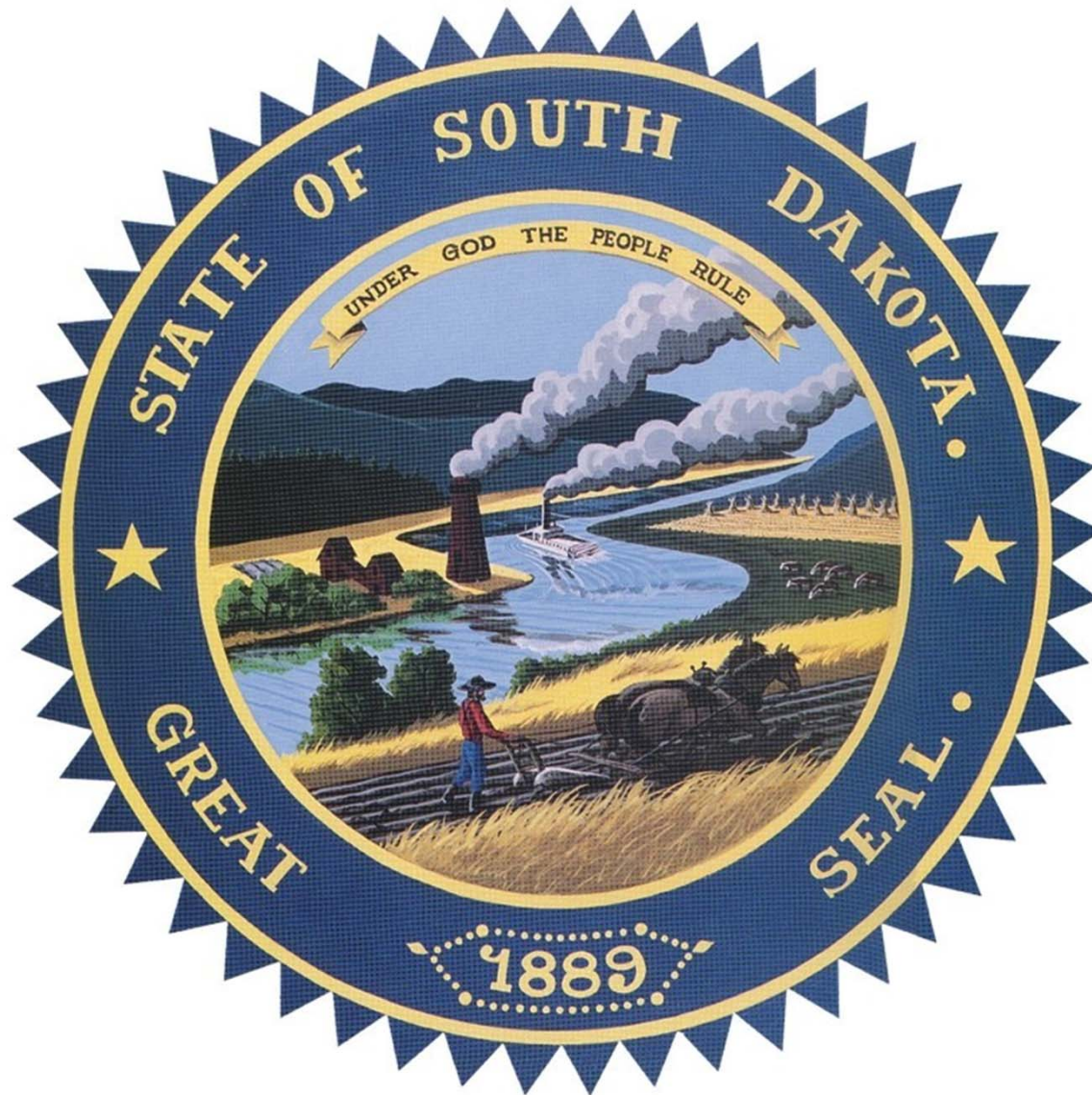


# Governor Mike Rounds' FY2012 Budget Address

---



# Budget Proposal Summary

---

- **A Very Basic Needs Budget**
- **An Unpredictable Economic Recovery**
- **Transitioning away from Stimulus funding**
- **Emphasis on Taking Care of People**

# Rainy Day Funds

---

*Unchanged since July 2008:*

Property Tax Reduction Fund Balance \$63,626,269

Budget Reserve Fund Balance \$43,398,446

---

Total \$107,024,715

# FY2011 Adopted vs. Revised Receipts

(in millions)

	<u>Ad. FY2011</u>	<u>Rev FY2011</u>	<u>Change</u>
Sales and Use Tax	\$671.4	\$681.5	+10.1
Property Tax Reduction Fund	118.7	112.8	- 5.8
Contractor's Excise Tax	80.0	66.5	- 13.6
Insurance Company Tax	63.4	62.3	- 1.1
Bank Franchise Tax	24.9	3.9	- 21.0
Transfer from Trust Funds	30.7	30.7	0.0
Charges for Goods and Services	15.9	26.2	+10.2
Other Continuing Receipts	149.7	155.1	+5.4
<b>One-Time Receipts</b>	<b>9.9</b>	<b>9.9</b>	<b>0.0</b>
Total Receipts	<u>1,164.6</u>	<u>1,148.9</u>	<u>-15.7</u>
<b>One-Time Transfers to Balance</b>	<b><u>0.0</u></b>	<b><u>14.0</u></b>	<b><u>+14.0</u></b>
<b>Total General Fund Revenues</b>	<b>1,164.6</b>	<b>1,162.9</b>	<b>-1.9</b>

# FY2011 & FY2012 Receipts & Forecasts

(in millions)

