(12,714,729)	(100.00)
Transfer from General Militia Fund	180,000	0	(180,000)	(100.00)
Transfer from SD Certified Beef Fund	104,000	0	(104,000)	(100.00)
Prior Period Adjustments	(1,712,184)	0	1,712,184	(100.00)
Unexpended Carryovers and Specials	1,449,345	0	(1,449,345)	(100.00)
Transfer from Budget Reserve Fund	0	7,210,593	7,210,593	100.00
Obligated Cash Carried Forward	14,069,144	7,943,412	(6,125,732)	(43.54)
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 29,516,659	\$ 25,608,873	\$ (3,907,786)	(13.24)
GRAND TOTAL	\$ 1,570,310,632	\$1,595,397,946	\$25,087,314	1.60

NOTE: The totals may not add due to rounding.

COMPARISON BETWEEN REVISED FY2018 AND FY2019 REVENUE COLLECTIONS

	REVISED FY2018	PROJECTED FY2019	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 979,294,904	\$1,016,906,602	\$ 37,611,698	3.84
Lottery	115,444,817	118,558,981	3,114,164	2.70
Contractor's Excise Tax	102,736,361	108,849,223	6,112,862	5.95
Insurance Company Tax	86,870,686	90,097,000	3,226,314	3.71
Unclaimed Property Receipts	48,617,609	46,779,257	(1,838,352)	(3.78)
Licenses, Permits, and Fees	66,640,728	68,937,971	2,297,243	3.45
Tobacco Taxes	55,423,609	55,352,621	(70,988)	(0.13)
Trust Funds	37,025,022	38,544,233	1,519,211	4.10
Net Transfers In	21,979,954	23,303,429	1,323,475	6.02
Alcohol Beverage Tax	7,738,563	7,908,751	170,188	2.20
Bank Franchise Tax	11,567,064	11,872,042	304,978	2.64
Charges for Goods and Services	17,168,192	15,947,487	(1,220,705)	(7.11)
Telecommunications Tax	4,690,291	4,455,776	(234,515)	(5.00)
Severance Taxes	6,508,475	6,599,863	91,388	1.40
Investment Income and Interest	6,049,700	6,265,870	216,170	3.57
Alcohol Beverage 2% Wholesale Tax	2,033,098	2,110,479	77,381	3.81
SUBTOTAL (ONGOING RECEIPTS)	\$ 1,569,789,073	\$1,622,489,585	\$ 52,700,512	3.36
ONE-TIME RECEIPTS				
Transfer from SD Health and Ed Facilities Authority	\$ 2,500,000	\$ 0	\$ (2,500,000)	(100.00)
Transfer from Homemaker Fees Fund	2,000,000	0	(2,000,000)	(100.00)
Transfer from Petroleum Release Fund	1,300,000	0	(1,300,000)	(100.00)
Transfer from Workforce Education Fund	792,729	0	(792,729)	(100.00)
Transfer from Prescription Drug Plan Fund	750,000	0	(750,000)	(100.00)
Transfer from Telecommunication Fund	750,000	0	(750,000)	(100.00)
Transfer from Video Lottery Fund	500,000	0	(500,000)	(100.00)
Transfer from Court Automation Fund	500,000	0	(500,000)	(100.00)
Transfer from Technology Fund	500,000	0	(500,000)	(100.00)
Transfer from Private Activities Bond Fee Fund	480,743	0	(480,743)	(100.00)
Transfer from Budgetary Accounting Fund	261,396	0	(261,396)	(100.00)
Transfer from Veterans' Home Operating Fund	120,000	0	(120,000)	(100.00)
Transfer from Budget Reserve Fund	7,210,593	0	(7,210,593)	(100.00)
Obligated Cash Carried Forward	7,943,412	0	(7,943,412)	(100.00)
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 25,608,873	\$ 0	(\$25,608,873)	(100.00)
GRAND TOTAL	\$ 1,595,397,946	\$1,622,489,585	\$ 27,091,639	1.70

NOTE: The totals may not add due to rounding.

GENERAL FUND RECEIPTS

	ACTUAL FY2016	ACTUAL FY2017	REVISED FY2018	PROJECTED FY2019
ONGOING RECEIPTS				
Sales and Use Tax	\$ 860,905,705	\$ 951,223,081	\$ 979,294,904	\$ 1,016,906,602
Lottery	110,057,269	111,827,256	115,444,817	118,558,981
Contractor's Excise Tax	101,496,551	106,828,537	102,736,361	108,849,223
Insurance Company Tax	84,795,304	83,271,532	86,870,686	90,097,000
Unclaimed Property Receipts	55,107,516	44,386,220	48,617,609	46,779,257
Licenses, Permits, and Fees	56,712,050	64,730,175	66,640,728	68,937,971
Tobacco Taxes	57,967,713	56,809,149	55,423,609	55,352,621
Trust Funds	33,146,867	35,194,697	37,025,022	38,544,233
Net Transfers In	20,664,859	21,897,071	21,979,954	23,303,429
Alcohol Beverage Tax	11,403,076	7,617,533	7,738,563	7,908,751
Bank Franchise Tax	10,512,754	14,688,771	11,567,064	11,872,042
Charges for Goods and Services	11,589,517	15,562,672	17,168,192	15,947,487
Telecommunications Tax	5,943,316	5,329,876	4,690,291	4,455,776
Severance Taxes	6,131,259	8,968,233	6,508,475	6,599,863
Sale-Leaseback	4,663,938	4,138,575	0	0
Investment Income and Interest	5,438,611	6,366,142	6,049,700	6,265,870
Alcohol Beverage 2% Wholesale Tax	1,850,515	1,954,454	2,033,098	2,110,479
SUBTOTAL (ONGOING RECEIPTS)	\$ 1,438,386,820	\$ 1,540,793,973	\$ 1,569,789,073	\$ 1,622,489,585
ONE-TIME RECEIPTS				
Transfer from SD Health and Ed Facilities Authority	\$ 0	\$ 0	\$ 2,500,000	\$ 0
Transfer from Homemaker Fees Fund	0	0	2,000,000	0
Transfer from Petroleum Release Fund	3,500,000	0	1,300,000	0
Transfer from Workforce Education Fund	0	0	792,729	0
Transfer from Prescription Drug Plan Fund	0	0	750,000	0
Transfer from Telecommunication Fund	0	800,000	750,000	0
Transfer from Video Lottery Fund	0	500,000	500,000	0
Transfer from Court Automation Fund	0	500,000	500,000	0
Transfer from Technology Fund	0	0	500,000	0
Transfer from Private Activities Bond Fee Fund	0	911,625	480,743	0
Transfer from Budgetary Accounting Fund	0	0	261,396	0
Transfer from Veterans' Home Operating Fund	0	0	120,000	0
One-Time Unclaimed Property Receipts	0	12,714,729	0	0
Transfer from General Militia Fund	0	180,000	0	0
Transfer from SD Certified Beef Fund	0	104,000	0	0
Transfer from Department of Corrections	6,572,387	0	0	0
Transfer from South Dakota Risk Pool	3,353,860	0	0	0
Prior Period Adjustments	(4,213,467)	(1,712,184)	0	0
Unexpended Carryovers and Specials	379,252	1,449,345	0	0
Transfer from Budget Reserve Fund	27,426,643	0	7,210,593	0
Obligated Cash Carried Forward	21,535,148	14,069,144	7,943,412	0
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 58,553,823	\$ 29,516,659	\$ 25,608,873	\$ 0
GRAND TOTAL	\$ 1,496,940,642	\$ 1,570,310,632	\$ 1,595,397,946	\$ 1,622,489,585

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
--	---------------

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
---	---------------

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
--	-------------

TAX EXPENDITURES

**Annual Est. General
Fund Revenue Loss**

Sales and Use Tax Exemptions

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
---	-------------

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

Total Sales and Use Tax Exemptions	\$1,092,378,498
---	------------------------

Other Tax Expenditures

10-44-4: Tax credit for principal office or regional home office for insurance companies.	\$14,978,151
10-45-27.2: Collection allowance for sales tax of 1.5% of collections with a maximum of \$70 per month.	\$4,897,694
10-50-18: Distributor discount of 1% of cigarette stamp face value.	\$551,280
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.	\$260,000

Total Other Tax Expenditures	\$20,687,125
-------------------------------------	---------------------

Grand Total Tax Expenditures	\$1,113,065,623
-------------------------------------	------------------------

Sources: Department of Revenue - Summary of Sales Tax Exemptions (July 2015) and Department of Labor and Regulation.

RECOMMENDED EXPENDITURES

Governor Dugaard's FY2019 budget recommendation maintains a structurally balanced budget while making 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.

State Aid, the Department of Education, the Board of Regents and the Postsecondary Technical Institutes are responsible for educating South Dakotans at every level. They account for \$20.1 million of the \$30.6 million in ongoing general fund increases. In terms of the total ongoing budget, this category is 49.4% of the general funds and 33.7% of the total ongoing funds, which amounts to nearly \$1.6 billion in total ongoing funding.

The Governor recommends an increase of \$16.1 million in general funds for state aid to general education. The increase is due to growth in enrollments and an increase in the number of English Language Learner students in the school districts. The Governor is also recommending the following changes to the Department of Education's budget: an increase of \$0.4 million in general funds for an increase in dual credit course enrollment, 1.0 FTE and \$0.1 million in general funds for federal fiscal monitoring, and a reduction of \$1.4 million in other fund expenditure authority in the Workforce Education Fund.

The ongoing budget for the Board of Regents contains a net increase of \$2.8 million in general funds. Included in this amount is an increase of \$0.6 million related to the South Dakota Opportunity Scholarship, \$0.8 million to move the maintenance and repair budget closer to 2% of the replacement value of the buildings, \$0.9 million for veterinary slots at Iowa State University and Animal Disease Research and Diagnostic Laboratory operations, and \$0.9 million related to increased utility costs and utilization. Also included is a decrease of \$0.1 million in federal fund expenditure authority, as well as increases of 9.0 FTE and \$6.6 million in other fund expenditure authority for research grants, tuition and fee projections, and maintenance and repair costs.

The Governor is recommending that the Postsecondary Technical Institutes receive an additional \$1.0 million in ongoing general funds. \$0.6 million is for an increase in enrollments at the institutes. \$0.2 million is included for year one of a six year implementation plan for M&R on buildings that are wholly owned by the State of South Dakota.

