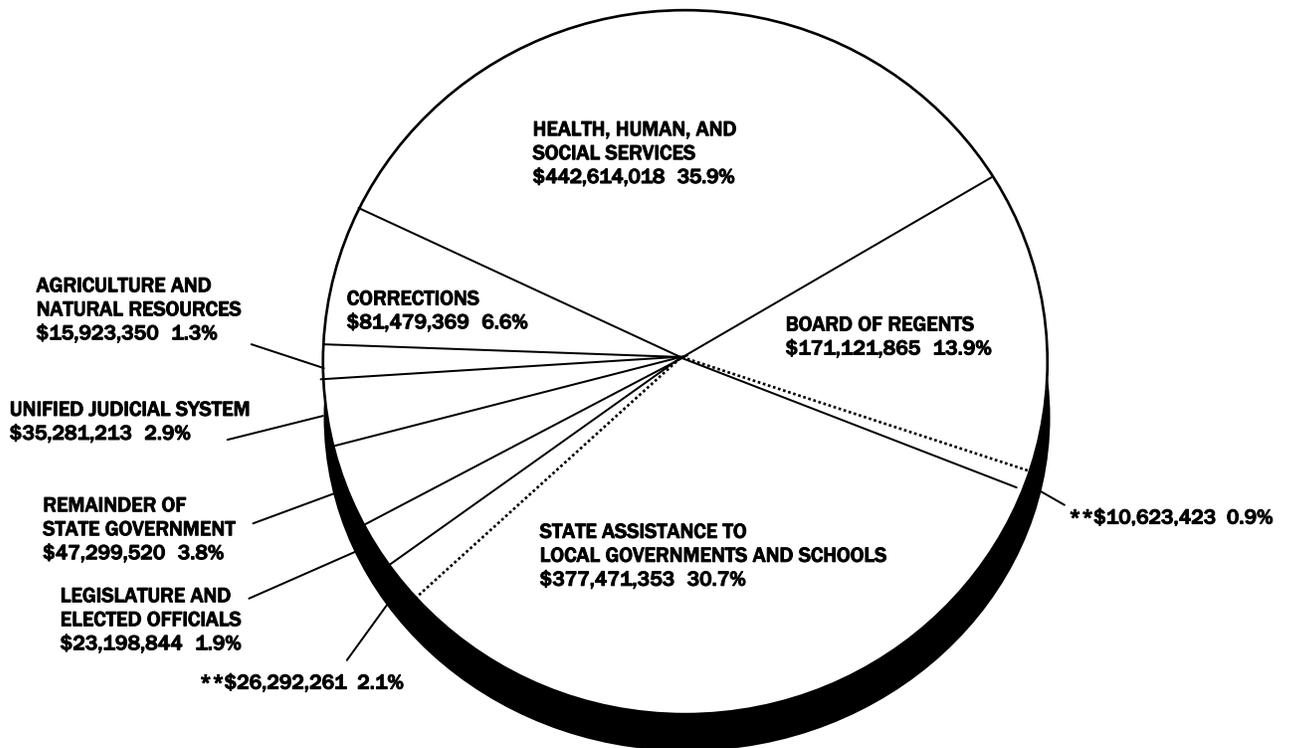


STATE OF SOUTH DAKOTA SUMMARY OF GOVERNOR'S BUDGET FISCAL YEAR 2012

**BEGINNING JULY 1, 2011
ENDING JUNE 30, 2012**

OUR 122nd YEAR OF A BALANCED BUDGET



**STIMULUS IN LIEU OF GENERAL FUNDS

M. MICHAEL ROUNDS, GOVERNOR

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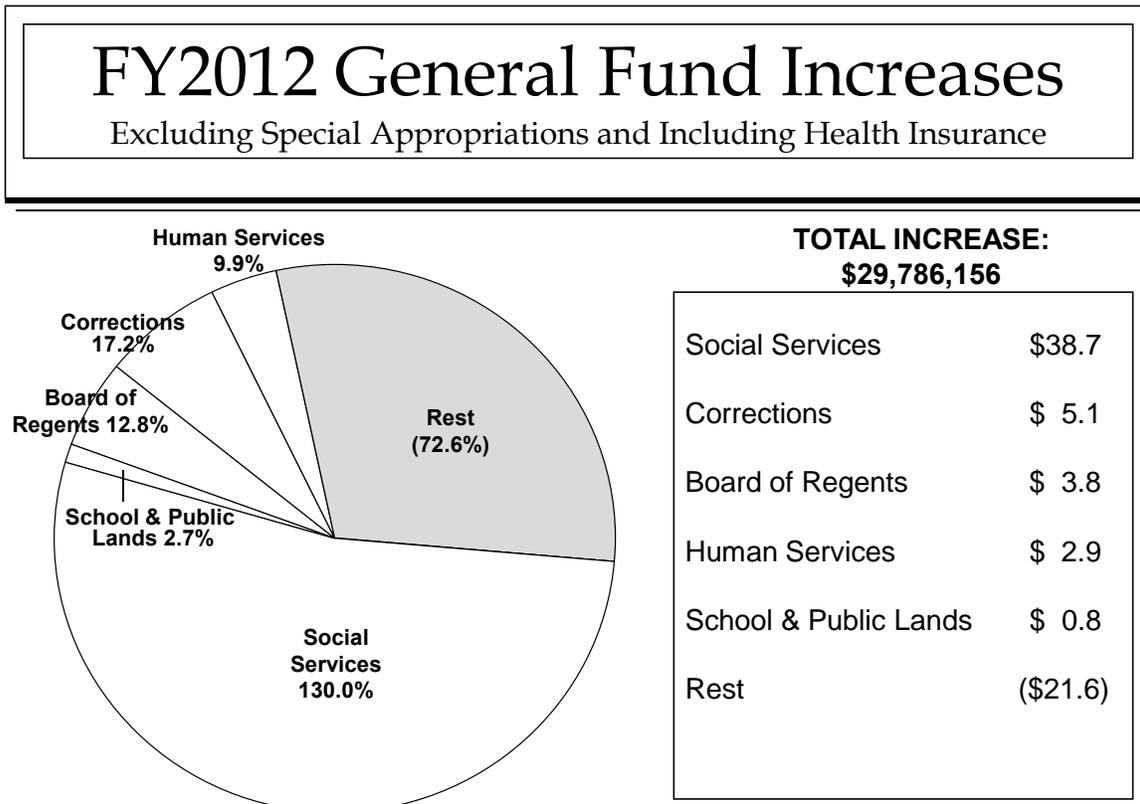
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SUMMARY OVERVIEW

Governor Rounds is recommending a budget (including special appropriations) for FY2012 totaling \$4,115,485,660, and 13,678.1 FTE. This represents an overall decrease of \$57,970,089 in total funds and an increase of 58.9 FTE over FY2011. For FY2012, the Governor is proposing a general fund budget of \$1,194,389,532, which is an increase of \$31,540,761 million over the FY2011 budget. The proposed FY2012 general fund budget is distributed as follows:

- \$375.2 million, or 31.4% for Aid to Schools;
- \$442.6 million, or 37.1% for Health, Human, and Social Services;
- \$171.1 million, or 14.3% for Higher Education;
- \$ 81.5 million, or 6.8% for Corrections;
- \$ 58.5 million, or 4.9% for the Legislature, Unified Judicial System, Public Utilities Commission, and Elected Officials;
- \$ 15.9 million, or 1.3% for Agriculture; Environment and Natural Resources; and Game, Fish, and Parks; and,
- \$ 49.6 million, or 4.2% for the Remainder of State Government.

