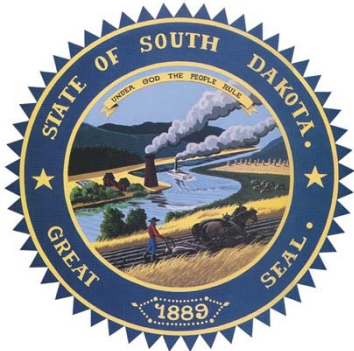


Governor Mike Rounds' FY2012 Budget Address



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)

	Ad. FY2011	Rev FY2011	Change
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
One-Time Receipts	9.9	9.9	0.0
Total Receipts	1,164.6	1,148.9	-15.7
One-Time Transfers to Balance	0.0	14.0	+14.0
Total General Fund Revenues	1,164.6	1,162.9	-1.9

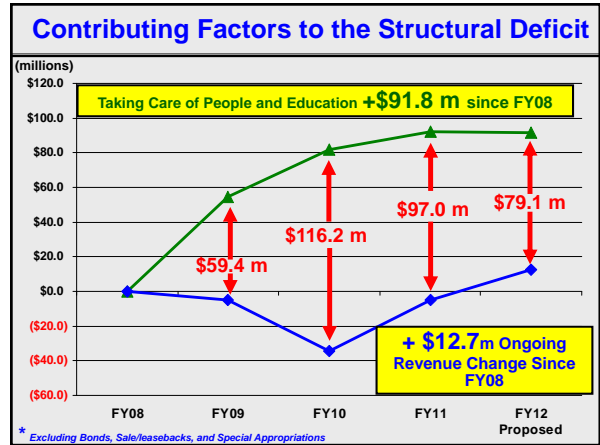
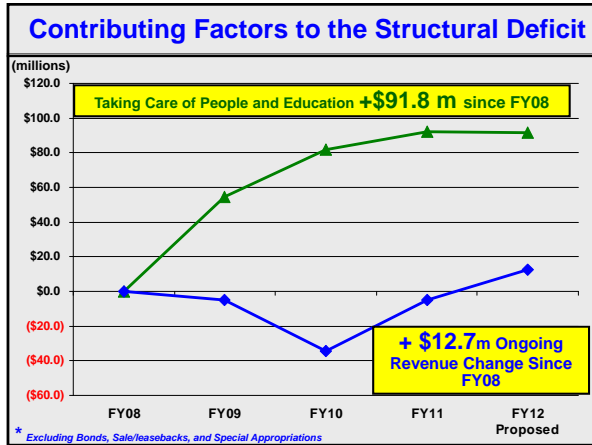
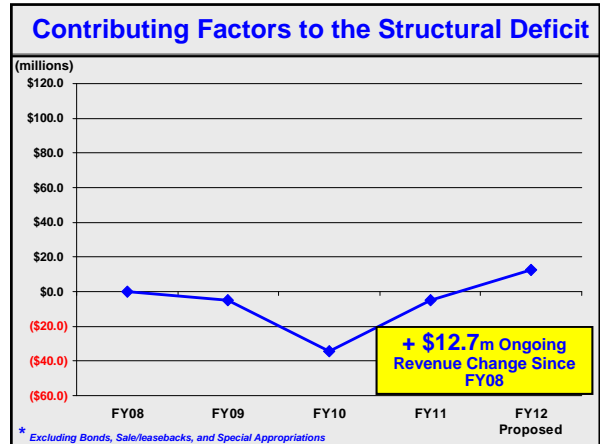
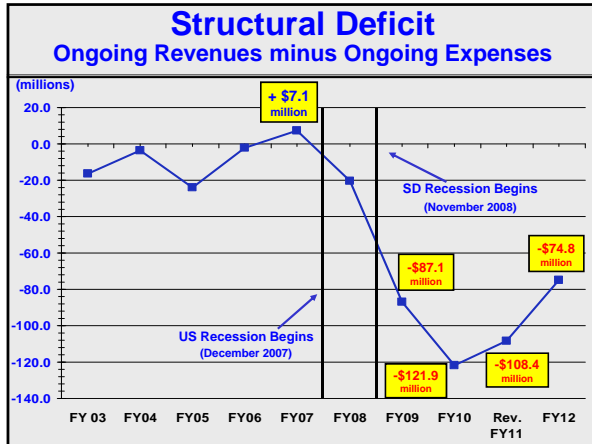
FY2011 & FY2012 Receipts & Forecasts (in millions)

	Rev FY2011	FY2012	Change
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
One-Time Receipts	9.9	1.0	- 8.9
Total Receipts	1,148.9	1,157.5	+8.6
One-Time Transfers to Balance	14.0	36.9	
Total General Fund Revenues	1,162.9	1,194.4	

Still not at
Adopted FY11
Levels

Revised FY2011 and Proposed FY2012 (General Funds in millions)

	FY11	FY12
Revenues		
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--	\$1,148.9	\$1,157.5
Expenses		
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--	\$1,162.9	\$1,194.4
From Reserves	- \$14.0	- \$36.9