	<u>Rev FY2011</u>	<u>FY2012</u>	<u>Change</u>
Sales and Use Tax	\$681.5	\$701.3	+\$19.8
Property Tax Reduction Fund	112.8	107.4	- 5.4
Contractor's Excise Tax	66.5	71.1	+ 4.6
Insurance Company Tax	62.3	64.6	+ 2.3
Bank Franchise Tax	3.9	4.0	+ 0.1
Transfer from Trust Funds	30.7	30.3	- 0.4
Charges for Goods and Services	26.2	25.1	- 1.1
Other Continuing Receipts	155.1	152.7	- 2.4
<b>One-Time Receipts</b>	<b>9.9</b>	<b>1.0</b>	<b>- 8.9</b>
<b>Total Receipts</b>	<b><u>1,148.9</u></b>	<b><u>1,157.5</u></b>	<b><u>+ 8.6</u></b>
<b>One-Time Transfers to Balance</b>	<b><u>14.0</u></b>	<b><u>36.9</u></b>	
<b>Total General Fund Revenues</b>	<b>1,162.9</b>	<b>1,194.4</b>	

Still not at  
Adopted F11  
Levels

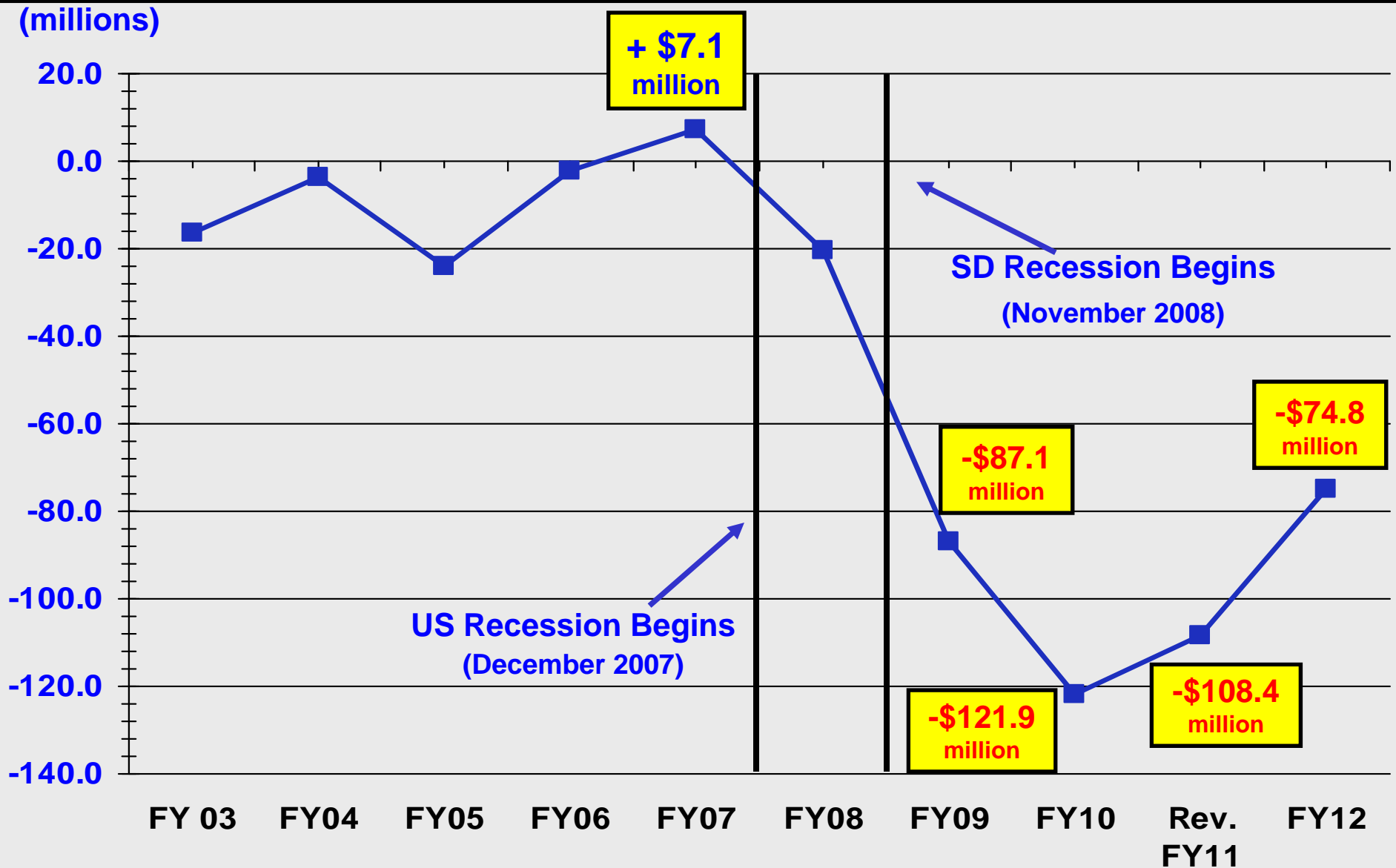
# Revised FY2011 and Proposed FY2012

(General Funds in millions)

<u>Revenues</u>	<u>FY11</u>	<u>FY12</u>
Sales and Use Tax--	\$681.5	\$701.3
Property Tax Reduction Fund--	\$112.8	\$107.4
Contractor's Excise Tax--	\$ 66.5	\$ 71.1
Insurance Company Tax--	\$ 62.3	\$ 64.6
Other Receipts--	\$225.8	\$213.1
Total Receipts--	<u>\$1,148.9</u>	<u>\$1,157.5</u>
<u>Expenses</u>		
Educating People--	\$584.7	\$556.3
Taking Care of People--	\$373.0	\$444.9
Protecting the Public--	\$139.6	\$131.7
Rest of State Government--	\$ 65.6	\$ 61.5
Total Expenses--	<u>\$1,162.9</u>	<u>\$1,194.4</u>
<b>From Reserves</b>	<b>- \$14.0</b>	<b>- \$36.9</b>