The graph below depicts the FY2012 recommended general fund increases, excluding special appropriations.



U.S. AND SOUTH DAKOTA ECONOMIC FORECASTS

U.S. ECONOMY

RECENT ECONOMIC ACTIVITY

The US economy is now slowly recovering from the 2007-2009 recession that officially ended in June of 2009 as determined by the National Bureau of Economic Research. This economic recession was 18 months from peak to trough and the most severe in the post World War II era in terms of employment and output decline. The US economy lost more than 7.3 million jobs, or 5.3% of total employment, during the recession and continued to lose jobs for several months after the recession officially ended. In terms of output, real Gross Domestic Product (GDP) for the US economy declined 4.1% during this recession.

Although the US economy is over a year into the recovery phase, the recovery has been slow by historical standards with modest job gains realized since the start of the recovery. In terms of output, strong GDP gains were realized in the fourth quarter of 2009 and first quarter of 2010. However, the growth slowed significantly in the second and third quarter of 2010. Many economists question the strength of the current recovery based on slow output growth, government fiscal stimulus ending, large state and local government deficits, and high unemployment.

In response to the sluggish economic growth, the Federal Reserve has recently announced additional quantitative easing measures. The Federal Reserve announced it will purchase up to \$600 billion of long-term Treasury securities, or approximately \$75 billion per month, by the end of the second quarter of 2011. This is the second round of quantitative easing that the Federal Reserve has implemented; the first was conducted from December 2008 through March of 2010. The overall objective is to increase economic growth in the short term by raising inflation expectations, lowering real interest rates, revive the housing market, and boost exports through a weaker dollar. The Federal Reserve wants to ensure to avoid a deflationary environment, similar to what Japan's economy has experienced since the mid-1990's. The target range for the federal funds rate as set by the Federal Reserve continues to be at 0.0-0.25%, and it is anticipated to remain at the record low level for an extended period due to sluggish economic growth. At the present time, the Federal Reserve has limited policy options to stimulate economic growth.

Although the US economy lost some momentum during mid-2010, recent signs indicate the economy

has stabilized heading into the fourth quarter of 2010.

The following are recent key national economic statistics:

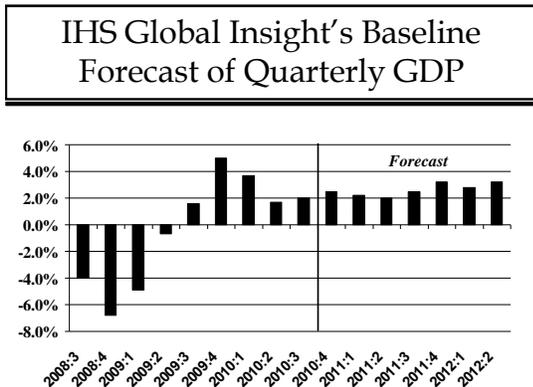
- Advance estimates indicate that real GDP grew 2.0% in the third quarter of 2010, slightly better than the 1.7% growth registered in the second quarter of 2010.
- The unemployment rate remained at 9.6% in October, which was the same rate as the prior month. The current rate is 0.5% lower than October of 2009.
- The Institute of Supply Management's (ISM) manufacturing report on business was 56.9 in October, up from 54.4 in September. This was the 15th consecutive month the index has been above 50. A reading above 50 usually indicates the manufacturing sector is expanding.
- The ISM non-manufacturing report on business increased from 53.2 in September to 54.3 in October. A reading above 50 indicates the non-manufacturing sector is expanding.
- Business sector labor productivity declined 1.8% in the second quarter and then grew by 1.9% in the third quarter of 2010. The labor productivity gains were primarily due to a 3.0% increase in hourly output for the third quarter.
- U.S. personal income decreased at an annual rate of 1.0% in the second quarter and increased by 0.5% in the third quarter of 2010. Personal income grew 5.7% in 2007 and 4.0% in 2008, and declined 1.7% in 2009.
- Real Personal Spending increased 2.2% in the second quarter and increased 2.6% in the third quarter of 2010. The increase realized in the third quarter was led by a solid increase in durable goods spending of 6.1%.
- Total construction spending was up 0.5% in September compared to August. Private construction was unchanged, while public construction grew 1.3%.

NATIONAL FORECAST HIGHLIGHTS

This section summarizes IHS Global Insight's forecast as of November 2010 for various categories of the U.S. economy. IHS Global Insight is one of the most respected economic forecasting firms in the world.

GDP: The US economy lost some momentum during the second and third quarter as the boost from fiscal stimulus and inventory building began to fade in mid-2010. This slowdown escalated the prospects that the US economy would re-enter into an economic recession again in late 2010 or 2011. However, IHS Global Insight believes the economy has stabilized going into the fourth quarter due to recent positive indicators including gains in employment and consumer spending during October. The economic recovery is expected to be slow through the remainder of 2010 and into 2011 due to cautious businesses and consumers. Uncertainty remains on how strong the economic recovery will be in 2011 as the federal stimulus programs are phased out and US Congress has not acted on the expiration of major tax cuts scheduled at the end of 2010.

In the first three quarters of this year, GDP grew 3.7%, 1.7%, and 2.0%, respectively. In the fourth quarter, GDP growth is forecast to grow 2.5%. In the four quarters in 2011, IHS Global Insight is projecting GDP growth of 2.2%, 2.0%, 2.5%, and 3.2%. In 2012, GDP is forecast to increase 2.8% in the first quarter and 3.2% in the second quarter.



On an annual basis, GDP grew 3.1% in 2005, 2.7% in 2006, 1.9% in 2007, and 0.0% in 2008, and declined 2.6% in 2009. IHS Global Insight's latest forecast projects GDP to grow 2.7% in 2010, 2.3% in 2011, and 2.9% in 2012.

CONSUMERS: Consumer spending is a key component in supporting economic growth, as consumption accounts for over two-thirds of economic activity as measured by GDP. Real consumer spending rose 3.4% in 2005, 2.9% in

2006, and 2.6% in 2007. In 2008 and 2009 consumer spending declined 0.3% and 1.2%, respectively. In 2010, real consumption growth has been 1.9%, 2.2%, and 2.6% the first three quarters, and is anticipated to be 2.5% in the fourth quarter of 2010. The growth of 2.6% realized in the third quarter was led by an increase in spending on durable goods as consumers are now making purchases that were delayed during the recession. This recent growth is good news as retail sales are expected to be better than recent years. However, consumers are anticipated to remain cautious due to depressed household net worth, tight credit, and high unemployment. Continuing improvement in employment will help promote income and spending gains in 2011, but IHS Global Insight does expect the income tax burden to increase in 2012 and beyond as the federal government must act on the budget deficit. This increased tax burden will limit real disposable income gains in the medium term. Consumer confidence has improved recently according to both the Reuters/University of Michigan's index of consumer confidence, which indicated a 1.6 point rise in November, and the Conference Board's consumer confidence index, which increased by 1.6 points in October. On an annual basis, real consumption is projected to increase by 1.7% in 2010 and then grow 2.4% in 2011. However, growth is expected to be slightly less in 2012 at 2.0% growth as the income tax burden is projected to increase.