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 \$1.6 million of the \$30.6 million in ongoing general fund increases. In terms of the total ongoing budget, this category is 35.2% of the general funds and 32.5% of the total ongoing funds, which amounts to over \$1.5 billion in total ongoing funding.

Social Services will see ongoing increases of \$5.2 million in general funds, \$38.0 million in federal fund expenditure authority, and \$0.3 million in other fund expenditure authority. This includes a decrease of \$6.0 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 \$5.4 million in general funds and \$5.0 million in federal fund expenditure authority are due to inflationary adjustments required by the federal government, such as Medicare and certain federally qualified rural health clinics. Increases of \$5.4 million in general funds and \$5.5 million in federal fund expenditure authority are included for changes in utilization of services provided by the department. Increases of \$1.1 million in general funds and \$1.1 million in federal fund expenditure authority are for community based provider rate adjustments. A decrease of \$2.7 million in general funds and an increase of \$6.4 million in federal fund expenditure authority are due to savings from federal policy changes for Indian Health Service reimbursement and to fund the recommendations of the Health Care Solutions Coalition. An increase of \$17.0 million in federal fund expenditure authority is for an upgraded Eligibility and Enrollment system.

The Human Services ongoing budget is decreasing by \$4.0 million in general funds, increasing by \$6.3 million in federal fund expenditure authority, and increasing by \$0.8 million in other fund expenditure authority. A decrease of \$3.6 million in general funds and \$0.1 million in other fund expenditure authority, along with a corresponding increase in federal fund expenditure authority is due to the FMAP rate change. A reduction of \$1.9 million and 10.0 FTE, along with increases of \$0.6 million in federal fund expenditure authority and \$1.0 million in other fund expenditure authority are included for changes in utilization of services at the department. Also included is an increase of \$1.5 million in general funds and \$1.9 million in federal fund expenditure authority for community based provider rate adjustments as well as inflation mandated by the federal government.

The ongoing budget for the Department of Health includes increases of \$0.3 million in general funds, \$0.3 million in federal fund expenditure authority and \$1.2 million in other fund expenditure authority. This includes increases of \$0.2 million in general funds and \$0.2 million in federal fund expenditure authority to support the first year of a rural family medicine residency track in Pierre. Also included is an increase of 1.0 FTE for subrecipient monitoring due to increased financial monitoring requirements by the federal government and State Board of Internal Control. In addition, there is an increase of 3.9 FTE in Correctional Healthcare to align the budget after changing medical provider contracts to state employees, as well as an increase of \$1.2 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 6.0 FTE and \$2.4 million in general funds, as well as decreases of \$0.7 million in federal fund expenditure authority and \$0.2 million in other fund expenditure authority. The primary increases throughout the department include: \$1.3 million in general funds for Correctional Healthcare, \$1.1 million in general funds for community placements for 71 parolees, \$0.8 million for security staffing and additional positions, and \$0.9 million in general funds for costs related to ongoing maintenance and contractual increases at the adult institutions. Also included are decreases of \$1.8 million in general funds, \$0.8 million in federal fund expenditure authority, and \$0.2 million in other fund expenditure authority due to a

lower projected average daily population for juveniles, the sale of STAR Academy, and the closure of a Pheasant Land Industries shop.

The safety of South Dakota's citizens is also addressed within the ongoing budget for the Unified Judicial System, which is being increased by \$0.1 million in general funds and 1.0 FTE for a Mental Health Court in Pennington County. Also included in the Governor's recommendation is an increase of \$0.2 million in other fund expenditure authority for operational costs.

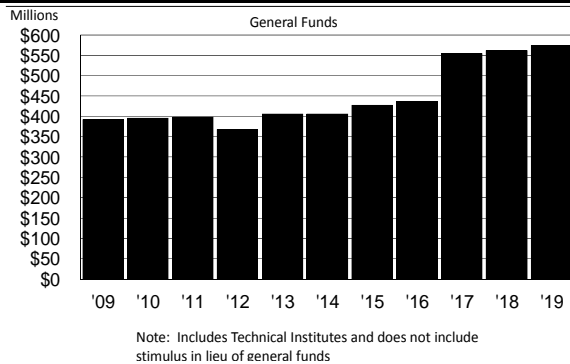
The Governor is recommending an increase of \$0.6 million to adjust the artificially lowered pay grade minimums to bring the state's general pay structures closer to the market. Approximately 1,500 current employees, as well as new hires, will be impacted by this change.

SUMMARY OF RECOMMENDED BUDGET ADJUSTMENTS

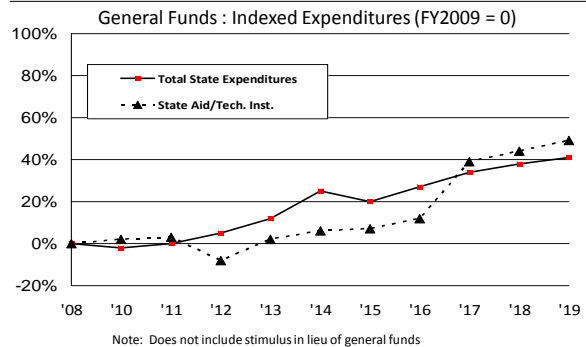
State Aid, Technical Institutes, Higher Education, and Education

- Includes State Aid to K-12 Education, Technical Institutes, Higher Education, and the Department of Education.
- \$20.3M increase out of \$30.6M total ongoing general fund increase.
- \$798.7M out of \$1.6B or 49.4% of total ongoing general funds.
- \$1.6B out of \$4.7B or 33.7% of total ongoing funds.

State Aid to Schools



State Aid to Schools



State Aid to K-12 Education	FTE	General	Federal	Other
State Aid to General Education		\$12,061,257		
State Aid to Special Education		\$4,070,318		
Technology in Schools		\$18,280		
Sparsity		(\$5,795)		
Workforce Education Fund				(\$1,375,000)
Total	0.0	\$16,144,060	\$0	(\$1,375,000)

- Increase of \$12,061,257 in general funds for State Aid to General Education due to increased enrollments and an increase in the number of English Language Learner students.
- Increase of \$4,070,318 in general funds for State Aid to Special Education due to increased student numbers and property tax collections below budgeted levels.
- Increase of \$18,280 in general funds for Technology in Schools due to increased usage.
- Decrease of \$5,795 in general funds for sparsity payments due to slightly reduced enrollments for those districts.
- Decrease of \$1,375,000 in other fund expenditure authority due to changes to the Building South Dakota program.

State Aid to Technical Institutes	FTE	General	Federal	Other
Technical Institutes Formula		\$557,982		
Board of Technical Education Administration		\$250,000		(\$250,000)
Maintenance and Repair		\$223,675		
Bond Payments		(\$1,184)		
Total	0.0	\$1,030,473	\$0	(\$250,000)

- Increase of \$557,982 in general funds for the Technical Institutes formula due to an increased number of students.
- Increase of \$250,000 in general funds and a reduction of \$250,000 in other fund expenditure authority to fund the Board of Technical Education Administration. The general funds will replace one-time cash.
- Increase of \$223,675 in general funds to begin a plan to reach 2% of replacement value for maintenance and repair of state owned buildings at the Technical Institutes.
- Decrease of \$1,184 in general funds to align funding with bond payment schedules.

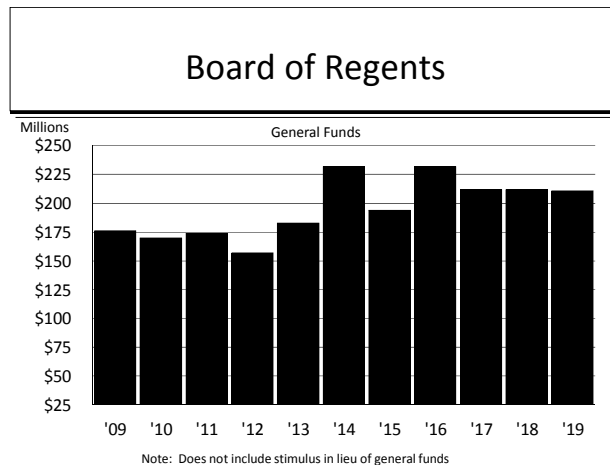
Education	FTE	General	Federal	Other
Dual Credit		\$398,957		
Federal Fiscal Monitoring FTE	1.0	\$72,905		
Birth to Three		(\$4,891)	\$4,891	
Career and Technical Education		(\$137,220)		\$287,220
Student Teacher Accountability Reporting System			(\$112,780)	\$112,780
Total	1.0	\$329,751	(\$107,889)	\$400,000

- Increase of \$398,957 in general funds for the Dual Credit program due to an increase in the number of credits taken.
- Increase of 1.0 FTE and \$72,905 in general funds to implement the Uniform Grant Guidance (2 CFR 200) and to provide additional monitoring on federal grants that flow to subrecipients.
- Decrease of \$4,891 in general funds and an increase of \$4,891 in federal fund expenditure authority in the Birth to Three program due to the change in the Federal Medical Assistance Percentage (FMAP).
- Decrease of \$137,220 in general funds and an increase of \$287,220 in other fund expenditure authority to utilize available other funds for Career and Technical Education operations.
- Decrease of \$112,780 in federal fund expenditure authority and an increase of \$112,780 in other fund expenditure authority to replace federal funds that are no longer available with other funds for the management and maintenance of the Longitudinal Data System.