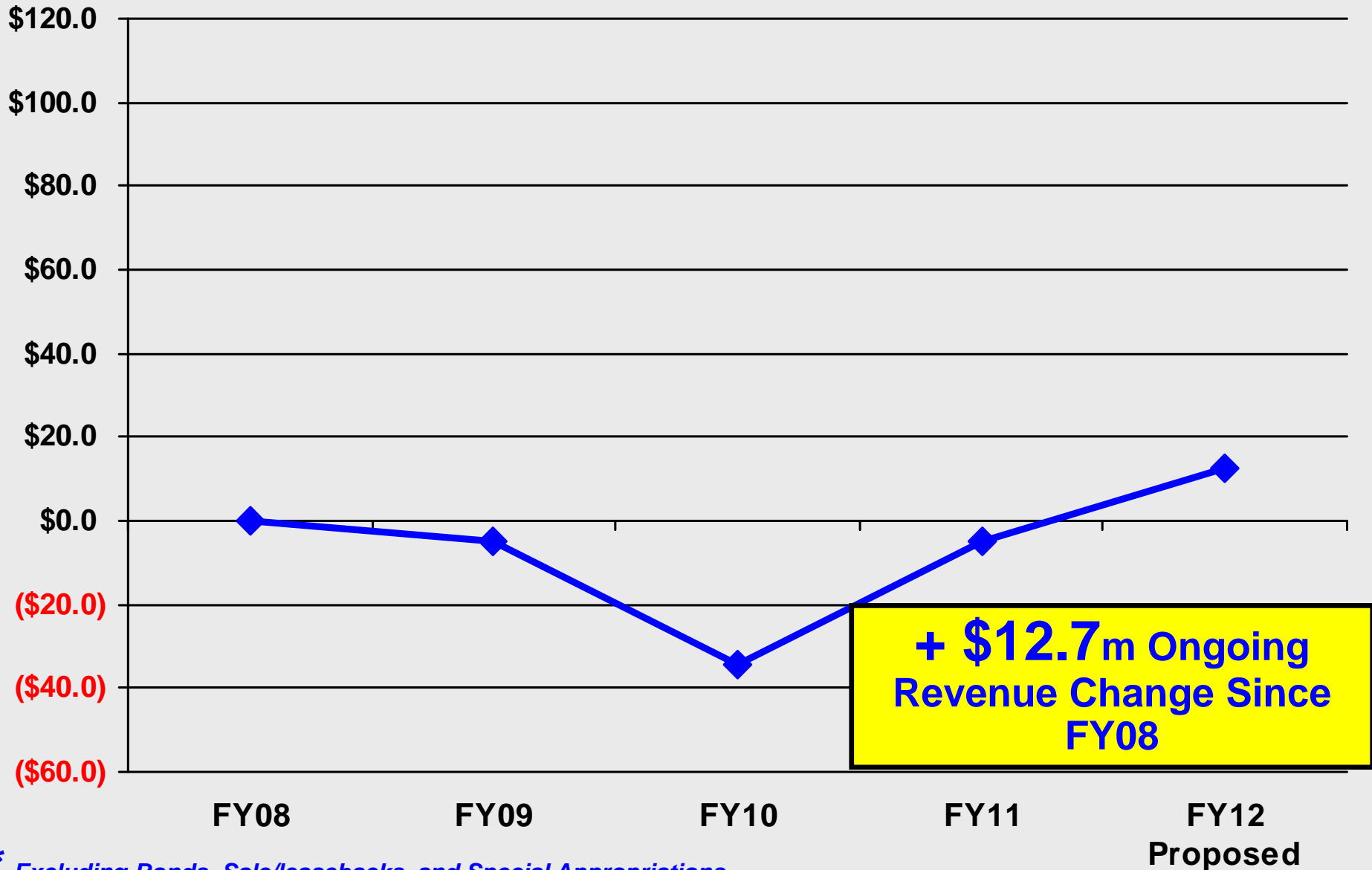
# Structural Deficit

## Ongoing Revenues minus Ongoing Expenses



# Contributing Factors to the Structural Deficit

(millions)