The personal savings rate (as % of disposable income) was 5.5% in the third quarter of 2010. The savings rate is expected to remain higher than what was experienced prior to the recession as consumers will remain cautious. The savings rate is projected to be 5.6% in 2010, 4.8% in 2011, and 3.7% in 2012. In 2007, 2008, and 2009, the savings rate was 2.1%, 4.1%, and 5.9%, respectively.

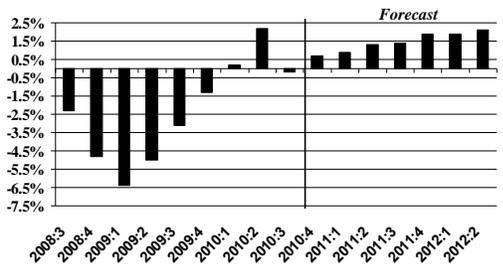
EMPLOYMENT: The latest U.S. payroll employment report indicated total nonfarm employment grew by 151,000 jobs in October. Private-sector employment increased by 159,000, which increased the total gains for private payrolls to more than 1.1 million since January of 2010. Continued growth is expected in 2011 and 2012, but larger gains are needed to bring the unemployment rate down. The sectors showing gains over the past several months include: manufacturing, wholesale trade, retail trade, professional and business services, education and health services, and leisure and hospitality. Job gains are expected to continue in the fourth quarter and average about 920,000 jobs higher than the fourth quarter of 2009, which is just a fraction of the 8.4 million jobs that were lost. IHS Global Insight is forecasting employment to return to the original peak level (reached in the first quarter of 2008) during the first quarter of 2014. The current forecast shows employment to decline 0.6 million jobs in 2010 on an

annual basis, compared to 2009. In 2011 and 2012, employment growth will return adding 1.3 million and 2.4 million jobs, respectively.

The unemployment rate in October remained steady at 9.6% compared to the previous month and was 0.5% lower than one year ago. The unemployment rate is expected to remain elevated during 2011 and will begin to recede in 2012 as employment growth becomes more robust. On an annual basis the unemployment rate was 4.6% in 2007, 5.8% in 2008, and 9.3% in 2009. In 2010 and 2011, the unemployment rate is projected to be 9.7% and 9.6%, respectively. In 2012, the unemployment rate is projected to decline to 9.1% and gradually improve thereafter. However, the unemployment rate is not expected to fall below 7% until 2016 according to the most recent forecast.

In the first and second quarter of 2010, nonfarm payroll employment realized growth of 0.2% and 2.2%, (seasonally adjusted annual rate) as temporary census workers were added to payrolls during that timeframe. During the third quarter, the growth rate was -0.2% as those temporary census jobs were removed from payrolls. Positive employment growth is projected at 0.7% in the fourth quarter of 2010, which is expected to continue into 2011 with growth rates of 0.9%, 1.3%, 1.4%, and 1.9% in the four quarters of 2011. In the first two quarters of 2012, payroll employment growth is projected to accelerate with growth of 1.9% and 2.1%, respectively.

**IHS Global Insight's Baseline
Forecast of Employment Growth**



On an annual basis, payroll employment in the U.S. increased 1.1% in 2007 and then decreased 0.6% and 4.3% in 2008 and 2009, respectively. Payroll employment is forecasted to decline 0.5% in 2010 and then increase 1.0% and 1.8% in 2011 and 2012, respectively.

HOUSING: The single-family housing market was temporarily revived with the homebuyer's tax credit in late 2009 and early 2010, but in mid-2010 home sales plummeted as the credit ended in April. Real spending on residential fixed investments jumped 26% in the second quarter, and then declined by

29% in the third quarter, reflecting the true fundamentals in the housing market without the tax credit. Conditions in the housing market remain poor as housing starts fell to the lowest level in 18 months in October. Existing home sales improved in August and September, but the market remains weak. IHS Global Insight's indicates the key for housing and construction going forward is employment growth. Employment growth will increase the household formation rate and reduce the housing supply, which will eventually stimulate new construction.

Total housing starts are projected to be 0.60 million units in 2010, and 0.78 million units in 2011, then recover further to 1.21 million units in 2012 as job growth returns. In 2007, 2008, and 2009, total housing starts were 1.34, 0.90, and 0.55 million units, respectively. IHS Global Insight is forecasting the median price of existing homes to remain flat at 0.0% growth in 2010, mainly due to the homebuyer tax credit. In 2011, prices are expected to decrease by 5.4% and then increase 4.3% in 2012.

INFLATION: The recent increase in oil prices has raised the consumer price index (CPI) higher as the increase in gasoline prices was mostly responsible for the 0.2% increase in the October CPI report. However, the core CPI (excludes food and energy prices) was unchanged in October for the third month in a row. This low inflation reading has the Federal Reserve Open Market committee concerned about deflation in the short term rather than inflation. This is one reason for the additional quantitative easing that was recently announced by the Federal Reserve. Price pressures from rising commodity prices will eventually lead to increases in the core CPI, with little increase next year as overall economy continues to be soft. IHS Global Insight believes that high inflation is not a concern in the short term as the economy remains weak. However, when strong economic growth does return, the Federal Reserve is expected to phase out the liquidity programs in a timely manner to avoid high inflation.

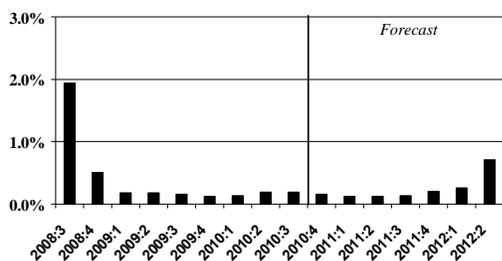
The CPI increased 2.9% in 2007 and 3.8% in 2008. In 2009, the CPI decreased by 0.3% which was the first annual decrease since 1955. The CPI is forecasted to increase 1.7% in 2010, 1.5% in 2011, and 1.9% in 2012. The producer price index for finished goods rose 3.9% in 2007, and 6.4% in 2008, and then declined 2.5% in 2009. It is expected to increase 4.3% in 2010, 1.4% in 2011, and 1.8% in 2012.

MONETARY AND FISCAL POLICY: Monetary and fiscal policy was very aggressive during the economic recession. The Federal Reserve utilized traditional as well as other liquidity and quantitative easing programs in an effort to support financial markets and the economy. In terms of fiscal policy,

the federal government enacted a \$787 billion economic stimulus package in early 2009. Many of these actions helped stabilize the economy. Recently, the Federal Reserve announced additional quantitative easing measures to inject more liquidity into the economy in an effort to avoid deflation and help stimulate economic growth. The Fed plans to purchase \$600 billion in long term Treasury securities over the next several months which will increase the Fed's balance sheet to nearly \$2.6 trillion by mid-2011. IHS Global Insight expects the recent quantitative easing will support growth and prevent deflation over the next two quarters. However, there are possible risks of too much inflation and possibly forming asset bubbles in the future. Thus the Federal Reserve must act timely when choosing to unwind many of the liquidity programs that have been created. In terms of fiscal policy, IHS Global Insight anticipates all of the tax cuts that are set to expire at the end of 2010 will be temporarily extended for one year. If the US Congress fails to act, this would be an unwelcome tightening of fiscal policy for businesses and consumers when the economy is still weak and could jeopardize the recovery.