Board of Regents	FTE	General	Federal	Other
Utilities		\$893,832		
Veterinary Tuition at ISU/ADRDL Commitments		\$892,768		(\$902,000)
Maintenance & Repair		\$796,691		
South Dakota Opportunity Scholarship		\$614,038		
Critical Deferred Maintenance Lease Payment		(\$4,188)		

REED Network Technology Costs		(\$370,656)		
FTE/Expenditure Authority Adjustments	9.0		(\$130,000)	\$7,548,114
Total	9.0	\$2,822,485	(\$130,000)	\$6,646,114

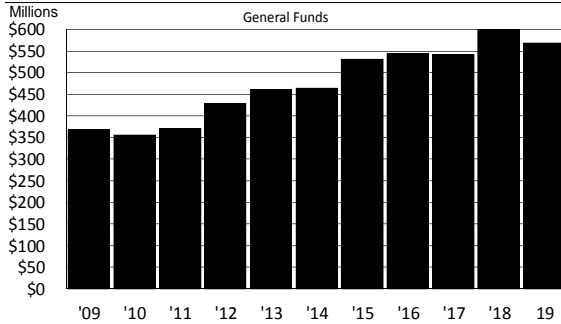
- Increase of \$893,832 in general funds for utility expenses.
- Increase of \$892,768 in general funds and a decrease of \$902,000 in other fund expenditure authority due to a funding change for the Veterinary slots at Iowa State University (ISU) and the State Animal Disease Research and Diagnostic Laboratory (ADRDL) commitments.
- Increase of \$796,691 in general funds for maintenance and repair of academic buildings.
- Increase of \$614,038 in general funds for students eligible for the South Dakota Opportunity Scholarship.
- Decrease of \$4,188 in general funds for the lease payment adjustment for Critical Deferred Maintenance.
- Decrease of \$370,656 in general funds for anticipated REED Network Technology Costs. This decrease is offset by an increase in bureau billings to pay for statewide network costs.
- Increase of 9.0 FTE, decrease of \$130,000 in federal fund expenditure authority, and an increase of \$7,548,114 in other fund expenditure authority for anticipated grant expenses, tuition/room and board projections, and maintenance and repair.



Health, Human, and Social Services

- Includes Departments of Health, Human Services, and Social Services.
- \$1.6M increase out of \$30.6M total ongoing general fund increase.
- \$569.1M out of \$1.6B or 35.2% of total ongoing general funds.
- \$1.5B out of \$4.7B or 32.6% of total ongoing funds.

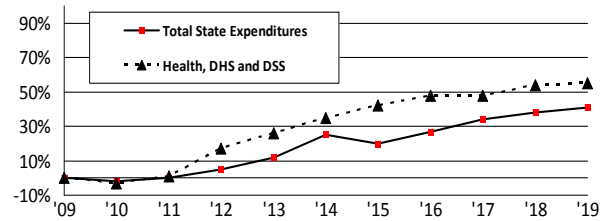
Health, Human, and Social Services



Note: Does not include stimulus in lieu of general funds

Health, Human, and Social Services

General Funds : Indexed Expenditures (FY2009 = 0)



Note: Does not include stimulus in lieu of general funds

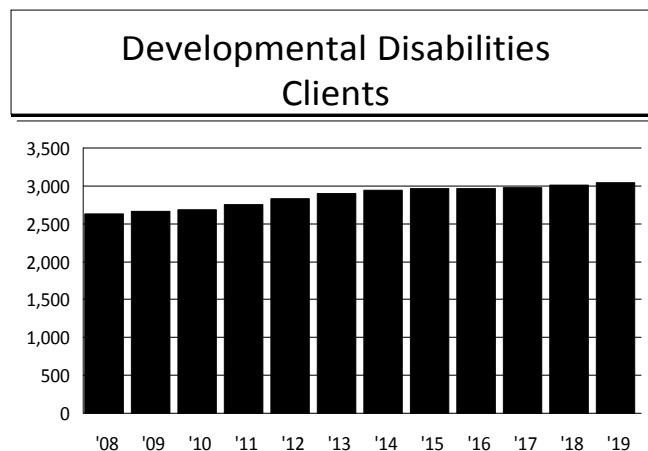
Health	FTE	General	Federal	Other
Rural Family Residency Track		\$179,666	\$232,128	
Cribs for Kids		\$140,000		
Subrecipient Monitoring FTE	1.0	\$22,456	\$67,367	
CHC Medical Provider FTE	3.9			
CHC Inflation/Growth				\$1,336,398
Informational Budget for DOH Boards				\$118,056
CHC Pharmacy Contract				(\$270,650)
Total	4.9	\$342,122	\$299,495	\$1,183,804

- Increase of \$179,666 in general funds and \$232,128 in federal fund expenditure authority for first year implementation of rural family medicine residency track in Pierre.
- Continuation of \$140,000 in general funds for cribs for families who qualify.
- Increase of 1.0 FTE, \$22,456 in general funds, and \$67,367 in federal fund expenditure authority in Administration for subrecipient monitoring due to increased financial monitoring requirements.
- Increase of 3.9 FTE to right-size correctional health budget due to changing medical provider contracts to state employees.
- Increase of \$1,336,398 in other fund expenditure authority for growth in correctional healthcare. This number includes medical inflation of 3.9%, overall inflation of 1.3%, prescription drug inflation of 4.8%, and projected inmate growth of 113.
- Increase of \$118,056 in other fund expenditure authority to align budget with anticipated expenditures throughout the various boards within the department.
- Decrease of \$270,650 in other fund expenditure authority in correctional healthcare pharmacy contractual services to move contracted staff to state FTE in the Department of Social Services per Department of Legislative Audit guidance. This will also result in a decrease in the current fiscal year.

Human Services	FTE	General	Federal	Other
Developmental Disabilities		\$421,474	\$544,545	
Finance Staff	2.0	\$67,838	\$67,838	
Mandatory Inflation		\$26,283		
South Dakota Developmental Center	(12.0)	(\$186,386)	(\$415,175)	\$62,500

Long Term Services and Supports		(\$731,165)	\$1,310,697	
Federal Medical Assistance Percentage		(\$3,609,175)	\$3,751,156	(\$141,981)
Division of Rehabilitation Services			\$1,051,178	\$800,000
Service to the Blind and Visually Impaired				\$100,000
Total	(10.0)	(\$4,011,131)	\$6,310,239	\$820,519

- Increases of \$421,474 in general funds and \$544,545 in federal fund expenditure authority in Developmental Disabilities for an increase in eligibles. Also included is an increase to get In-Home providers to 90% of methodology costs.
- Increases of 2.0 FTE, \$67,838 in general funds, and \$67,838 in federal fund expenditure authority in Budget and Finance. These FTE will assist with increased responsibilities associated with provider audits and federal reporting requirements.
- Increase of \$26,283 in general funds for mandatory inflation of 1.8% for certain individuals in Assisted Living.
- Decreases of 12.0 FTE, \$186,386 in general funds and \$415,175 in federal funds, and an increase of \$62,500 in other fund expenditure authority for changes in utilities, staffing levels, and food service costs at the South Dakota Developmental Center.
- Decrease of \$731,165 in general funds and an increase of \$1,310,697 in federal fund expenditure authority based on projected expenses in the Division of Long Term Services and Supports. Also included is an increase to get In-Home and Assisted Living providers to 90% of methodology costs.
- Decreases of \$3,609,175 in general funds and \$141,981 in other fund expenditure authority with an offsetting increase in federal fund expenditure authority for the change in FMAP.
- Increases of \$1,051,178 in federal fund expenditure authority and \$800,000 in other fund expenditure authority in Rehabilitation Services for increased utilization of Vocational Rehabilitation, Project Skills, and Extended Supports services.
- Increase of \$100,000 in other fund expenditure authority in Service to the Blind and Visually Impaired for increased utilization of the Ticket to Work program.

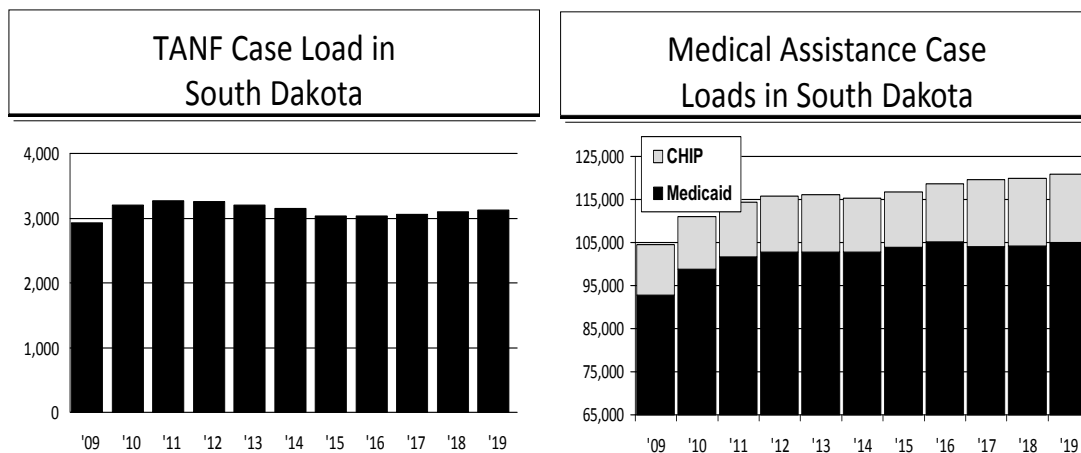


Social Services	FTE	General	Federal	Other
Mandatory Inflation		\$4,682,795	\$5,148,592	
Medicaid Eligibles, Utilization and Cost Changes		\$3,805,498	\$5,387,995	

Human Services Center	(3.0)	\$2,099,940	(\$1,398,193)	
Child Protection Adoptions, Guardianships and Placements		\$1,675,261	\$272,096	
Childcare Inflation		\$694,857		
Mental Health Courts		\$138,500		
Finance Staff	1.0	\$29,771	\$39,473	
Auxiliary Placement		(\$261,791)	(\$184,884)	
Savings from Federal Policy Change		(\$4,586,090)	\$4,586,090	
Health Care Solutions Coalition Initiatives		\$1,866,715	\$1,841,645	
Provider Reimbursement to 90%		\$1,112,234	\$1,132,676	
Federal Medical Assistance Percentage		(\$6,015,837)	\$6,015,837	
Eligibility and Enrollment Modernization Project			\$17,000,000	
Victims Services	1.0		\$679,198	
Health Information and Technology Program			(\$2,500,000)	
Correctional Healthcare	3.0			\$270,650
Total	2.0	\$5,241,853	\$38,020,525	\$270,650

- Increases of \$4,682,795 in general funds and \$5,148,592 in federal fund expenditure authority for mandatory increases for Federally Qualified Health Centers, Rural Health Clinics, Prescriptions Drugs, and Medicare Parts A, B, D and crossover co-pays.
- Increases of \$3,805,498 in general funds and \$5,387,995 in federal fund expenditure authority for an increase of 945 Medicaid eligibles as well as increases in cost and utilization over revised FY2018 numbers.
- Increase of \$2,099,940 in general funds and decreases of \$1,398,193 in federal fund expenditure authority and 3.0 FTE at the Human Services Center. Changes are due to losses of federal revenue, swap from state FTE to contract personnel, operational costs, food services, and utilities.
- Increases of \$1,675,261 in general funds and \$272,096 in federal fund expenditure authority for an additional 37 adoption and 24 guardianship subsidies, as well as increased paid placements in Child Protection Services.
- Increase of \$694,857 in general funds for an inflationary increase for Childcare providers of 4.68% based on a required bi-annual market rate survey.
- Increase of \$138,500 in general funds for one half year of treatment services for the Mental Health Court in UJS.
- Increases of 1.0 FTE, \$29,771 in general funds, and \$39,473 in federal fund expenditure authority for an accountant to support increased work related to grant subrecipient monitoring requirements and further internal control implementation.
- Decreases of \$261,791 in general funds and \$184,884 in federal fund expenditure authority for decreased utilization of auxiliary placement services.
- Decrease of \$4,586,090 in general funds and an increase of \$4,586,090 in federal fund expenditure authority for implementation of federal policy changes regarding reimbursement of certain Indian Health Services originated health care services.