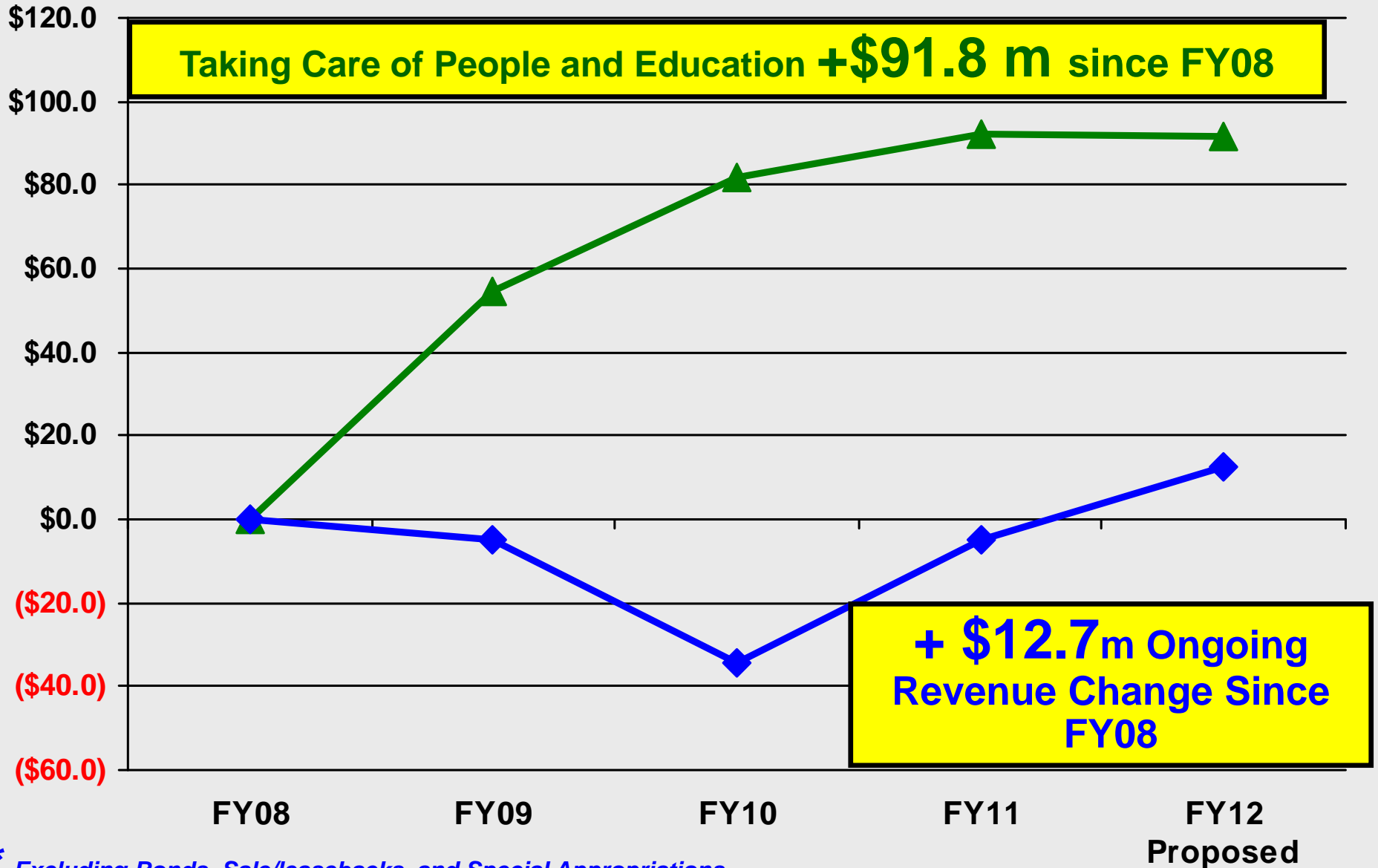


\* Excluding Bonds, Sale/leasebacks, and Special Appropriations



# Contributing Factors to the Structural Deficit

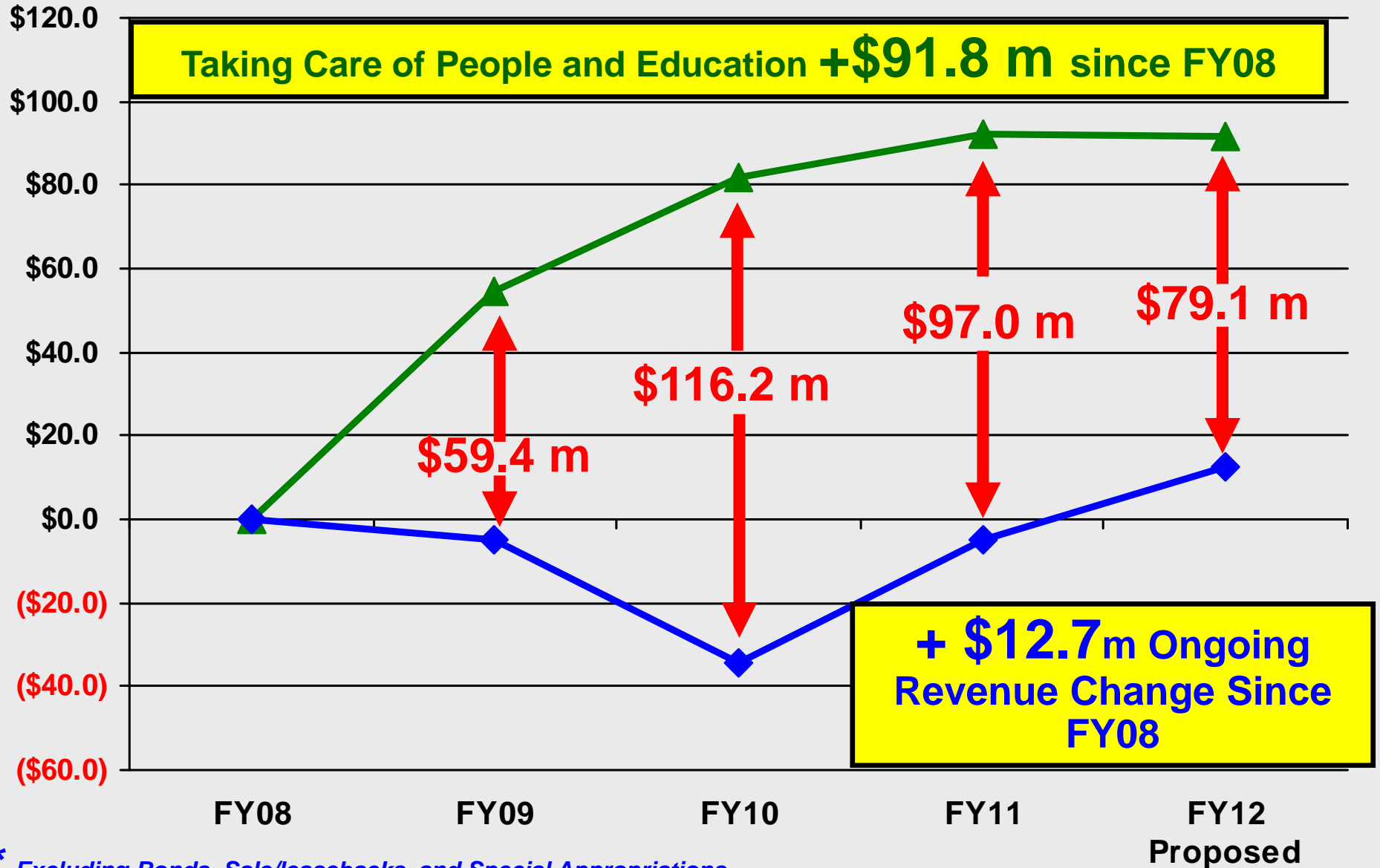
(millions)