Currently, the federal funds target rate remains at the record low range of 0%-0.25% since it was set in December of 2008. The Federal Reserve is expected to leave the federal funds rate at the current range until March 2012 when it will begin to gradually raise rates.

IHS Global Insight's Baseline Forecast of the Federal Funds Rate



The unified federal deficit for fiscal year 2010 was \$1,294 billion which is a slight improvement compared to the deficit of \$1,416 billion from federal fiscal year 2009. The improvement in the deficit is a result of both decreased expenditures (defense and nondefense) and improved tax receipts. The \$1.3 trillion deficit represents approximately 8.8% of GDP which is historically very high. IHS Global Insight forecasts a similar deficit in the federal unified deficit of \$1,327 billion in federal fiscal year 2011 assuming all of the tax cuts set to expire at the end of 2010 are all temporarily extended for at least one year. After growing 2.1% in 2006, 1.3% in 2007, 7.7% in 2008, and 5.7% in 2009, real federal government

purchases are expected to increase 4.7% in 2010 and 0.0% in 2011, and decrease 3.5% in 2012.

INTERNATIONAL: In terms of GDP, global economic growth slowed from an annual rate of approximately 4.5% in late 2009 to about 2.8% in the third quarter of 2010. IHS Global Insight is forecasting continued below average growth of less than 3% through the beginning of 2011 before world economic growth improves. World GDP is projected to grow by 4.0% in 2010, but growth is expected to be slightly softer with 3.3% growth in 2011. Sovereign debt problems continue to be an issue in the Eurozone as the economy slowed from 3.7% growth in the second quarter to 1.7% growth in the third quarter. There is some uncertainty in the Asian region as Japan's growth was higher than expected in the third quarter, but some indicators such as manufacturing purchasing manager indexes are indicating soft growth or even economic contraction in the near term. In addition, there has been discussion that China may have to aggressively tighten monetary policy to avoid high inflation. China's economy is expected to slow slightly due to weak export growth to the United States and Europe over the course of 2011. China's real GDP grew 9.1% in 2009, is expected to grow to 10.1% in 2010, and then slow to 8.8% growth in 2011. The forecasts for real GDP growth for 2011 for the United States, Eurozone, Japan, and Canada are 2.3%, 1.4%, 0.7%, and 2.3%, respectively.

The U.S. trade deficit improved in September to \$44.0 billion compared to \$46.5 billion in August due to declines in imports of consumer goods and autos. The trade gap is expected to narrow in the fourth quarter as the weak dollar combined with emerging market growth will make U.S. exports more competitive. Overall, IHS Global Insight forecasts the real trade deficit to be \$435.4 billion in 2010, then improve to \$416.1 billion in 2011 and \$387.2 billion in 2012.

RISKS TO THE FORECAST

The economy has slowed in the second and third quarter of 2010 but appears to have stabilized heading into the fourth quarter. GDP growth going forward is expected to be supported by moderate increases in employment, income, consumer spending, business equipment/software spending, and exports. There is a 15% probability a strong and sustainable economic recovery takes hold much quicker than the baseline economic forecast. In IHS Global Insight's optimistic scenario, GDP is projected to grow 2.8% in 2010, followed by robust growth of 3.8% in 2011 and 3.7% in 2012. The optimistic scenario assumes the private-sector recovers quickly and stronger than the baseline forecast. The growth from additional monetary stimulus offsets the drag from the 2009 fiscal stimulus that phases out. In the

SOUTH DAKOTA ECONOMY

RECENT ECONOMIC ACTIVITY

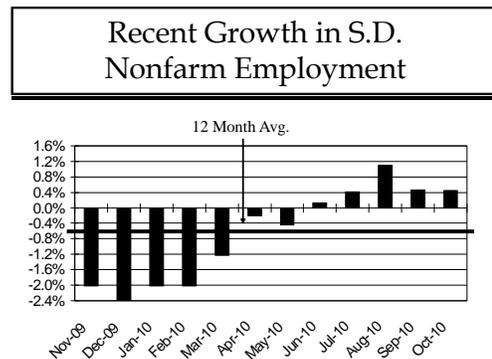
This section briefly summarizes recent economic activity in South Dakota. A prime indicator of a state's economic health is the growth rate of nonfarm employment, as it is considered by most economists as the most timely and comprehensive measure of the performance of a state's economy.

optimistic scenario, the economy begins to grow rapidly with real GDP growth of 4.0% or better for five quarters in a row. The optimistic scenario assumes stronger total factor productivity growth enhanced by innovation in the technology sector. Also, it assumes credit markets begin functioning normally and strong growth occurs in business fixed investments and residential housing starts in 2011. Overall, the optimistic assumptions anticipate a much better economic outlook than the baseline scenario and assume that the economy will return to strong growth in 2011 and 2012.

Nonfarm employment growth in South Dakota grew 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 severe recession caused a 1.8% decline in South Dakota's employment during 2009. Since early 2010, employment growth has registered positive gains as the South Dakota economy recovers.

While some signs of improvement exist, concerns still remain including extreme weakness in the housing market, high unemployment, and uncertainty for businesses and consumers. IHS Global Insight's pessimistic scenario has a 20% probability of occurring. The pessimistic scenario forecasts back-to-back recessions occurring, as the financial crisis problems re-emerge. Despite additional monetary easing by the Federal Reserve, banks continue to write off large amounts of debt and hold a large amount of reserves. With credit markets still tight and fiscal stimulus fading, the private sector cannot sustain the economic expansion. In the pessimistic scenario, action on the Bush tax cuts does not happen until January 2011 under the new Congress. Most of the cuts are temporarily extended, but the Making Work Pay tax credits are allowed to expire, resulting in a tightened fiscal policy when the economy is still weak. Businesses facing low demand will be forced to freeze wages and lay off employees. In the pessimistic scenario, business capital spending is weaker and the housing market goes into reverse in response to additional employment losses. In Europe, sovereign debt problems become worse pushing stock markets lower resulting in a stronger dollar. The stronger dollar causes an additional drag on growth due to lost export competitiveness. Deflationary pressures take hold in the United States as core inflation falls 0.5% below the baseline rate by the end of 2011. Eventually, when the economy does recover, inflation rises faster than in the baseline forecast. In the pessimistic scenario, real GDP slows to 0.7% growth in the fourth quarter of 2010 and turns negative for the first three quarters of 2011. Over the long term, GDP growth remains weaker than the baseline, due to productivity growth being only 1.3% on average over the next decade, compared to 1.6% growth in the baseline forecast. In the pessimistic forecast, GDP grows 2.6% in 2010, declines 0.1% in 2011, and grows 1.3% in 2012.

South Dakota had relatively strong growth in 2006, 2007, and 2008, adding 8,500, 8,000 and 4,900 jobs, respectively. However, the national recession led to 7,600 job losses during 2009. In October 2010, nonfarm employment was up 0.45% over October 2009. The current forecast indicates the same job level in South Dakota for 2010 compared to 2009 as low job levels early in 2010 will be offset by higher levels later in the year.