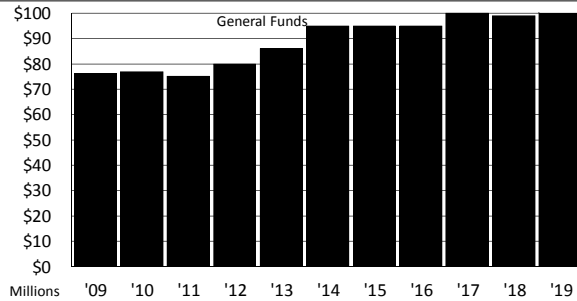
- Increases of \$1,866,715 in general funds and \$1,841,645 in federal fund expenditure authority to fund the recommendations of the Health Care Solutions Coalition.
- Increases of \$1,112,234 in general funds and \$1,132,676 in federal fund expenditure authority to move community based providers' reimbursement levels to 90% of methodology costs.
- Decrease of \$6,015,837 in general funds with an offsetting increase in federal fund expenditure authority for the change in FMAP.
- Increase of \$17,000,000 in federal fund expenditure authority in Economic Assistance for the Eligibility and Enrollment Modernization project.
- Increases of 1.0 FTE and \$679,198 in federal fund expenditure authority to manage and support new federal grants in Victims Services.
- Decrease of \$2,500,000 in federal fund expenditure authority for the wind down of the Health Information and Technology program.
- Increases of 3.0 FTE and \$270,650 in other fund expenditure authority in correctional healthcare to move contracted staff to state FTE per Department of Legislative Audit guidance.



Corrections

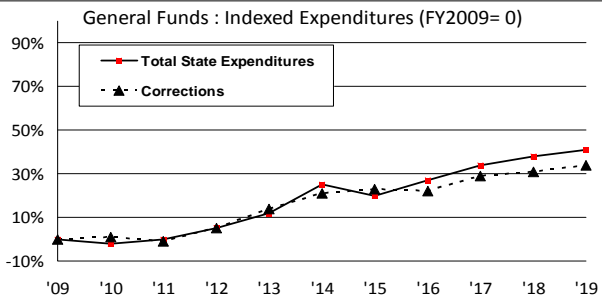
- Includes the Department of Corrections
- \$2.4M increase out of \$30.6M total ongoing general fund increase.
- \$101.5M out of \$1.6B or 6.3% of total ongoing general funds.
- \$110.9M out of \$4.7B or 2.4% of total ongoing funds.

Corrections



Note: Does not include stimulus in lieu of general funds

Corrections

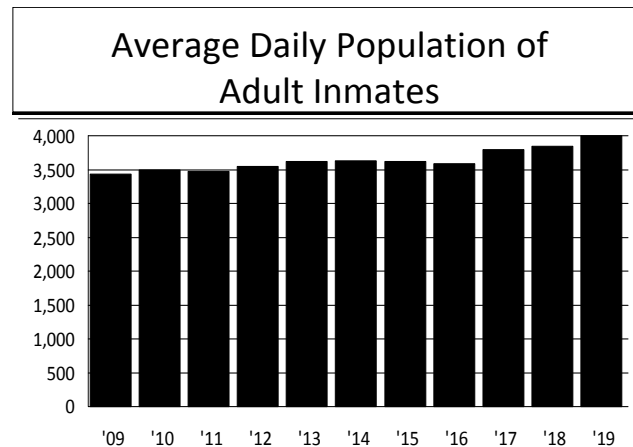


Note: Does not include stimulus in lieu of general funds

Department of Corrections	FTE	General	Federal	Other
Correctional Healthcare		\$1,336,398		
Organizational Restructure	21.5	\$1,335,297		
Organizational Restructure	(21.5)	(\$1,335,297)		
Community Transition Program Placements		\$1,144,640		
Miscellaneous Operating Expenses		\$796,508	\$28,122	(\$245,898)
Security Staffing	9.0	\$442,323		
Various Positions	4.0	\$217,638		
Provider Reimbursement Plan		\$102,182		
MDSP Personal Services		\$95,915		
STAR Academy	(4.0)	(\$540,887)		
Juvenile Community Corrections	(3.0)	(\$1,240,518)	(\$762,319)	
Total	6.0	\$2,354,199	(\$734,197)	(\$245,898)

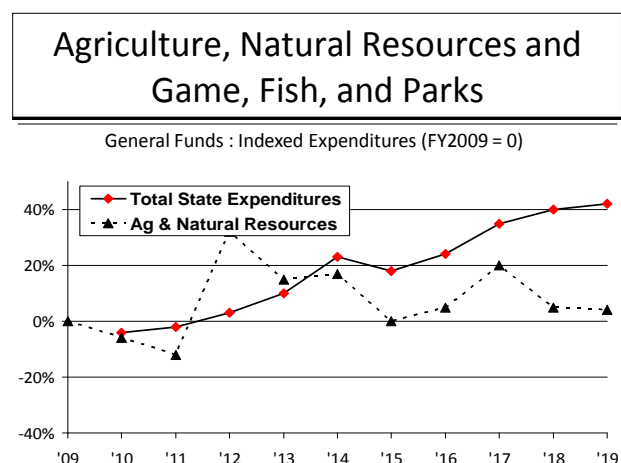
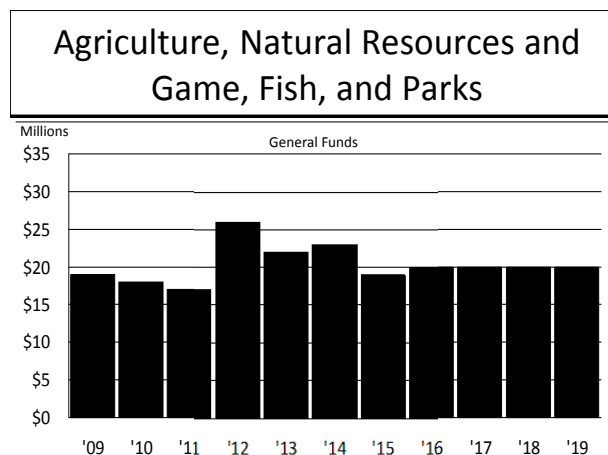
- Increase of \$1,336,398 in general funds for Correctional Healthcare costs.
- Increase of 21.5 FTE and \$1,335,297 in general funds due to an organizational restructure of 20.5 Case Managers and 1.0 Program Assistant.
- Decrease of 21.5 FTE and \$1,335,297 in general funds due to an organizational restructure of 20.5 Case Managers and 1.0 Program Assistant.
- Increase of \$1,144,640 in general funds for 71 parolees in the Community Transition Program to be housed in community placements.
- Increase of \$796,508 in general funds, an increase of \$28,122 in federal fund expenditure authority, and a decrease of \$245,898 in other fund expenditure authority for utilities, food services, maintenance contracts, supplies, the Adult Education Literacy grant, and the closure of a Pheasant Land Industries shop.
- Increase of 9.0 FTE and \$442,323 in general funds to increase security staff at the Community Work Centers.
- Increase of 4.0 FTE and \$217,638 in general funds for a Case Manager, Parole Agent, Corrections Specialist, and Building Maintenance position due to the increased prison population.

- Increase of \$102,182 in general funds to increase community based providers' reimbursement levels to 90% of methodology costs.
- Increase of \$95,915 for personal services at Mike Durfee State Prison (MDSP) to address the number of open security positions.
- Decrease of 4.0 FTE and \$540,887 in general funds due to the sale of STAR Academy.
- Decreases of 3.0 FTE, \$1,240,518 in general funds, and \$762,319 in federal fund expenditure authority due to changes in FMAP and reductions due to the overall decrease in the juvenile population.



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

- Includes Departments of Agriculture, Environment and Natural Resources, and Game, Fish, and Parks.
- \$120K decrease out of \$30.6M total ongoing general fund increase.
- \$20.2M out of \$1.6B or 1.3% of total ongoing general funds.
- \$168.2M out of \$4.7B or 3.6% of total ongoing funds.



Agriculture	FTE	General	Federal	Other
ADRDL Bond Payment				\$3,345,464
Informational Budgets				(\$2,037,925)
Total	0.0	\$0	\$0	\$1,307,539

- Increase of \$3,345,464 in other fund expenditure authority for the annual bond payment for the Animal Disease Research Diagnostic Lab (ADRDL).
- Decrease of \$2,037,925 in other fund expenditure authority to align the informational budgets with anticipated expenditures.

Environment and Natural Resources	FTE	General	Federal	Other
No changes				
Total	0.0	\$0	\$0	\$0

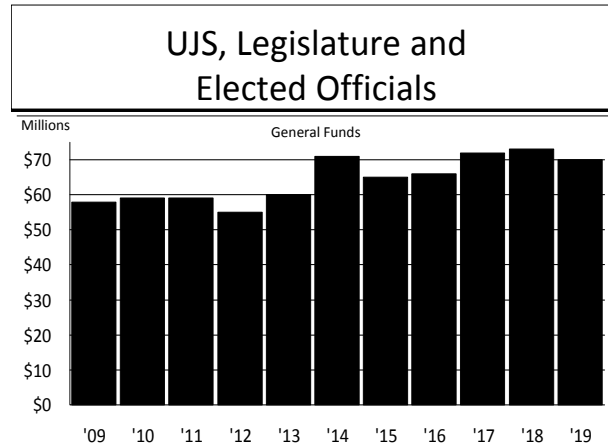
- No recommended changes to the FY19 budget.