\* Excluding Bonds, Sale/leasebacks, and Special Appropriations

# Contributing Factors to the Structural Deficit

(millions)



# Reconciling a Balanced Budget with the Structural Deficit

	<u>Revised FY2011</u>	<u>FY2012</u>
<b>Structural Deficit</b>	<b>-\$108.4 m</b>	<b>-\$74.8 m</b>
<u>Plus:</u>		
<b>One-Time Revenues</b>	<b>+\$ 9.9 m</b>	<b>+\$ 1.0 m</b>
<b>Stimulus 2</b>	<b>+\$76.1 m</b>	
<b>Stimulus 3</b>	<b>+\$17.6 m</b>	<b>+\$36.9 m</b>
	<b>- \$ 4.8 m</b>	<b>-\$36.9 m</b>
<u>Less:</u>		
<b>Specials are One-time</b>	<b>-\$ 9.2 m</b>	<b>\$ 0.0 m</b>
<u>Equals:</u>		
<b>Use of Reserves</b>	<b>+\$14.0 m</b>	<b>+\$36.9 m</b>

# Reconciling a Balanced Budget with the Structural Deficit

- Why do we have a structural deficit???
- Imbalance of Ongoing Revenues vs. Ongoing Expenses
- Stimulus 2 (ARRA) Maintenance of effort provisions prohibited cuts to K-12 Education and Medicaid for 3 years (FY09-FY11)
- Stimulus 3 Maintenance of effort provisions prohibit cuts in K-12 *and now Higher Education (FY11)*
- Both prohibit growing Reserves

# Understanding “Stimulus”

---

- **Jobs and Growth Reconciliation Act of 2003 (Stimulus 1) provided \$70.6 million that SD saved and put into Reserves**
- **American Recovery and Reinvestment Act of 2009 (Stimulus 2) provided \$253.1 million to offset potential general fund cuts in FY09-FY11**
- **H.R. 1586 (Stimulus 3) passed in August 2010 provides \$54.4 million to offset potential general fund cuts in FY11**

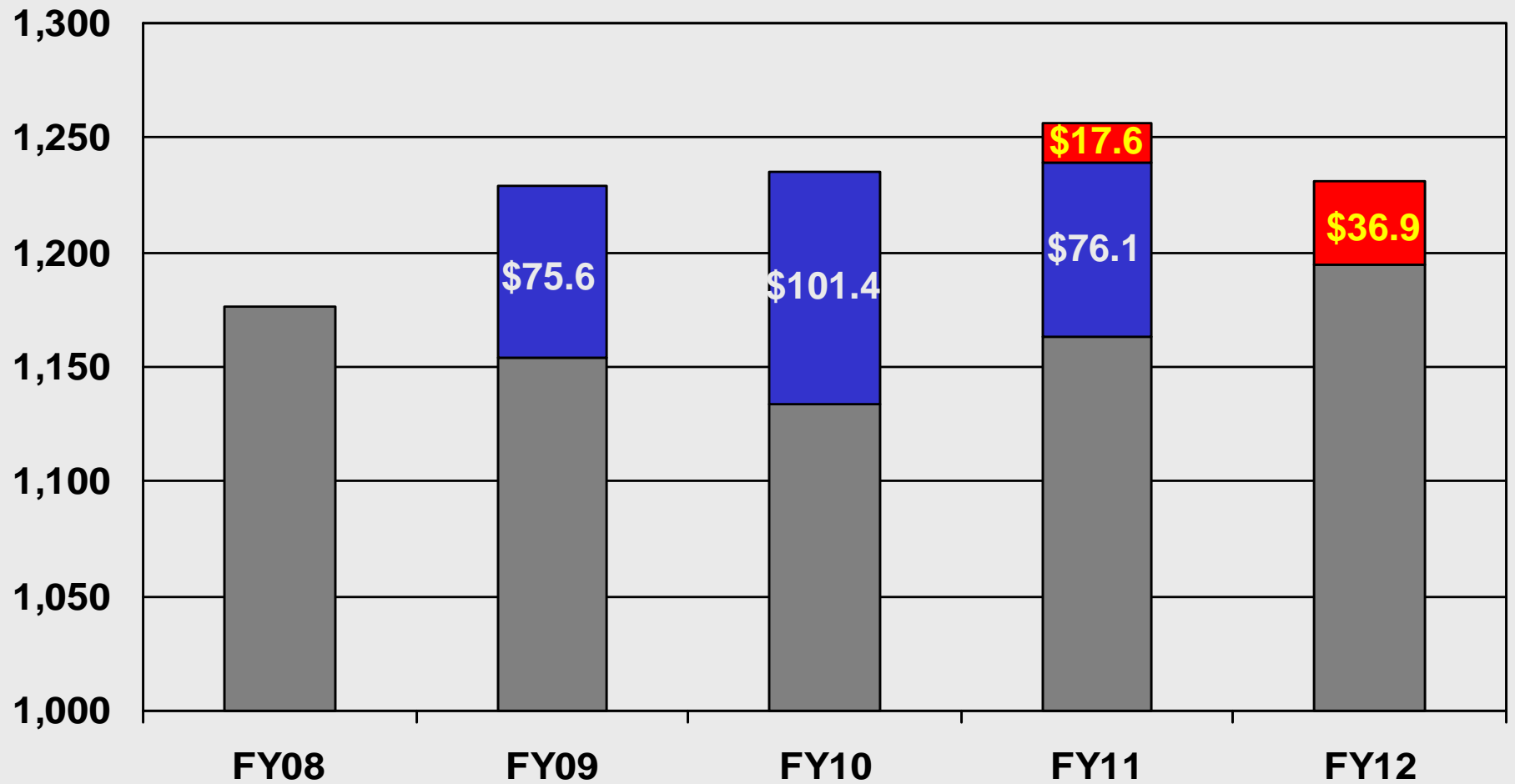
# South Dakota General Fund Expenses with Stimulus