Reconciling a Balanced Budget with the Structural Deficit

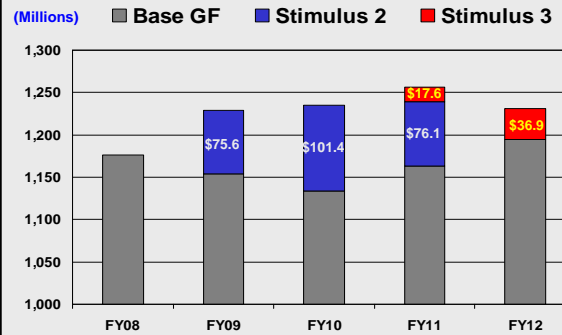
	Revised FY2011	FY2012
Structural Deficit	-\$108.4 m	-\$74.8 m
Plus:		
One-Time Revenues	+\$ 9.9 m	+\$ 1.0 m
Stimulus 2	+\$76.1 m	
Stimulus 3	+\$17.6 m	+\$36.9 m
	- \$ 4.8 m	-\$36.9 m
Less:		
Specials are One-time	-\$ 9.2 m	\$ 0.0 m
Equals:		
Use of Reserves	+\$14.0 m	+\$36.9 m

- ### 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



Budget Changes Due to New Stimulus Funding in FY2011

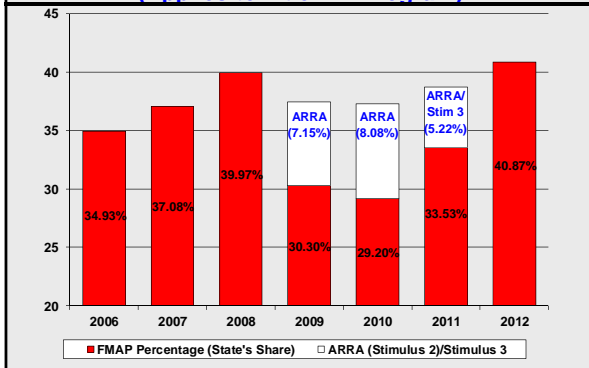
Anticipated Revisions (all 1-time funds)

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

Budget Changes Due to Stimulus Funding in FY2012

ARRA (Stimulus 2) (1-time funds lost)	General funds
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
TOTAL Stimulus Lost	\$76,139,367
Stimulus 3 (1-time funds gained)	
State Aid	(\$26,292,261)
Board of Regents	(\$10,623,423)
TOTAL Stimulus Gained	(\$36,915,684)
REVISED TOTAL NEED (General Funds)	\$39,223,683

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	+\$11.7 m
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

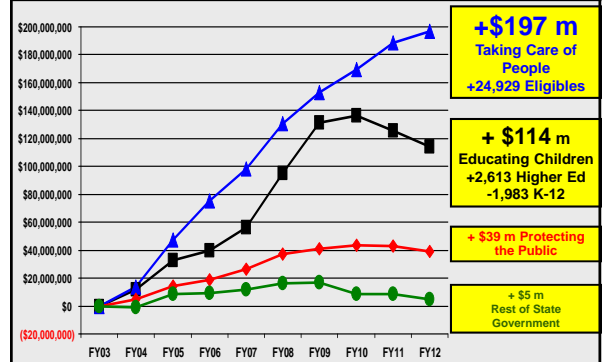
Governor's Agencies	FTE	Other Agencies	FTE
Tourism & State Development	(66.5)	Legislative Audit	(1.0)
Information & Telecommunications	(29.3)	Regents	227.5
Corrections	(25.7)	SUBTOTAL	226.5
Animal Industry Bd.	(18.0)		
Administration	(6.5)		
Labor	(5.3)		
Personnel	(4.0)		
Revenue & Regulation	(3.5)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

Total = +66.0

General Funds Major Spending Changes For FY2012

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

General Fund Expenditure Priorities*



+\$197 m
Taking Care of People
+24,929 Eligibles

+\$114 m
Educating Children
+2,613 Higher Ed
-1,983 K-12

+\$39 m Protecting the Public

+\$5 m Rest of State Government

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

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

The Revised Budget Proposal	
<u>FY2011</u>	
General Funds	\$ 1,162.9 million
Federal Funds	\$ 1,937.3 million
Other Funds	\$ 1,002.3 million
Total Budget = \$ 4.102 Billion	

The Budget Proposal	
<u>FY2012</u>	
General Funds	\$ 1,194.4 million
Federal Funds	\$ 1,876.1 million
Other Funds	\$ 1,004.7 million
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
Total Funds	\$4,102.5M	\$4,075.2M	- \$ 27.3M
Total Changes = - \$ 27.3 Million			

Bottom Line for FY2011 and FY2012		
(General Funds in millions)		
	FY11	FY12
Total Receipts--	\$1,148.9	\$1,157.5
Total Expenses--	\$1,162.9	\$1,194.4
Shortfall--	\$ -14.0	\$ -36.9
Use of PTRF--	\$ +14.0	\$ +36.9
Bottom Line--	\$ 0.0	\$ 0.0
Reserves Remaining:		
Property Tax Reduction Fund		\$12.8 m
Budget Reserve Fund		\$43.4 m
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
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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

	2004	2005	2006	2007	2008	2009	2010	2011	2012
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!”***