Game, Fish, and Parks	FTE	General	Federal	Other
Bond Payments		(\$120,652)		
Division of Wildlife Capital Development			\$1,223,220	(\$575,010)
Division of Parks & Recreation Capital Development			\$513,000	\$68,250
Division of Parks & Recreation Operations			\$84,925	\$521,875
Division of Wildlife Operations			(\$39,475)	\$459,863
Snowmobile Trails Program				(\$22,000)
Total	0.0	(\$120,652)	\$1,781,670	\$452,978

- Decrease of \$120,652 in general funds based on changes in bond payments.
- Increase of \$1,223,220 in federal fund expenditure authority and decrease of \$575,010 in other fund expenditure authority to align the budget with anticipated costs from the capital development project list in the Division of Wildlife.
- Increase of \$513,000 in federal fund expenditure authority and \$68,250 in other fund expenditure authority to align the budget with anticipated costs from the capital development project list in the Division of Parks and Recreation.
- Increase of \$84,925 in federal fund expenditure authority and \$521,875 in other fund expenditure authority to reflect activity based cost increases in the maintenance and operations budget of the state parks system.
- Decrease of \$39,475 in federal fund expenditure authority and increase of \$459,863 in other fund expenditure authority to reflect activity based cost increases in the wildlife division maintenance and operations budget.
- Decrease of \$22,000 in other fund expenditure authority to align the budget with anticipated expenditures in the Snowmobile Trails Program.

Legislature, Unified Judicial System, Public Utilities Commission, and Elected Officials

- Includes 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.
- \$92K increase out of \$30.6M total ongoing general fund increase.
- \$69.8M out of \$1.6B or 4.3% of total ongoing general funds.
- \$151.5M out of \$4.7B or 3.3% of total ongoing funds.



Legislature	FTE	General	Federal	Other
National Organization Membership Dues		\$10,203		
Legislative IT Budget Right Sizing		(\$9,251)		
Personal Services		\$7,925		
Contractual Services		\$4,970		
Supplies		(\$4,100)		
Total	0.0	\$9,747	\$0	\$0

- Increase of \$10,203 in general funds in the Legislative Research Council for national organization membership dues.
- Decrease of \$9,251 in general funds in the Legislative Research Council to reflect estimated expenditures in contractual services and capital assets.
- Increase of \$7,925 in general funds to align the Department of Legislative Audit's personal services budget with anticipated expenditures.
- Increase of \$4,970 in general funds in the Department of Legislative Audit for additional working paper component licenses and increases in rent in Pierre and Brookings.
- Decrease of \$4,100 in general funds in the Department of Legislative Audit due to a net decrease in supplies and postage due to the implementation of electronic working papers.

Unified Judicial System	FTE	General	Federal	Other
Mental Health Court	1.0	\$109,947		

Miscellaneous Operating Expenses		\$40,000		\$228,155
Total	1.0	\$149,947	\$0	\$228,155

- Increase of 1.0 FTE and \$109,947 in general funds to implement a Mental Health Court in Pennington County.
- Increase of \$40,000 in general funds and \$228,155 in other fund expenditure authority for supplies and various technology licenses and fees.

Public Utilities Commission	FTE	General	Federal	Other
Budget Alignments			(\$67,109)	\$107,035
Total	0.0	\$0	(\$67,109)	\$107,035

- Decrease of \$67,109 in federal fund expenditure authority and increase of \$107,035 in other fund expenditure authority to align the Public Utilities Commission budget with anticipated expenditures.

Attorney General	FTE	General	Federal	Other
SAVIN Software Maintenance		\$58,500		
SAVIN Positions	(2.0)	(\$102,357)		
Victim Witness Specialist			(\$81,263)	
Elder Abuse Task Force	(2.0)			(\$181,192)
Law Enforcement Training Instructors	3.0			
Total	(1.0)	(\$43,857)	(\$81,263)	(\$181,192)

- Increase of \$58,500 for SAVIN software maintenance costs.
- Decrease of 2.0 FTE and \$102,357 in general funds for two Statewide Automated Victim Information and Notification positions that are not needed.
- Decrease of \$81,263 in federal fund expenditure authority due to the reduction of a federal grant award.
- Decrease of 2.0 FTE and \$181,192 in other fund expenditure authority for an Attorney Specialist and Investigator assigned to the Elder Abuse Task Force.
- Increase of 3.0 FTE for Law Enforcement Training Academy adjunct professors.

Secretary of State	FTE	General	Federal	Other
Budget Alignments		(\$23,624)	(\$11,387)	(\$9,825)
Total	0.0	(\$23,624)	(\$11,387)	(\$9,825)

- Decreases of \$23,624 in general funds, \$11,387 in federal fund expenditure authority, and \$9,825 in other fund expenditure authority to align budget with anticipated expenditures.

School and Public Lands	FTE	General	Federal	Other
No changes				
Total	0.0	\$0	\$0	\$0

- No recommended changes to the FY19 budget.

State Auditor	FTE	General	Federal	Other
No changes				
Total	0.0	\$0	\$0	\$0

- No recommended changes to the FY19 budget.

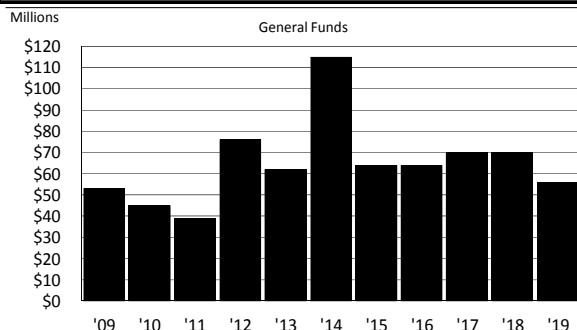
State Treasurer	FTE	General	Federal	Other
Unclaimed Property				\$8,000,000
Performance Based Compensation				\$535,066
Investment of State Funds				\$265,347
Total	0.0	\$0	\$0	\$8,800,413

- Increase of \$8,000,000 in other fund expenditure authority to align budget with projected unclaimed property claim payments.
- Increase of \$535,066 in other fund expenditure authority for performance based compensation at the South Dakota Investment Council. Increase will maintain expenditure authority at 200% of prior year base salaries.
- Increase of \$265,347 in other fund expenditure authority for promotional increases, contractual services, and office supplies changes at the South Dakota Investment Council.

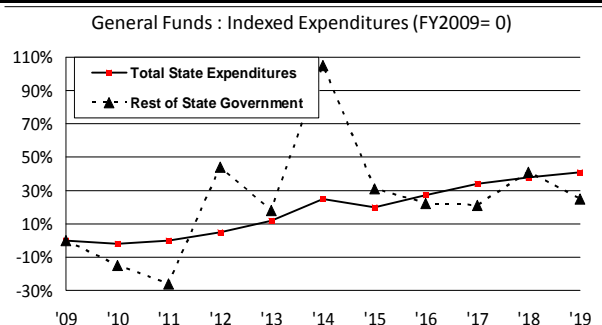
Remainder of State Government

- Includes the Departments of Executive Management, Military, Veterans' Affairs, Revenue, Tourism, Tribal Relations, Transportation, Labor and Regulation, Retirement, and Public Safety.
- \$6.3M increase out of \$30.6M total ongoing general fund increase.
- \$56.2M out of \$1.6B or 3.5% of total ongoing general funds.
- \$1.1B out of \$4.7B or 24.5% of total ongoing funds.

Remainder of State Government



Remainder of State Government



Executive Management	FTE	General	Federal	Other
Building South Dakota Programs		\$4,900,000		(\$1,150,616)
Office of Research Commerce Reorganization	(2.0)	(\$4,126,953)		(\$500,000)

Office of Economic Development Reorganization	2.0	\$4,126,953		\$500,000
Housing Development Authority			\$1,668	\$318,332
Ellsworth Development Authority				\$21,364
Software Maintenance and Upgrades				\$381,667
Employee Compensation and Bureau Billings Pools		\$1,002,637	\$769,216	\$818,334
Statewide Maintenance and Repair		\$93,701		
Obligation Recovery Center		\$270,000		
State Vehicle Lease Payment				\$435,886
State Engineer FTE	1.0			\$75,117
Office of Risk Management FTE	1.0			\$67,553
Subscription Licenses				\$910,744
BIT Rate Reduction Adjustments	(2.0)			(\$543,770)
Total	0.0	\$6,266,338	\$770,884	\$1,334,611

- Increase of \$4,900,000 in general funds and a decrease of \$1,150,616 in other fund expenditure authority for changes to the Building South Dakota program. This increase is cost neutral due to proposed legislation and offsets included in general fund revenues.
- Reorganization of 2.0 FTE, \$4,126,953 in general funds, and \$500,000 in other fund expenditure authority from the Office of Research Commerce to the Office of Economic Development.
- Increase of \$1,668 in federal fund expenditure authority and \$318,332 in other fund expenditure authority due to changes in the Governor's House Program.
- Increase of \$21,364 in other fund expenditure authority in the South Dakota Ellsworth Development Authority to align the budget with anticipated expenditures.
- Increase of \$381,667 in other fund expenditure authority for financial systems software maintenance and upgrades.
- Increase of \$1,002,637 in general funds, \$769,216 in federal fund expenditure authority, and \$818,334 in other fund expenditure authority for employee compensation and bureau billing pools to be distributed to state agencies.
- Increase of \$93,701 in general funds for statewide maintenance and repair to move toward the goal of 2% of the replacement value of state buildings.
- Increase of \$270,000 in general funds for Obligation Recovery Center recovery fees. This is a net impact of \$0 to the general fund, as the funds collected are deposited directly into the general fund.
- Increase of \$435,886 in other fund expenditure authority for state vehicle lease payments.
- Increase of 1.0 FTE and \$75,117 in other fund expenditure authority for an additional State Engineer to oversee capital development projects at the Technical Institutes.
- Increase of 1.0 FTE and \$67,553 in other fund expenditure authority for an additional Risk Analyst to increase the frequency of property and safety audits at state owned buildings.