(Millions)

■ Base GF

■ Stimulus 2

■ Stimulus 3



# Budget Changes Due to New Stimulus Funding in FY2011

---

## Anticipated Revisions (all 1-time funds)

## General funds

Stimulus 3 Regents Increase	\$10,623,423
Stimulus 3 FMAP Decrease	(\$20,878,604)
Unempl. Bonus 2 qtrs Decrease	(\$7,305,010)
<hr/>	
Total GF Replaced by Stimulus 3	(\$17,560,191)

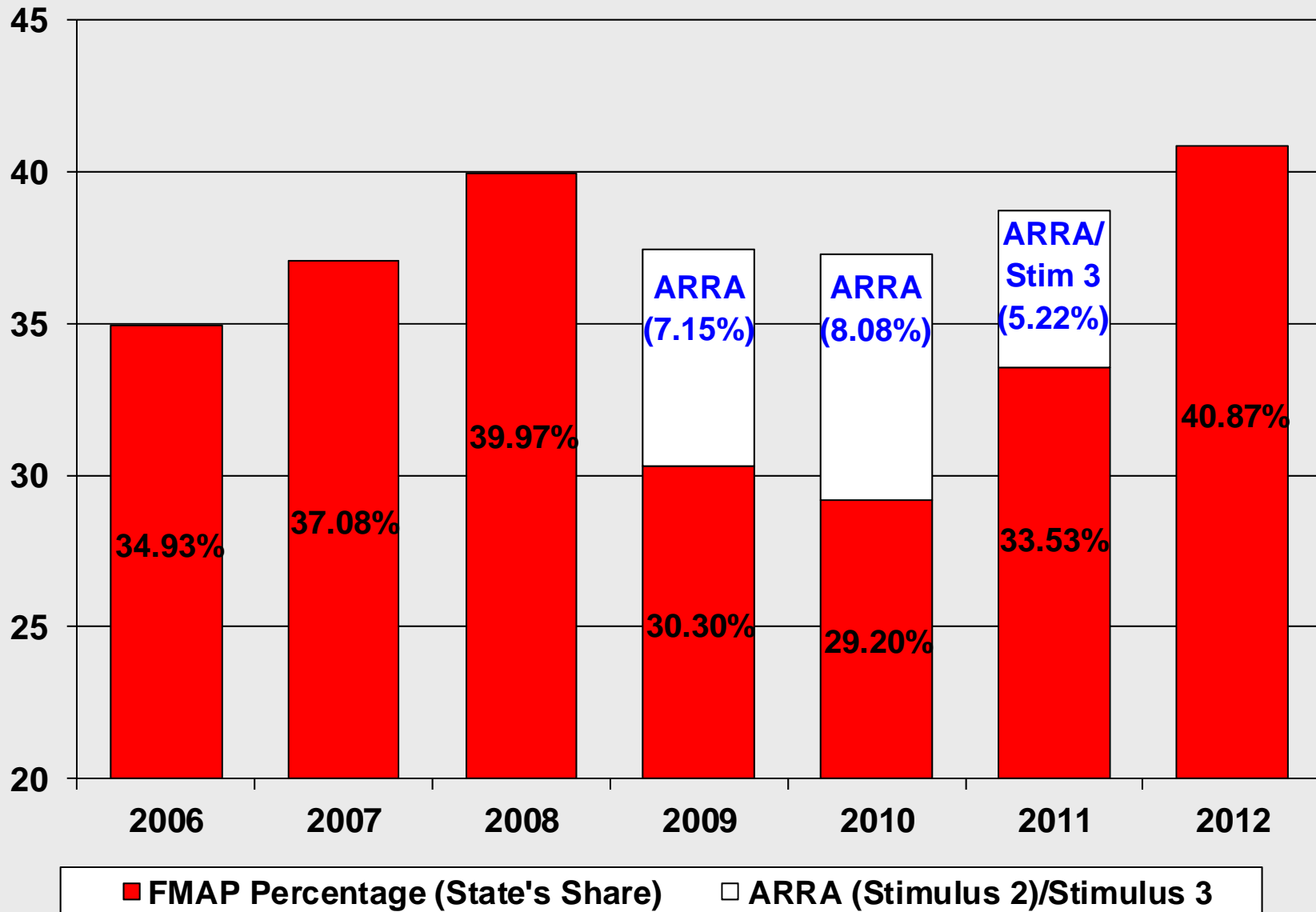
# Budget Changes Due to Stimulus Funding in FY2012

