



# STATE OF SOUTH DAKOTA

DENNIS DAUGAARD, GOVERNOR

## MEMBERS OF THE 94<sup>th</sup> LEGISLATURE OF THE STATE OF SOUTH DAKOTA

I am pleased to present the state budget report for Fiscal Year 2020. This proposal will fund necessary state government services and special appropriations for the fiscal period beginning July 1, 2019, and ending June 30, 2020.

In South Dakota, we remain committed to fiscal responsibility and conservative budgeting principles. We don't spend money we don't have. We use one-time money for one-time expenses, and only ongoing money for ongoing expenses. We avoid the creation of unfunded liabilities. We work hard to ensure your tax dollars are used wisely to fund a fiscally strong state government.

As a result of our fiscal responsibility, South Dakota holds the highest credit ratings possible from each of the three major credit rating agencies. This exceptional credit worthiness as a state is already leading to substantial savings in future interest payments for the people of South Dakota.

As I leave office, I am proud South Dakota is in a strong position. Our tax revenues are increasing, yet we enjoy one of the lowest state tax burdens in America. We have one of the lowest costs of living in the nation, as well as one of the lowest rates of unemployment. South Dakotans can enjoy stability and predictability from their state government, and our state has grown and prospered as a result.

The budget I propose to you this year does not deviate from those I have proposed to you the last eight years. It is structurally balanced with targeted investments in key areas such as funding for education, medical provider reimbursement rates, state employee compensation, and maintenance.

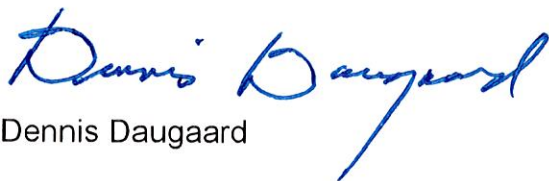
### **Key among my recommendations:**

- **Increased funding for education.** I am recommending an increase for state aid to general education. I remain committed to the notion that, in years where new dollars are available, education should follow the formula in statute. This year, the funding formula calls for an increase of 2.3 percent, and my recommendation includes that inflationary increase. I am also recommending a 2.3 percent inflationary increase to the per student allocation for technical institutes.
- **Increased reimbursement rates for medical providers.** I am proposing an increase for providers of 2.3 percent, which is more than the projected 2.2 percent Fiscal Year 2020 Consumer Price Index (CPI) growth rate.

- **Compensation adjustments for state employees.** Our human resource is our most valuable. This year I propose a 2.3 percent market adjustment for state employees. I am also proposing funding to keep the state employee health plan structurally balanced, as medical and prescription drug costs continue to rise.
- **Maintenance.** My recommendation also includes funding for maintenance budgets. Although this funding does not get us to our 2 percent goal, it does allow us to keep pace with construction costs and the phase-in of new buildings.
- **A conservative approach to growth.** I thank the Legislature for joining me over the past eight years to budget conservatively. Today, our fiscal situation is stronger than ever. It is better to spend dollars when they are probable than to commit them when they are hopeful. No projection can be perfect, and we should always hope that if we err, we err on the side of caution.

We have been entrusted with the people's money. Our responsibility is to spend that money wisely and to manage the people's assets prudently. I treat this duty very seriously, and I know the Legislature does as well. Thank you for your fiscal responsibility and thank you for the opportunity to have worked with you over the last eight years to make South Dakota even better.

Sincerely,

A handwritten signature in blue ink that reads "Dennis Daugaard". The signature is written in a cursive style with a long, sweeping tail on the letter "d".

Dennis Daugaard