- Increase of \$910,744 in other fund expenditure authority to continue the migration to subscription based licensing for Windows 10 and Office 365. This is part of the two year phase-in approved during the 2017 Legislative Session.
- Decrease of 2.0 FTE and \$543,770 in other fund expenditure authority to align the BIT budget with anticipated expenditures. These reductions will make services more affordable for agencies.

Military	FTE	General	Federal	Other
Utilities		\$44,256	\$138,927	
Family and Soldier Support Program	9.0		\$451,221	
Total	9.0	\$44,256	\$590,148	\$0

- Increases of \$44,256 in general funds and \$138,927 in federal fund expenditure authority for increases in utilities.
- Increases of 9.0 FTE and \$451,221 in federal fund expenditure authority to move Family and Soldier Support Program staff from federally contracted to state employees.

Veterans' Affairs	FTE	General	Federal	Other
State Veterans' Home Operational Cost Changes		\$138,271	\$178,646	(\$326,104)
FMAP		(\$65,620)	\$65,620	
Total	0.0	\$72,651	\$244,266	(\$326,104)

- Increases of \$138,271 in general funds and \$178,646 in federal fund expenditure authority, and a decrease of \$326,104 in other fund expenditure authority for operational changes at the State Veterans' Home. Changes include: food service costs, utility changes, and an increase of 3 Medicaid eligible beds.
- Decrease of \$65,620 in general funds with an offsetting increase in federal fund expenditure authority for the change in FMAP.

Revenue	FTE	General	Federal	Other
Sales and Use Tax Auditors	5.0			\$392,593
Accountant FTE	1.0			\$65,300
Total	6.0	\$0	\$0	\$392,593

- Increase of 5.0 FTE and \$392,593 in other fund expenditure authority for five additional auditors that will focus on sales and use tax audits on out-of-state businesses, including those related to e-commerce. Once fully trained in three years, these additional FTE could generate an estimated \$900,000 in sales and use audit assessments on a net basis.
- Increase of 1.0 FTE and \$65,300 in other fund expenditure authority for an accountant for accounting and financial reporting expertise to ensure proper accounting and financial reporting requirements, and to implement additional internal controls.

Tourism	FTE	General	Federal	Other
Information Centers' Seasonal Staff	8.0			\$212,186
Department Restructure	0.7			\$42,392

Reduction in Contractual Services to Fund PS Increase				(\$254,578)
Total	8.7	\$0	\$0	\$0

- Increase of 8.0 FTE and \$212,186 in other fund expenditure authority to move 32 contracted employees to temporary seasonal employees of the department. These employees will work 520 hours annually at the state's information centers.
- Increase of 0.7 FTE and \$42,392 in other fund expenditure authority to align budget with actuals after department's restructure.
- Decrease of \$254,578 in other fund expenditure authority due to the contracted individuals now becoming state employees.

Tribal Relations	FTE	General	Federal	Other
No changes				
Total	0.0	\$0	\$0	\$0

- No recommended changes to the FY19 budget.

Transportation	FTE	General	Federal	Other
Utilities				\$167,764
Total	0.0	\$0	\$0	\$167,764

- Increase of \$167,764 in other fund expenditure authority for increases in utilities.

Labor and Regulation	FTE	General	Federal	Other
Banking Division Examiners	5.0			\$528,861
Informational Budget Alignments	1.0		(\$59,880)	\$214,392
Total	6.0	\$0	(\$59,880)	\$743,253

- Increase of 5.0 FTE and \$528,861 in other fund expenditure authority for additional examiners in the Division of Banking due to growth in the banking and trust industries.
- Increase of 1.0 FTE, decrease of \$59,880 in federal fund expenditure authority, and increase of \$743,253 in other fund expenditure authority in various informational boards to align budget with anticipated expenditures.

Retirement	FTE	General	Federal	Other
Contractual Services				\$132,000
Total	0.0	\$0	\$0	\$132,000

- Increase of \$132,000 in other fund expenditure authority for ACH fees, rents, central services, and legal consultant expenses.

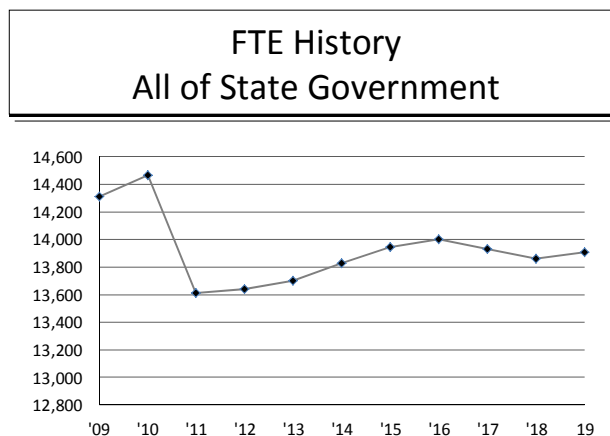
Public Safety	FTE	General	Federal	Other
State Radio		(\$50,000)		
GIS Coordinator	1.0		\$39,390	\$34,751

Program Manager	1.0		\$32,460	\$32,459
Total	2.0	(\$50,000)	\$71,850	\$67,210

- Decrease of \$50,000 in general funds to the State Radio budget based on anticipated expenditures.
- Increase of 1.0 FTE, \$39,390 in federal fund expenditure authority, and \$34,751 in other fund expenditure authority for a GIS Coordinator to assist with agency planning, data collection, data management, research, and development.
- Increase of 1.0 FTE, \$32,460 in federal fund expenditure authority, and \$32,459 in other fund expenditure authority for a program manager to oversee internal controls, grant management and grant monitoring.

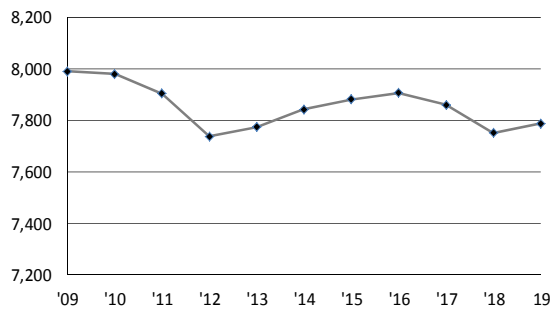
Full-Time Equivalent Employee Change

- The total appropriated FTE across all of state government decreased from 14,311.2 in FY2009 to a recommended level of 13,905.9 for FY2019.
- This is a decrease of 405.3, or 2.8%, over the decade. The recommended change in FTE for FY2019 is an increase of 44.6 across state government.

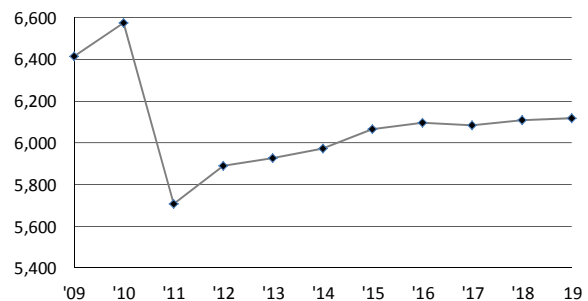


- For offices outside the control of the Governor, total appropriated FTE changed from 6,415.7 in FY2009 to a recommended level of 6,117.3 for FY2019.
- This is a net decrease of 298.4 FTE over the decade. The recommended changes for these offices in the FY2019 budget are a net increase of 9.0 FTE.
- The agencies under direct control of the Governor had total appropriated FTE of 7,895.5 in FY2009.
- The FY2019 budget recommendation brings the FTE to a level of 7,788.6. This is a decrease of 106.9 FTE, or 1.4%, over the decade. The recommended increase for FY2019 is 35.6 FTE for agencies under the control of the Governor.

FTE History for Offices
Under Control of Governor



FTE History for Offices Outside
Control of Governor



Summary of Reorganizations

Department of Social Services: A reorganization occurred between the Department of Social Services and the Department of Human Services. The budget reorganization moved the Division of Adult Services and Aging from the Department of Social Services to the Department of Human Services per executive order 2017-01. The Victims Services division was also moved to the Secretariat in the Department of Social Services.

Department of Human Services: A reorganization occurred between the Department of Social Services and the Department of Human Services. The budget reorganization moved the Division of Adult Services and Aging from the Department of Social Services to the Department of Human Services per executive order 2017-01.

Department of Agriculture: A reorganization occurred within the Department of Agriculture. The budget reorganization moved Mediation and Finance Counseling from the Division of Agricultural Development to the Division of Agricultural Services.

Department of Labor and Regulation: A reorganization occurred within the Department of Labor and Regulation. The budget reorganization moved the Division of Securities under the management of the Division of Insurance per executive order 2017-02.

SPECIAL APPROPRIATION RECOMMENDATIONS

FY2018 EMERGENCY SPECIAL APPROPRIATIONS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
Rural Healthcare Recruitment Assistance		\$ 837,972			\$ 837,972
Fire Suppression Fund		\$ 766,157			\$ 766,157
Army Aviation Support Facility		\$ 500,000	\$ 3,345,345		\$ 3,845,345
Tax Refunds for Elderly and Disabled		\$ 450,000			\$ 450,000
Extraordinary Litigation Fund		\$ 423,598			\$ 423,598
Omnibus Water Bill			\$ 150,000	\$ 12,800,000	\$ 12,950,000
Board of Regents Expenditure Authority Adjustment				\$ 2,200,000	\$ 2,200,000
Resource Conservation Grant				\$ 1,000,000	\$ 1,000,000
TOTAL FY2018 EMERGENCY SPECIAL APPROPRIATIONS	0.0	\$ 2,977,727	\$ 3,495,345	\$ 16,000,000	\$ 22,473,072

NOTE: FY2018 emergency special appropriations become available for expenditure upon passage of the bill and are included in the FY2018 column of the General Fund Condition Statement.

The Governor is recommending total emergency special appropriations of \$2,977,727 in general funds, \$3,495,345 in federal fund expenditure authority, and \$16,000,000 in other fund expenditure authority. The following paragraphs highlight each recommended emergency special appropriation.