The following are some recent key South Dakota economic statistics:

- In the last twelve months (November 2009 through October 2010), nonfarm employment (seasonally adjusted) in South Dakota declined by 0.65% over the same period a year ago. Sectors that experienced growth in the last twelve months were education and health services (1.14%); other services (0.69%); professional and business services (0.25%); trade, transportation, and utilities (0.12%); and government (1.15%). Sectors which have experienced losses over the past 12 months

include: mining, logging, and construction (-5.76%); financial activities (-5.45%); manufacturing (-3.08%); and leisure and hospitality (-0.91%).

- The unemployment rate in South Dakota was the second lowest in the U.S. in October at 4.5%. This was 5.1% below the national rate of 9.6% in October, and 0.2% lower than South Dakota's unemployment rate from October of 2009.
- During the twelve-month period from November 2009 through October 2010, the number of titles issued for new noncommercial vehicles was 28,840, which is an increase of 3,252 vehicles titled over the prior twelve-month period.
- The total number of residential units authorized by building permits issued January through September of 2010 was 2,396, which was down 235 units from the same months in 2009. The value of residential building permits issued year-to-date in 2010 was \$346.8 million. This is an increase of \$2.5 million from the first 9 months of 2009.

COUNCIL OF ECONOMIC ADVISORS

The Council of Economic Advisors, which has been in existence since 1991, consists of 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: Visitor spending in the state totaled \$962.7 million in 2009. This was just a 0.4% decrease in visitor spending compared to 2008, even in the middle of a severe economic recession. The Glacial Lakes and Prairies region experienced the largest percentage increase in visitor spending in 2009 over 2008 at 6.2%.

Tourism attendance has been good at many attractions thus far in 2010 as the state and nation recover from a severe national recession. Visitation at South Dakota state parks experienced an increase of 2.3% over the first 10 months of 2010 and national parks registered an increase of 1.5% through the first 9 months of 2010 compared to 2009. The tourism promotion tax revenue registered a 5.5% year-to-date increase (January through October) in 2010 compared to 2009. Overnight stays at hotels for every region in South Dakota are experiencing increases compared to 2009. Based on the good attendance that has occurred so far during 2010, the outlook for the South Dakota tourism industry is cautiously optimistic as the economy continues to recover from the national recession.

AGRICULTURE: In 2009, the agricultural economy in South Dakota produced cash receipts of \$6.86 billion, which was a decrease of \$0.79 billion from 2008's record level high (excludes government payments). Crops generated \$4.50 billion and livestock generated \$2.36 billion in 2009. The high level of receipts realized in 2009 is due to strong production and relatively high crop prices.

Last year was a good year for overall crop production due to favorable growing conditions across much of South Dakota. In 2009, corn for grain production totaled 706.7 million bushels with an average yield of 151 bushels per acre, an increase of 18 bushels from the 2008 yield. Soybean production was 176.0 million bushels, a 27.5% increase over 2008 levels due to a combination of a yield increase of eight bushels per acre and additional acres harvested. Wheat production was down in 2009 compared to 2008 due to lower yields, fewer acres harvested, and additional acres planted to corn and soybeans. Livestock production in 2009 was similar to 2008 levels. The 2009 calf crop totaled 1.66 million head, equal to 2008's production. The pig crop in 2009 was 3.30 million head, which was up 0.5% from 2008.

Production levels are expected to be relatively strong for South Dakota producers in 2010, although some areas received excess moisture, which prevented planting some acres. According to the National Agricultural Statistics Service as of November 1, corn for grain production is projected to be 595.0 million bushels. The corn yield is estimated to be 140 bushels per acre, down 11 bushels from the 2009 record level. The corn acres harvested for grain is estimated at 4.25 million, which is down 9% from the 2009 level. Soybean production is expected to be 157.7 million bushels with a yield of about 38 bushels per acre, down 4 bushels from the 2009 record high yield. Overall farm income for 2010 is expected to be similar compared to 2009 as lower crop production will be offset by higher prices and lower production costs in 2010. Conditions for livestock producers were more profitable due to higher prices throughout most of 2010 compared to a year ago. As of November 1, South Dakota's 1,000+ capacity feedlots reported 230,000 cattle on feed for the slaughter market, which was up 25,000 head of cattle from a year earlier and up 25,000 from a month earlier.

The Council's outlook for the agricultural economy is optimistic for 2010. Good production levels during 2010 with relatively high prices will be positive for the overall economy in South Dakota. One possible threat to the agricultural economy is the possibility of declining farm real estate values. Although a sharp decline in value is not expected, any decline in farm real estate value would adversely impact the agricultural sector in the short term.

CONSTRUCTION: Although South Dakota has fared better than many other areas of the United States in terms of construction and housing activity, the state has been negatively impacted by the recession and housing crisis. Residential building permits have been depressed since before the recession. However, there are some positive signs that construction activity in South Dakota is stabilizing and beginning to slowly increase. South Dakota's mining, logging, and construction employment sector (of which a majority is construction employment) stabilized in early 2010 and has added jobs over the past five months on a seasonally adjusted basis. Residential building permits over the past 12 months (October 2009 – September 2010) were higher by 87 units and the value of permits was \$14.25 million higher than the same time period a year earlier.

Although the residential and commercial construction market has been impacted by tight credit availability and higher supply during the recession, interest rates continue to be very attractive which should increase activity as the economy recovers and more jobs are created. The Council believes construction activity will slowly improve as long as the US economic recovery continues in 2011.

SOUTH DAKOTA FORECAST HIGHLIGHTS

IHS Global Insight'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.

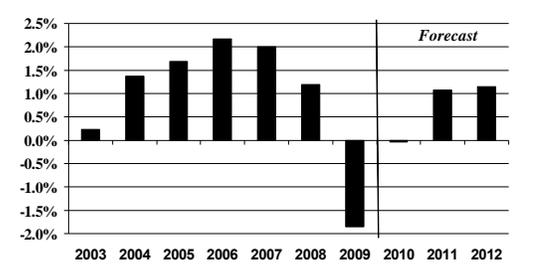
The economic expansion that spanned approximately seven years in South Dakota came to an abrupt end in late 2008 as the national recession and financial crisis pulled South Dakota's economy into a recession. Starting in the end of 2008 and throughout much of 2009, economic activity declined by many measures. Job losses and economic uncertainty had a negative impact on consumer spending and confidence during the recession. However, in 2010, increases in employment and spending in the economy signal that the economy is in the recovery phase. Overall, the South Dakota economy is expected to continue to recover slowly through 2011 and into 2012 as consumers and businesses regain confidence.

EMPLOYMENT: Traditionally, South Dakota has several advantages over other states which account for its ability to grow employment. Some of these advantages include a pro-business environment, a central geographic location, a low cost of doing business, and a high quality of life. These competitive advantages are expected to continue

employment growth during the economic recovery phase.