<u>ARRA (Stimulus 2) (1-time funds lost)</u>	<u>General funds</u>
FMAP	\$25,512,329
Stabilization Funds - State Aid	\$24,442,647
Stabilization Funds – Regents	\$11,365,508
Gov't Services Stabilization Funds	\$7,967,096
Medicare Part D Clawback (MS)	\$6,489,287
Child Support	\$362,500
<b>TOTAL Stimulus Lost</b>	<b>\$76,139,367</b>
<u>Stimulus 3 (1-time funds gained)</u>	
State Aid	(\$26,292,261)
Board of Regents	(\$10,623,423)
<b>TOTAL Stimulus Gained</b>	<b>(\$36,915,684)</b>
<b>REVISED TOTAL NEED (General Funds)</b>	<b>\$39,223,683</b>



# History of Federal FMAP Rate

(Applies to Title XIX Program)



# New Ongoing GF Spending For FY2012 (over FY2011)

---

## Key Cost Drivers:

Replace Expiring ARRA Funding	+\$39.2 m
Increased FMAP State Share	+\$15.0 m
Growth & Increased Utilization in Med Services	<u>+\$11.7 m</u>
Total	\$65.9 m
Other Cuts	-\$36.1 m
Net New GF Spending Proposed:	+ \$29.8 m

# General Funds Major Spending Changes For FY2012

Social Services	\$38,730,532	Governor's Office	(\$236,947)
Corrections	\$5,116,831	Legislature	(\$239,553)
Board of Regents	\$3,818,909	Game, Fish & Parks	(\$260,274)
Human Services	\$2,944,792	Environ. & Nat. Resources	(\$268,704)
School & Public Lands	\$800,000	Administration	(\$347,292)
Transportation	\$0	Public Safety	(\$366,906)
Unified Judicial System	\$0	Mil. & Veterans' Affairs	(\$409,680)
Public Utilities Commission	(\$10,845)	Attorney General	(\$514,863)
Personnel	(\$26,000)	Info. & Telecommunications	(\$577,000)
State Auditor	(\$27,623)	Agriculture	(\$587,356)
State Treasurer	(\$35,000)	Finance & Management	(\$666,185)
Secretary of State	(\$45,307)	Health	(\$746,710)
Revenue and Regulation	(\$62,308)	Tourism & State Dev.	(\$838,621)
Labor	(\$87,617)	Education	(\$15,270,117)

**Total = + \$29,786,156**

# Recommended FTE Changes

<u>Governor's Agencies</u>	<u>FTE</u>	<u>Other Agencies</u>	<u>FTE</u>
Tourism & State Development	(66.5)	Legislative Audit	(1.0)
Information & Telecommunications	(29.3)	Regents	227.5
Corrections	(25.7)	<hr/>	
Animal Industry Bd.	(18.0)	SUBTOTAL	226.5
Administration	(6.5)		
Labor	(5.3)		
Personnel	(4.0)		
Revenue & Regulation	(3.5)		
Environment & Natural Resources	(1.7)		
Public Safety	(1.0)		
Agriculture	(1.0)		
Game, Fish & Parks	2.0		
<hr/>			
SUBTOTAL	(160.5)		