- **Rural Healthcare Recruitment Assistance:** The Governor is recommending \$837,972 in general funds to recruit medical professionals to rural communities.
- **Fire Suppression Fund:** The Governor is recommending \$766,157 in general funds for the Fire Suppression Fund for costs related to the suppression of wildfires in South Dakota.
- **Army Aviation Support Facility:** The Governor is recommending \$500,000 in general funds and \$3,345,345 in federal fund authority to fund the first year costs of construction of an Army Aviation Support Facility at the Rapid City Regional Airport. This facility will be used by the South Dakota Army National Guard.
- **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.
- **Extraordinary Litigation Fund:** The Governor is recommending \$423,598 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.
- **Omnibus Water Bill:** The Governor is recommending \$150,000 in federal fund expenditure authority and \$12,800,000 in other fund expenditure authority for water development, solid waste, and water quality improvement projects throughout the state.
- **Board of Regents Expenditure Authority Adjustment:** The Governor is recommending \$2,200,000 in other fund expenditure authority for costs related to the sports performance enhancement facility arena at the University of South Dakota.
- **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.

FY2018 GENERAL BILL AMENDMENTS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
State Aid Revision		\$ 8,818,657			\$ 8,818,657
Statewide Utilities		\$ 442,055	\$ 56,871	\$ 36,832	\$ 535,758
Bureau Billings Pool		\$ 370,656	\$ 332,609	\$ 336,272	\$ 1,039,537
Technical Institute Revision		\$ 358,469			\$ 358,469
Obligation Recovery Center		\$ 320,000			\$ 320,000
DOE Operations		\$ 226,982	\$ (112,780)	\$ 314,401	\$ 428,603
State Radio		\$ (100,000)			\$ (100,000)
State Treatment and Rehabilitation (STAR) Academy		\$ (225,000)			\$ (225,000)
DOC Operations		\$ (234,887)	\$ (598,649)		\$ (833,536)
BOR REED Network Technology Costs		\$ (370,656)			\$ (370,656)
DHS Operations		\$ (3,563,048)	\$ (2,311,811)		\$ (5,874,859)
DSS Operations	1.5	\$ (11,645,135)	\$ (3,031,250)	\$ 913,940	\$ (13,762,445)
SOS Operations			\$ 2,044,315	\$ 100,000	\$ 2,144,315
DPS Driver Licensing			\$ 1,000,000		\$ 1,000,000
BOR FTE and Expenditure Authority				\$ 5,900,000	\$ 5,900,000
Animal Industry Board Expenditure Authority				\$ 3,349,713	\$ 3,349,713
DOH Operations				\$ (143,341)	\$ (143,341)
TOTAL FY2018 GENERAL BILL AMENDMENTS	1.5	\$ (5,601,907)	\$ (2,620,695)	\$ 10,807,817	\$ 2,585,215

NOTE: FY2018 general bill amendments are changes needing to be made to the FY2018 General Appropriations Act and are included in the FY2018 column of the General Fund Condition Statement.

The Governor is recommending total general bill amendments of 1.5 FTE, (\$5,601,907) in general funds, (\$2,620,695) in federal fund expenditure authority, and \$10,807,817 in other fund expenditure authority. The following paragraphs highlight the recommended changes to the FY2018 General Bill.

- **State Aid Revision:** The Governor is recommending an increase of \$8,818,657 in general funds due to increased enrollments, an increase in the number of English Language Learner students, and lower local property tax effort than budgeted in FY2018.
- **Statewide Utilities:** The Governor is recommending increases of \$442,055 in general funds, \$56,871 in federal fund expenditure authority, and \$36,832 in other fund expenditure authority due to utility cost projections.
- **Bureau Billings Pool:** The Governor is recommending increases of \$370,656 in general funds, \$332,609 in federal fund expenditure authority, and \$336,272 in other fund expenditure authority throughout State Government due to increases in internal service rates charged by the bureaus.
- **Technical Institute Revision:** The Governor is recommending an increase of \$358,469 in general funds due to updated full time equivalent student numbers.
- **Obligation Recovery Center:** The Governor is recommending an increase of \$320,000 in general funds for Obligation Recovery Center recovery fees. This is a net impact of \$0 to the general fund, as the funds collected are deposited directly into the general fund.
- **DOE Operations:** The Governor is recommending increases of \$226,982 in general funds and \$314,401 in other fund expenditure authority, and a decrease of \$112,780 in federal fund expenditure authority for operations of the Department of Education. The changes are due to increased Dual Credit enrollments and changes in funding for Career and Technical Education.
- **State Radio:** The Governor is recommending a decrease of \$100,000 in general funds to align the State Radio budget in the Department of Public Safety with anticipated expenditures.
- **State Treatment and Rehabilitation (STAR) Academy:** The Governor is recommending a decrease of \$225,000 in general funds due to the sale of STAR Academy.
- **DOC Operations:** The Governor is recommending decreases of \$234,887 in general funds and \$598,649 in federal fund expenditure authority for reductions in Juvenile Community Corrections due to the declining population. Also recommended are increases for food services and two correctional officers at Pierre Community Work Center.
- **BOR REED Network Technology Costs:** The Governor is recommending a decrease of \$370,656 in general funds to align the budget with actual expenditures related to the REED Network.
- **DHS Operations:** The Governor is recommending decreases of \$3,563,048 in general funds and \$2,311,811 in federal fund authority for reductions at the South Dakota Developmental Center as well as in the Divisions of Developmental Disabilities and Long Term Services and Supports.
- **DSS Operations:** The Governor is recommending decreases of \$11,645,135 in general funds and \$3,031,250 in federal fund expenditure authority for reductions in Medical Services, Auxiliary Placement, Children's Services, and the Juvenile Justice Reinvestment Initiative, as well as the use of program funds in Medical Services, TANF, and SNAP. Also recommended are increases of 1.5 FTE and \$913,940 in other fund authority for changes in Auxiliary Placement and Correctional Healthcare.

- **SOS Operations:** The Governor is recommending increases of \$2,044,315 in federal fund authority and \$100,000 in other fund authority for the purchase of ballot marking machines and for anticipated increases in expenditures.
- **DPS Driver Licensing:** The Governor is recommending an increase of \$1,000,000 in federal fund expenditure authority for a photo verification system for CDL holders.
- **BOR FTE and Expenditure Authority:** The Governor is recommending \$5,900,000 in other fund expenditure authority due to an increase in student fees.
- **Animal Industry Board Expenditure Authority:** The Governor is recommending an increase of \$3,349,713 in other fund expenditure authority for the Animal Disease Research Diagnostic Lab bond payment.
- **DOH Operations:** The Governor is recommending a decrease of \$143,341 in other fund expenditure authority to move three pharmacy staff from contracted employees with the Department of Health to state employees with the Department of Social Services.

**GOVERNOR DAUGAARD'S RECOMMENDATION FOR THE
FY2019 STATE EMPLOYEE COMPENSATION PLAN**

	<u>GENERAL FUNDS</u>	<u>FEDERAL FUNDS</u>	<u>OTHER FUNDS</u>	<u>TOTAL FUNDS</u>
MARKET ADJUSTMENT:	\$ 0	\$ 0	\$ 0	\$ 0

No market adjustment salary increase is recommended.

PAY FOR PERFORMANCE:	\$ 0	\$ 0	\$ 0	\$ 0
-----------------------------	------	------	------	------

No pay-for-performance or other increase is recommended for classified employees.

ADJUST ARTIFICIAL MINIMUMS:	\$ 631,981	\$ 534,249	\$ 491,603	\$ 1,657,833
------------------------------------	------------	------------	------------	--------------

The Governor is recommending movement of the artificial minimums of the General Pay Structure to 86% of the true market minimums. The market and salary structures have continued to increase, but with no market adjustment to salaries the range minimums have moved further away from the true market minimums. These amounts are recommended to make some progress raising entry level salaries towards the market.

HEALTH INSURANCE:	\$ 0	\$ 0	\$ 0	\$ 0
--------------------------	------	------	------	------

There is no increase for the employer-paid portion of the state employee health insurance plan recommended by the Governor for FY2019.

TOTAL COST OF RECOMMENDED STATE EMPLOYEE COMPENSATION PLAN:	<u>\$ 631,981</u>	<u>\$ 534,249</u>	<u>\$ 491,603</u>	<u>\$ 1,657,833</u>
--	-------------------	-------------------	-------------------	---------------------

REMAINING FY2018 POOL:	\$ 0	\$ 0	\$ 0	\$ 0
------------------------	------	------	------	------

TOTAL INCREASE FOR RECOMMENDED STATE EMPLOYEE COMPENSATION PLAN:	<u>\$ 631,981</u>	<u>\$ 534,249</u>	<u>\$ 491,603</u>	<u>\$ 1,657,833</u>
---	-------------------	-------------------	-------------------	---------------------

For FY2019, the components of the state employee compensation plan are 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 FY2019
GENERAL FUND BASE BUDGET**

GENERAL BILL	FTE EXPANSION/ (REDUCTION)	GENERAL FUND EXPANSION/ (REDUCTION)	TOTAL GENERAL FUND RECOMMENDATION
Administration	2.0	363,701	16,268,629
Agriculture	0.0	0	7,439,992
Attorney General	(1.0)	(43,857)	11,510,701
Corrections	6.0	2,354,199	101,542,590
Education (Excluding State Aid and Technical Institutes)	1.0	329,751	15,759,751
State Aid to Education		16,144,060	543,365,660
Technical Institutes		1,030,473	28,243,265
Environment and Natural Resources	0.0	0	6,634,641
Finance and Management	0.0	370,656	1,328,923
Employee Compensation Package		631,981	631,981
Game, Fish, and Parks	0.0	(120,652)	6,162,707
Office of the Governor (Excluding GOED)	0.0	0	2,481,405
Governor's Office of Economic Development	0.0	4,900,000	11,682,409
Health	4.9	342,122	9,043,790
Human Resources	0.0	0	282,029
Human Services	(10.0)	(4,011,131)	161,375,730
Information and Telecommunications	(2.0)	0	7,221,491
Labor and Regulation	6.0	0	1,941,018
Legislature	0.0	9,747	9,720,979
Military	9.0	44,256	4,160,659
Public Safety	2.0	(50,000)	3,716,565
Public Utilities Commission	0.0	0	577,869
Regents	9.0	2,822,485	211,407,293
Retirement	0.0	0	0
Revenue	6.0	0	1,302,866
School and Public Lands	0.0	0	558,705
Secretary of State	0.0	(23,624)	1,031,560
Social Services	2.0	5,241,853	398,691,554
State Auditor	0.0	0	1,288,459
State Treasurer (Including Investment Council)	0.0	0	542,533
Tourism	8.7	0	0
Transportation	0.0	0	548,170
Tribal Relations	0.0	0	525,941
Unified Judicial System	1.0	149,947	44,550,844
Veterans' Affairs	0.0	72,651	4,131,534
TOTAL FY2019 GENERAL BILL RECOMMENDATIONS	44.6	30,558,618	1,615,672,243
BREAKDOWN			
Executive Branch	35.6	9,837,406	759,760,989
Unified Judicial System and Other Elected Officials	0.0	92,213	72,263,055
State Aid	0.0	16,144,060	543,365,660
Technical Institutes	0.0	1,030,473	28,243,265
Board of Regents	9.0	2,822,485	211,407,293
Employee Compensation Package	0.0	631,981	631,981
TOTAL FY2019 GENERAL BILL RECOMMENDATIONS	44.6	30,558,618	1,615,672,243