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 rose 0.2% in 2003. Over the next four years, employment growth accelerated to 1.4% in 2004, 1.7% in 2005, 2.2% in 2006, and 2.0% in 2007. 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, a 1.8% decline in employment was realized as the national recession caused major job losses in manufacturing, construction, and professional and business services sectors. For 2010, the employment levels are expected to be at a 0.0% change compared to 2009 on an annual basis. In 2011 and 2012 nonfarm employment growth is projected to slowly recover, growing 1.1% and 1.2%, respectively. In 2010, on an annual basis, the sectors projected to post gains are professional and business services, wholesale trade, health and education services, and government. Employment losses projected on an annual basis in 2010 are in manufacturing; logging, mining, and construction; retail trade; leisure and hospitality; and financial activities. In 2011, annual employment increases are projected across all sectors with the exception of financial activities and retail trade. In 2012, the recovery is projected to improve with growth expected to return in all major employment sectors.

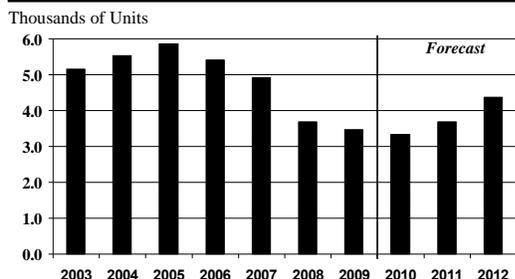
Growth in Nonfarm Employment



HOUSING: Favorable interest rates and changing demographics in the state contributed to a strong housing sector from 1998 through 2005 since the number of housing starts in South Dakota increased each year. Since 2005, the number of housing starts in South Dakota has declined each year. Housing starts have stabilized in 2010 as evidenced from residential housing permits.

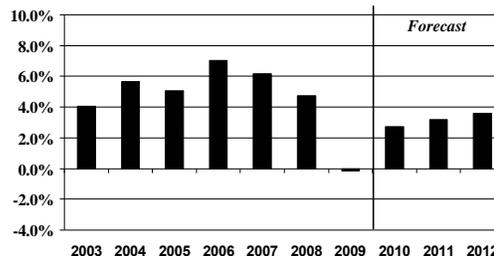
The housing market is expected to slowly recover in 2011 and 2012 as demand becomes more balanced with supply. Mortgage rates are projected to remain attractive as the Federal Reserve continues to maintain a low interest rate policy. As job growth rises in 2011 and 2012, housing starts are expected to show marginal gains, but will continue to be below levels realized during the early part of this decade. Housing starts were 3,470 in 2009 and are projected to be 3,340 in 2010, 3,680 in 2011, and 4,380 in 2012.

Housing Starts



INCOME: Between 1990 and 2000, the average annual growth rate in nonfarm personal income in South Dakota grew at an average rate of 6.2%, which was higher than the U.S. average growth of 5.9% over the same time period. However, due to the 2001 recession and declines in nonfarm employment, income growth slowed both in South Dakota and in the U.S. Nonfarm personal income in South Dakota grew 7.2% in 2001, 4.5% in 2002, and 4.0% in 2003. From 2004 through 2007, nonfarm income growth rebounded with growth rates of 5.6%, 5.1%, 7.0%, and 6.2%, respectively. The higher growth rates in those years were due to strong employment increases and a growing economy. However, in 2008, the national economic recession softened nonfarm personal income growth to 4.8%. In 2009, nonfarm personal income decreased by 0.2% in South Dakota as the severe national recession caused significant job losses. This was the first annual decrease in nonfarm personal income in South Dakota since 1937. Nonfarm income growth is forecasted to increase by 2.7% in 2010, due to stabilizing employment and increased confidence in the economy. In 2011 and 2012, the forecast is for below average growth of 3.2% and 3.6%, reflecting a slow economic recovery and low inflation expectations.

Growth in Nonfarm Personal Income



RISKS TO THE FORECAST

The Council of Economic Advisors sees some key risks to the current forecast. The biggest risk to South Dakota's economy would be the national economy sliding back into a recession during 2011. The national economy is recovering, but is still vulnerable as fiscal stimulus fades in 2011. The possibility exists of the US economy slipping back into an economic recession during 2011 after recovering during 2010. Another key risk to the state's economy is the continued impact of credit card legislation and financial legislation at the national level. This has had a negative impact on financial services employment in South Dakota and may continue to do so over the forecast period more than what is anticipated. Also, a risk to the agriculture economy is the possibility of declining farm real estate values which could negatively impact the agriculture sector.

If any of these perceived risks were to occur, employment levels could see additional declines in the short term. If employment were to decline, it would negatively impact income growth and consumer spending in the economy.

REVENUE ESTIMATES

SUMMARY

General fund receipts for FY2011 are forecasted at \$1,162.8 million. Ongoing revenues comprise \$1,139.0 million of the total, and one-time revenues comprise \$23.9 million of the total (includes \$14.0M of reserves). The ongoing estimate for FY2011 is an increase of \$29.2 million from actual FY2010 ongoing receipts. Categories forecasted to show major increases in FY2011 include sales and use tax (+\$29.4M), trust funds (+\$18.7M), charges for goods and services (+\$9.3M), contractor's excise tax (+\$5.3M), licenses, permits, and fees (+\$1.6M), and severance taxes (+\$1.2M). Major decreases between actual FY2010 and estimated FY2011 ongoing revenue are forecasted from bank franchise tax (-\$17.8), property tax reduction fund receipts (-\$10.3M), investment income and interest (-\$4.9M) and net transfers in (-\$3.6M).

The revised ongoing estimate for FY2011 is \$15.8 million less than the ongoing estimate adopted during the 2010 legislative session. Major positive adjustments for the revised FY2011 estimate are for charges for goods and services (+\$10.2M), sales and use tax (+\$10.2M), severance taxes (+\$1.8M), net transfers in (+\$1.5M), and investment income and interest (+\$1.4M). The most significant downward revisions are from the bank franchise tax (-\$21.0M), the contractor's excise tax (-\$13.6M), the property tax reduction fund receipts (-\$5.8M), and the insurance company tax (-\$1.1M).

General fund receipts for FY2012 are projected to be \$1,194.4 million. Ongoing revenues are forecasted to be \$1,156.5 million, and one-time receipts are expected to be \$37.9 million (includes \$36.9M of reserves). The forecast for ongoing receipts in FY2012 is an increase of \$17.5 million from the revised FY2011 projection of ongoing receipts. The most significant sources of growth between the revised FY2011 estimate and the FY2012 forecast are the sales and use tax (+\$19.8M), the contractor's excise tax (+4.6M), and the insurance company tax (+\$2.3M). The sources forecasted to have the most significant decrease in collections between FY2011 and FY2012 are the property tax reduction fund receipts (-\$5.4M), the investment income and interest earnings (-\$1.4M) and charges for goods and services (-\$1.1M).

CURRENT REVENUE FORECAST (Dollars in Millions)

	<u>FY2011</u>	<u>FY2012</u>
Sales and Use Tax	681.5	701.3
Contractor's Excise Tax	66.5	71.1
Bank Franchise Tax	3.9	4.0
Insurance Company Tax	62.3	64.6
Property Tax Reduction Fund	112.8	107.4
Other Ongoing Revenues	211.9	208.1
One-Time Receipts	9.9	1.0
Property Tax Reserves	14.0	36.9
Total Revenue	1,162.8	1,194.4

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 58% of ongoing general fund revenues. Between FY1980 and FY2010, the sales and use tax grew from \$140.6 million to \$652.1 million, which was an average annual increase of 5.2%. In FY2002 and FY2003, the growth of sales and use tax collections was soft (1.2% and 3.9%, respectively) due to a national recession and drought conditions which impacted the agriculture sector. From FY2004 through FY2006, growth in the sales and use tax was strong (6.8%, 5.1%, and 8.0%) due to the strengthening economy. In FY2007, growth was below average (4.6%) due to drought conditions throughout much of the state. In FY2008, growth in the sales and use tax was above average (6.9%) due to increased employment and a strong farm economy. In FY2009 and FY2010, growth was below average (2.3% and -1.2%) due to a severe national recession causing declines in employment.