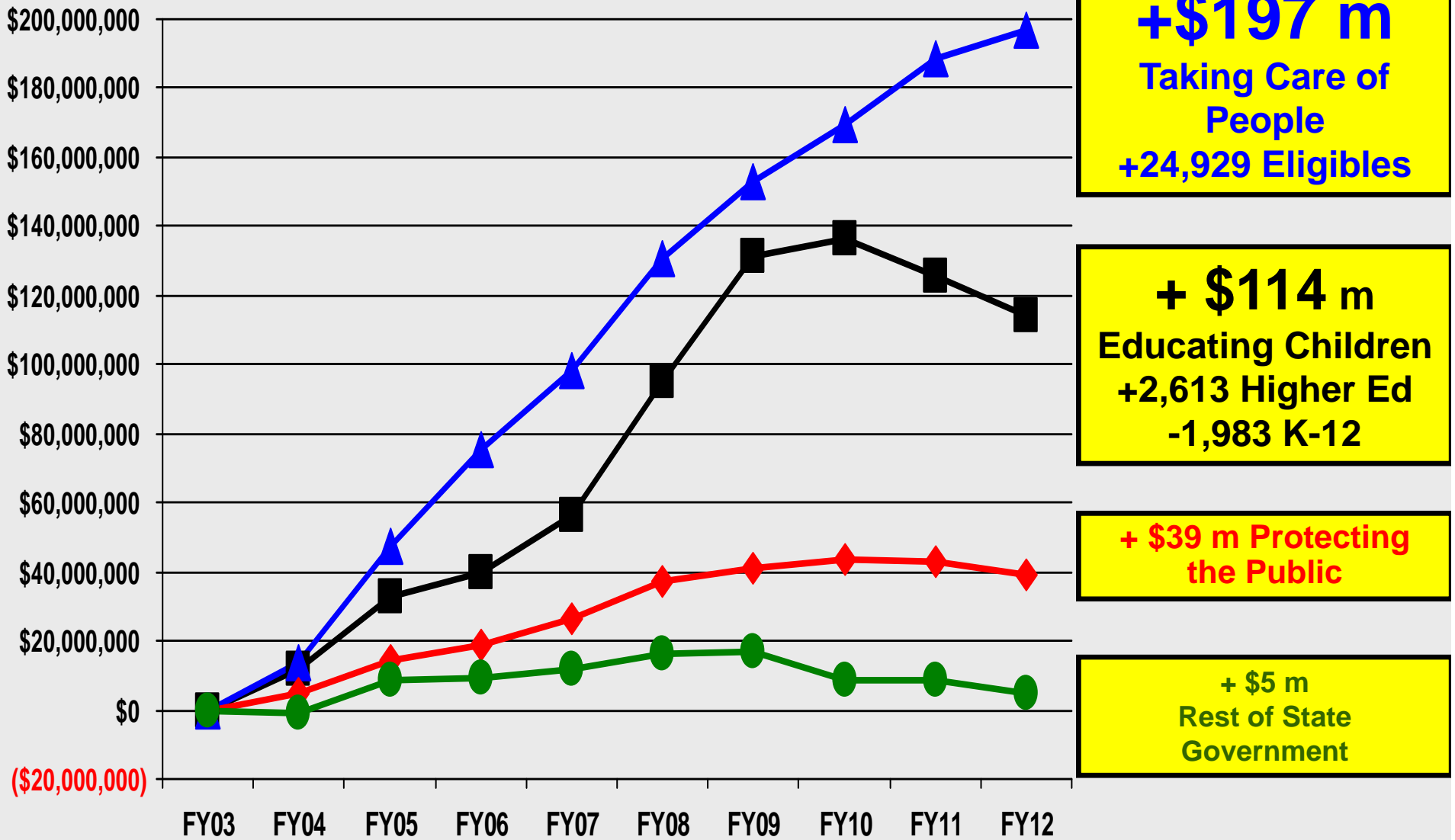
**Total = +66.0**

# General Funds Major Spending Changes For FY2012

---

<b>Education</b>	<b>- \$ 11,451,208</b>
<b>Taking Care of People</b>	<b>+ \$40,974,940</b>
<b>Protecting the Public</b>	<b>+ \$ 4,235,062</b>
<b>Rest of State Government</b>	<b>- \$ 3,972,638</b>
	<hr/>
<b>Total Changes</b>	<b>+ \$29,786,156</b>

# General Fund Expenditure Priorities\*



\* Excluding Bonds and Sale/leasebacks

# Special Appropriations

---

## General Funds:

### FY2011

Emergency & Disaster Fund      \$ 13,378,347

### FY2012

Physician Tuition Reimbursement      \$ 244,813

Tax Refunds for Elderly and Disabled      \$ 600,000

---

Total Special Appropriations      \$ 14,223,160

# FY2011 General Bill Amendments

---

## General Funds

Stimulus 3 Impact	<b>(\$17,560,191)</b>
DHS Adjustments	<b>(\$2,924,372)</b>
Various Other Adjustments	<b>(\$558,100)</b>
Utility Reductions	<b>(\$405,712)</b>
Other DOE Adjustments	<b>\$792,026</b>
DOE Increased Enrollments	<b>\$5,553,998</b>
<b>Total General Funds Amendments for the FY2011 General Appropriations Act</b>	<hr/> <b>(\$15,102,301)</b>



# FY2011 Revisions since March

---

Reduction in Revenues	- \$ 15,723,523
Reduction in Expenditures	+ \$ 15,102,301
Emergency & Cont. Approp.	<u>- \$ 13,333,919</u>
FY2011 Revised Shortfall	- \$ 13,955,141
Use of Reserves	+ \$ 13,955,141
Bottom Line	\$ 0

# The Revised Budget Proposal

---

## FY2011

<b>General Funds</b>	<b>\$ 1,162.9 million</b>
<b>Federal Funds</b>	<b>\$ 1,937.3 million</b>
<b>Other Funds</b>	<b>\$ 1,002.3 million</b>

**Total Budget =  
\$ 4.102 Billion**

# The Budget Proposal

---

## FY2012

<b>General Funds</b>	<b>\$ 1,194.4 million</b>
<b>Federal Funds</b>	<b>\$ 1,876.1 million</b>
<b>Other Funds</b>	<b>\$ 1,004.7 million</b>

**Total Budget =  
\$ 4.075 Billion**

# Total Changes FY2011 to FY2012

	FY2011	FY2012	Change
General Funds	\$1,162.9M	\$1,194.4M	\$ 31.5M
Federal Funds	\$1,937.3M	\$1,876.1M	- \$ 61.2M
Other Funds	\$1,002.3M	\$1,004.7M	\$ 2.4M
<b>Total Funds</b>	<b>\$4,102.5M</b>	<b>\$4,075.2M</b>	<b>- \$ 27.3M</b>

**Total Changes =**  
**- \$ 27.3 Million**

# Bottom Line for FY2011 and FY2012

(General Funds in millions)

	<u>FY11</u>	<u>FY12</u>
Total Receipts--	\$1,148.9	\$1,157.5
Total Expenses--	<u>\$1,162.9</u>	<u>\$1,194.4</u>
Shortfall--	\$ -14.0	\$ -36.9
Use of PTRF--	<u>\$ +14.0</u>	<u>\$ +36.9</u>
Bottom Line--	\$ 0.0	\$ 0.0

## Reserves Remaining:

Property Tax Reduction Fund	\$12.8 m
Budget Reserve Fund	<u>\$43.4 m</u>
Total as of June 30, 2012	\$56.2 m

# What your tax dollar pays for



**49¢**  
Education

- K-12
- Higher Ed.
- Tech Schools
- Dept of Ed.

**37¢**  
Taking Care of People

- Medicaid
- State Hospital
- TANF
- DSS/DHS/DOH/SVH

**10 ¢**  
Protecting the Public

- Corrections
- Courts
- Public Safety
- Attorney General

**4 ¢**  
Rest of State Govt

- 8 Dept's
- 4 Bureau's
- Legislature
- Governor
- 5 Const. Offices

***Excludes Sale/Leaseback, CRP, and Bond Payments and Includes \$36.9M of Federal stimulus funding used to balance the FY2012 budget***

# What your Tax Dollar Pays For

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
ED	55%	53%	52%	51%	50%	51%	50%	49%	49%
TCP	30%	31%	32%	33%	33%	33%	34%	36%	37%
PP	10%	10%	11%	11%	11%	11%	11%	11%	10%
Rest	5%	6%	5%	5%	6%	5%	5%	4%	4%

***“Thank you for  
working with me to  
make South Dakota  
even better!”***