GENERAL FUND CONDITION STATEMENT

	ACTUAL FY2016	ACTUAL FY2017	REVISED FY2018	PROJECTED FY2019
RECEIPTS				
Sales and Use Tax	\$ 860,905,705	\$ 951,223,081	\$ 979,294,904	\$ 1,016,906,602
Lottery	110,057,269	111,827,256	115,444,817	118,558,981
Contractor's Excise Tax	101,496,551	106,828,537	102,736,361	108,849,223
Insurance Company Tax	84,795,304	83,271,532	86,870,686	90,097,000
Unclaimed Property Receipts	55,107,516	44,386,220	48,617,609	46,779,257
Tobacco Taxes	57,967,713	56,809,149	55,423,609	55,352,621
Bank Franchise Tax	10,512,754	14,688,771	11,567,064	11,872,042
Other	157,544,009	171,759,428	169,834,023	174,073,859
One-Time Receipts	9,592,032	15,447,515	10,454,868	-
Transfer from Budget Reserves	27,426,643	-	7,210,593	-
Obligated Cash Carried Forward	21,535,148	14,069,144	7,943,412	-
TOTAL RECEIPTS	\$ 1,496,940,642	\$ 1,570,310,632	\$ 1,595,397,946	\$ 1,622,489,585
EXPENDITURES				
General Bill Excl. State Aid				
to Education	\$ 995,436,422	\$ 1,031,879,138	\$ 1,043,471,461	\$ 1,072,306,583
State Aid to Education	410,926,937	506,575,608	536,040,257	543,365,660
Special Appropriations	-	-	-	-
Emergency Special Appropriations	51,828,686	6,553,563	2,977,727	-
Continuous Appropriations	3,144,305	3,289,767	4,965,089	6,817,342
TOTAL EXPENDITURES	\$ 1,461,336,350	\$ 1,548,298,076	\$ 1,587,454,534	\$ 1,622,489,585
TRANSFERS				
Budget Reserve Fund	\$ 21,535,148	\$ 14,069,144	\$ 7,943,412	\$ -
TOTAL TRANSFERS	\$ 21,535,148	\$ 14,069,144	\$ 7,943,412	\$ -
Beginning Unobligated Cash Balance	\$ -	\$ -	\$ -	\$ -
Net (Receipts less Expend./Transfers)	\$ 14,069,144	\$ 7,943,412	\$ -	\$ -
OBLIGATIONS AGAINST CASH				
Budget Reserve Fund	\$ (14,069,144)	\$ (7,943,412)	\$ -	\$ -
Total Obligations Against Cash	(14,069,144)	(7,943,412)	-	-
Ending Unobligated Cash Balance	\$ -	\$ -	\$ -	\$ -

SOURCE: State of South Dakota Bureau of Finance and Management

NOTE: This document was prepared on a cash basis for budgeting purposes and reflects obligations against cash.
The totals may not add due to rounding.

TOTAL STATE GOVERNMENT BUDGET

(Excluding Informational Budgets)

GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2016	ACTUAL FY 2017	BUDGETED FY 2018	REQUESTED FY 2019	GOVERNOR'S RECOMMENDED FY 2019	RECOMMENDED INC/(DEC) FY 2019
FUNDING SOURCE:						
General Funds	\$ 1,406,363,358	\$ 1,538,454,746	\$ 1,585,113,625	\$ 1,640,495,298	\$ 1,615,672,243	\$ 30,558,618
Federal Funds	1,015,235,213	1,065,834,840	1,166,762,639	1,217,290,678	1,211,951,539	45,188,900
Other Funds	791,383,893	758,044,653	776,739,379	791,829,186	790,791,906	14,052,527
Total	\$ 3,212,982,464	\$ 3,362,334,239	\$ 3,528,615,643	\$ 3,649,615,162	\$ 3,618,415,688	\$ 89,800,045
EXPENDITURE DETAIL:						
Personal Services	\$ 816,887,477	\$ 841,550,600	\$ 810,349,586	\$ 816,240,426	\$ 814,868,342	\$ 4,518,756
Operating Expenses	2,396,094,987	2,520,783,639	2,718,266,057	2,833,374,736	2,803,547,346	85,281,289
Total	\$ 3,212,982,464	\$ 3,362,334,239	\$ 3,528,615,643	\$ 3,649,615,162	\$ 3,618,415,688	\$ 89,800,045
Staffing Level FTE:	11,227.4	10,929.4	11,819.5	11,867.9	11,849.5	30.0

SPECIAL & CONTINUING APPROPRIATIONS & AMENDMENTS TO THE GENERAL APPROPRIATIONS ACT

FUNDING SOURCE:	REVISED BUDGETED FY 2018	GOVERNOR'S RECOMMENDED FY 2019	RECOMMENDED INC/(DEC) FY 2019
General Funds	\$ 2,340,909	\$ 6,817,342	\$ 4,476,433
Federal Funds	6,874,650	6,000,000	(874,650)
Other Funds	81,393,837	1,283,270	(80,110,567)
Total	\$ 90,609,396	\$ 14,100,612	(\$ 76,508,784)
Staffing Level FTE:	1.5	0.0	(1.5)

TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2018	GOVERNOR'S RECOMMENDED FY 2019	RECOMMENDED INC/(DEC) FY 2019
General Funds	\$ 1,587,454,534	\$ 1,622,489,585	\$ 35,035,051
Federal Funds	1,173,637,289	1,217,951,539	44,314,250
Other Funds	858,133,216	792,075,176	(66,058,040)
Total	\$ 3,619,225,039	\$ 3,632,516,300	\$ 13,291,261
Staffing Level FTE:	11,821.0	11,849.5	28.5

INFORMATIONAL BUDGETS CONTAINED IN THE GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2016	ACTUAL FY 2017	BUDGETED FY 2018	REQUESTED FY 2019	GOVERNOR'S RECOMMENDED FY 2019	RECOMMENDED INC/(DEC) FY 2019
FUNDING SOURCE:						
General Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal Funds	350,046,432	347,612,370	467,511,364	469,963,470	469,219,816	1,708,452
Other Funds	430,310,215	438,669,957	561,073,861	569,713,659	567,688,043	6,614,182
Total	\$ 780,356,647	\$ 786,282,328	\$ 1,028,585,225	\$ 1,039,677,129	\$ 1,036,907,859	\$ 8,322,634
EXPENDITURE DETAIL:						
Personal Services	\$ 114,727,193	\$ 148,658,274	\$ 243,291,890	\$ 245,523,305	\$ 245,523,305	\$ 2,231,415
Operating Expenses	665,629,454	637,624,054	785,293,335	794,153,824	791,384,554	6,091,219
Total	\$ 780,356,647	\$ 786,282,328	\$ 1,028,585,225	\$ 1,039,677,129	\$ 1,036,907,859	\$ 8,322,634
Staffing Level FTE:	1,968.8	2,365.4	2,041.8	2,056.4	2,056.4	14.6

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 2016	ACTUAL FY 2017	BUDGETED FY 2018	REQUESTED FY 2019	GOVERNOR'S RECOMMENDED FY 2019	RECOMMENDED INC/(DEC) FY 2019
FUNDING SOURCE:						
General Funds	\$ 1,406,363,358	\$ 1,538,454,746	\$ 1,585,113,625	\$ 1,640,495,298	\$ 1,615,672,243	\$ 30,558,618
Federal Funds	1,365,281,645	1,413,447,211	1,634,274,003	1,687,254,148	1,681,171,355	46,897,352
Other Funds	1,221,694,108	1,196,714,611	1,337,813,240	1,361,542,845	1,358,479,949	20,666,709
Total	\$ 3,993,339,111	\$ 4,148,616,567	\$ 4,557,200,868	\$ 4,689,292,291	\$ 4,655,323,547	\$ 98,122,679
EXPENDITURE DETAIL:						
Personal Services	\$ 931,614,670	\$ 990,208,874	\$ 1,053,641,476	\$ 1,061,763,731	\$ 1,060,391,647	\$ 6,750,171
Operating Expenses	3,061,724,441	3,158,407,693	3,503,559,392	3,627,528,560	3,594,931,900	91,372,508
Total	\$ 3,993,339,111	\$ 4,148,616,567	\$ 4,557,200,868	\$ 4,689,292,291	\$ 4,655,323,547	\$ 98,122,679
Staffing Level FTE:	13,196.3	13,294.8	13,861.3	13,924.3	13,905.9	44.6

SPECIAL & CONTINUING APPROPRIATIONS & AMENDMENTS TO THE GENERAL APPROPRIATIONS ACT

FUNDING SOURCE:	REVISED BUDGETED FY 2018	GOVERNOR'S RECOMMENDED FY 2019	RECOMMENDED INC/(DEC) FY 2019
General Funds	\$ 2,340,909	\$ 6,817,342	\$ 4,476,433
Federal Funds	6,874,650	6,000,000	(874,650)
Other Funds	81,393,837	1,283,270	(80,110,567)
Total	\$ 90,609,396	\$ 14,100,612	(\$ 76,508,784)
Staffing Level FTE:	1.5	0.0	(1.5)

TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2018	GOVERNOR'S RECOMMENDED FY 2019	RECOMMENDED INC/(DEC) FY 2019
General Funds	\$ 1,587,454,534	\$ 1,622,489,585	\$ 35,035,051
Federal Funds	1,641,148,653	1,687,171,355	46,022,702
Other Funds	1,419,207,077	1,359,763,219	(59,443,858)
Total	\$ 4,647,810,264	\$ 4,669,424,159	\$ 21,613,895
Staffing Level FTE:	13,862.8	13,905.9	43.1