Net collections from the sales and use tax in FY2010 were \$652.1 million, which was a decrease of \$7.6 million, or 1.2%, compared to FY2009. Through the first four months of FY2010, net sales and use tax collections to the general fund were \$245.6 million, which is an increase of 6.1% from the first four months of FY2010 as the economy is recovering from a severe recession. For the revised FY2011 estimate, the sales and use tax is forecasted at \$681.5 million, which is an increase of \$29.4 million, or 4.5%, compared to FY2010. For FY2012, the sales and use tax is forecasted at \$701.3 million, which is an increase of \$19.8 million, or 2.9%, over the revised FY2011 estimate.

CONTRACTOR'S EXCISE TAX

Collections from the contractor's excise tax account for approximately 6% of ongoing general fund revenues. Construction activity has a direct impact on the growth in the contractor's excise tax collections. This expansion in activity contributed to

the increase in contractor's excise tax collections from \$16.2 million in FY1988 to \$61.1 million in FY2010. In FY2010, net collections to the general fund from the contractor's excise tax declined \$9.2 million, or 13.1%, from FY2009 after adjusting for large construction project refunds. The decline in FY2010 is attributed to a decline in both residential and commercial construction activity. Through the first four months of FY2010, net contractor's excise tax collections were \$25.1 million, a decrease of 4.3% compared to the first four months of FY2010 after adjusting for large project refunds. Contractor's excise tax collections for FY2010 are forecasted to be \$66.5 million, which is an increase of \$5.3 million, or 8.7%, over FY2010 collections. FY2012 collections are forecasted at \$71.1 million, which is an increase of \$4.6 million, or 6.9% over the revised FY2011 estimate.

BANK FRANCHISE TAX

Collections from the bank franchise tax historically account for approximately 2.5% of ongoing general fund revenues although this is not expected to occur in FY2011 or FY2012. The bank franchise tax is one of the general fund revenue sources that is impacted more by the national economy than by the South Dakota economy. This is due to the fact that historically 80% of the bank franchise tax collections deposited in the general fund are generated by bank card institutions. During the late 1980's, collections grew as the national economy experienced strong growth and the use of credit cards increased. As the national economy slowed in the early 1990's, bank franchise tax collections decreased. In the mid 1990's, as the economy gained momentum and credit card usage and consumer debt increased, bank franchise tax collections grew. At the beginning of this decade, collections decreased due to the 2001 national recession. However, from FY2003 to FY2007 collections experienced solid growth as the economy recovered from the 2001 economic recession. In FY2008, FY2009, and FY2010 collections decreased as a severe national recession negatively impacted bank franchise tax collections.

Collections from the bank franchise tax were \$21.7 million in FY2010, which was a decrease of \$11.7 million, or 35.1%, from FY2009. Collections declined in FY2010 due to a national recession putting pressure on bank income as well as various changes in the bank card industry. Through the first four months of FY2011, collections were \$1.3 million, which was a decrease of 90.4% compared to the same time period last year. FY2011 collections are projected to be \$3.9 million, which is a decrease of \$17.8 million, or 82.0%, compared to FY2010

collections. Collections are expected to be \$4.0 million in FY2012, which is an increase of \$0.1 million, or 3.5%, over the revised FY2011 estimate.

INSURANCE COMPANY TAX

Collections from the insurance company tax account for approximately 5.5% of ongoing general fund revenues. Between FY1985 and FY2010, insurance company tax collections grew from \$17.2 million to \$61.7 million, which was an average annual increase of 5.2%. In FY2010, insurance company tax collections were \$61.7 million, which was a decrease of \$0.1 million, or 0.1%, compared to FY2009 collections. During the first four months of FY2011, insurance company tax collections were \$24.7 million, which is a decrease of 1.3% over the same period in FY2010. For FY2011, insurance company tax collections are forecasted at \$62.3 million, which is an increase of \$0.5 million, or 0.9%, over FY2010 collections. For FY2012, insurance company tax collections are forecasted to be \$64.6 million, which is an increase of \$2.3 million, or 3.7%, over the revised FY2011 estimate.

PROPERTY TAX REDUCTION FUND

The Property Tax Reduction Fund (PTRF) has traditionally been the source from which the state has funded property tax relief. Transfers to the general fund from the PTRF account for approximately 10.5% of ongoing general fund revenues, although it is not expected to be this high over the next two fiscal years. In 1996, the Legislature directed that receipts from video lottery be transferred into the PTRF and checks were written from the fund to the counties to fund the first Property Tax Credit Program. When the new state aid formula went into effect in January 1997, property tax relief was then paid out of the general fund through state aid to education. The legislature then directed that money in the PTRF be transferred to the state general fund for property tax relief. Additional approved legislation stated any general fund surplus at the end of a fiscal year be transferred back to the PTRF, after the transfer to the Budget Reserve Fund had been made. HB 1104, passed by the 2003 legislature, imposes a tax of 4% on the gross receipts of telecommunication services. Sixty percent of the revenue collected from this tax is deposited in the PTRF. In 2006, the voters of South Dakota adopted Initiated Measure 2, which increased the tax on a 20 pack of cigarettes by \$1.00 per pack and the tax on a 25 pack of cigarettes by \$1.25 per pack. Initiated Measure 2 also increased the wholesale tax on other tobacco products from 10% to 35% beginning January 1, 2007. The PTRF

receives a 33% share of the revenues in excess of \$35 million each fiscal year from this revenue source. This revenue is annually transferred to the general fund as an ongoing revenue source.

Transfers from the PTRF to the general fund from ongoing revenue sources totaled \$123.2 million in FY2010. In FY2011 and FY2012, ongoing receipts of \$112.8 million and \$107.4 million, respectively, are expected to be transferred from the PTRF to the general fund. The decline in receipts is mainly due to lower estimated video lottery receipts as a result of the expanded public smoking ban which passed in November of 2010. As a result of the public smoking ban, video lottery receipts to the PTRF are expected to decline by 15% for a full year, which spans both FY2011 and FY2012. Included in the FY2011 and FY2012 PTRF estimates are \$7.5 million and \$8.9 million, respectively, from the telecommunications tax as well as \$8.1 million and \$7.7 million, respectively, from the 33% share of the excess tobacco tax. Video lottery receipts to the PTRF in FY2011 and FY2012 are projected to be \$97.2 million and \$90.8 million, respectively.

OTHER ONGOING REVENUES

Receipts included in this category come from the alcohol beverage tax; the alcohol beverage 2% wholesale tax; the cigarette tax; the inheritance and estate tax; licenses, permits, and fees; investment income and interest; charges for goods and services; net transfers in (includes the health care tobacco tax fund transfer and the education enhancement tobacco tax fund transfer); transfers from the Dakota Cement, Education Enhancement, and Health Care Trust Funds; severance taxes; lottery; the sale-leaseback; and the Conservation Reserve Program. For FY2011, collections from other ongoing revenues are projected to be \$211.9 million, approximately 18.6% of total ongoing general fund revenues.

In FY2012, collections from other ongoing revenues are expected to decrease as compared to FY2011 mainly in the investment income and interest earnings (-\$1.4M) and charges for goods and services (-\$1.1M) categories. In FY2012, transfers are anticipated to be available from both the Education Enhancement Trust Fund and the Health Care Trust Fund as both funds are currently above their principle value, although the transfer amounts are expected to be \$0.4 million less than FY2011. For FY2012, collections from other ongoing revenue are projected at \$208.1 million, approximately 18.0 % of total ongoing general fund revenues.

ONE-TIME RECEIPTS

In FY2011, collections from one-time receipts, excluding reserves, are projected to be \$9.9 million which includes \$4.5 million from the Custer State Park Improvement Fund, \$1.5 million from the Tobacco Prevention and Reduction Trust Fund, \$1.0 million from the Tax Relief Fund, \$1.0 million from the Petroleum Release Compensation Fund, \$0.7 million from the Private Activity Bond Fee Fund, \$0.7 million from the Department of Corrections local & endowment funds, \$0.3 million from the Budgetary Accounting Fund, and \$0.3 million from the Other Disease Fund. In FY2012, collections from one-time receipts are projected to be \$1.0 million from the Tobacco Prevention and Reduction Trust fund.

PROPERTY TAX RESERVES

SB 225, passed during the 1996 legislative session, gave the Commissioner of the Bureau of Finance and Management the authority to transfer monies available from the PTRF to the general fund to provide property tax relief through state aid to education. For FY2011 and FY2012, a transfer of \$14.0 million and \$36.9 million, respectively, is projected to be needed to balance the budget.

BUDGET RESERVE

House Bill 1287, passed by the 1991 South Dakota Legislature, created the Budget Reserve Fund. The purpose of its creation was to place resources into a reserve that would only be used to address emergency situations without having to raise taxes or cut spending. In FY1992, \$20.0 million was transferred from the general fund to the Budget Reserve Fund. For each year thereafter, the maximum level of funds in the reserve was set at 5% of the general funds appropriated the prior year in the General Appropriations Act, with the funding coming from any unobligated cash remaining in the general fund at the end of a fiscal year. House Bill

1195, passed by the 2002 South Dakota Legislature, changed the maximum level of funds in the reserve to 10% of the general fund appropriations from the General Appropriations Act for the prior fiscal year. The use of funds within the reserve requires a 2/3 vote by the South Dakota Legislature. The ending cash balance for FY2012 does not assume that surplus funds will be available. If there is a surplus in FY2011, the ending balance in the Budget Reserve Fund will be adjusted accordingly.

BUDGET RESERVE FUND CONDITION STATEMENT

	ACTUAL FY2009	ACTUAL FY2010	ESTIMATED FY2011	ESTIMATED FY2012
Beginning Balance	\$ 43,247,488	\$ 43,398,446	\$ 43,398,446	\$ 43,398,446
Calculations for Maximum Balance in the Fund:				
General Bill Appropriation for Prior Year	\$1,146,522,479	\$1,137,710,565	\$1,122,304,350	\$1,146,304,350
Budget Reserve Fund Percentage	10%	10%	10%	10%
Maximum Amount in the Fund	<u>\$ 114,652,248</u>	<u>\$ 113,771,057</u>	<u>\$ 112,230,435</u>	<u>\$ 114,630,435</u>
Maximum Transferable Amount	<u>\$ 71,404,760</u>	<u>\$ 70,372,611</u>	<u>\$ 68,831,989</u>	<u>\$ 71,231,989</u>
Amount of General Funds Available				
End of Prior Year	\$ 150,957	\$ 0	\$ 0	\$ 0
Transferred in from General Fund	<u>\$ 150,957</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Ending Balance	<u>\$ 43,398,446</u>	<u>\$ 43,398,446</u>	<u>\$ 43,398,446</u>	<u>\$ 43,398,446</u>

NOTE: The totals may not add due to rounding.

COMPARISON BETWEEN LEGISLATIVE ADOPTED AND REVISED ESTIMATE FOR FY2011

	LEGISLATIVE ADOPTED FY2011	REVISED FY2011	DOLLAR CHANGE	PERCENT CHANGE
CONTINUING RECEIPTS				
Sales and Use Tax	\$ 671,368,742	\$ 681,528,022	\$ 10,159,280	1.51
Contractor's Excise Tax	80,041,380	66,465,182	(13,576,198)	(16.96)
Alcohol Beverage Tax	10,090,993	9,981,492	(109,501)	(1.09)
Alcohol Beverage 2% Wholesale Tax	1,473,896	1,411,840	(62,056)	(4.21)
Cigarette Tax	30,000,000	30,000,000	0	0.00
Bank Franchise Tax	24,932,772	3,909,411	(21,023,361)	(84.32)
Insurance Company Tax	63,399,238	62,261,705	(1,137,533)	(1.79)
Licenses, Permits, and Fees	43,823,045	44,292,123	469,078	1.07
Investment Income and Interest	14,234,214	15,654,358	1,420,144	9.98
Charges for Goods and Services	15,949,384	26,184,159	10,234,775	64.17
Net Transfers In	30,442,128	31,901,034	1,458,906	4.79
Trust Funds	30,689,216	30,689,216	0	0.00
Severance Taxes	5,601,593	7,375,336	1,773,743	31.66
Unexpended Carryovers	0	0	0	0.00
Lottery	6,184,152	6,602,608	418,456	6.77
Property Tax Reduction Fund	118,656,193	112,843,293	(5,812,900)	(4.90)
Sale-Leaseback	7,782,263	7,782,263	0	0.00
CRP Program	75,000	75,000	0	0.00
SUBTOTAL (CONTINUING RECEIPTS)	\$ 1,154,744,209	\$ 1,138,957,042	\$ (15,787,167)	(1.37)
ONE-TIME RECEIPTS				
Transfer from Custer State Park Improvement Fund	\$ 4,403,286	\$ 4,466,930	\$ 63,644	1.45
Transfer from Private Activity Bond Fee Fund	698,331	698,331	0	0.00
Transfer from Tobacco Prev. and Red. Trust Fund	1,500,000	1,500,000	0	0.00
Transfer from Budgetary Accounting Fund	310,487	310,487	0	0.00
Transfer from Petroleum Release Fund	1,000,000	1,000,000	0	0.00
Transfer from Tax Relief Fund	1,017,979	1,017,979	0	0.00
Department of Corrections L&E Funds	650,000	650,000	0	0.00
Transfer from Other Disease Fund	292,861	292,861	0	0.00
Transfer from Property Tax Reserves	0	13,955,141	13,955,141	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 9,872,944	\$ 23,891,729	\$ 14,018,785	141.99
GRAND TOTAL	\$ 1,164,617,153	\$ 1,162,848,771	\$ (1,768,382)	(0.15)

NOTE: The totals may not add due to rounding.

**COMPARISON BETWEEN FY2010 AND FY2011
REVENUE COLLECTIONS**

	<u>ACTUAL FY2010</u>	<u>REVISED FY2011</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
CONTINUING RECEIPTS				
Sales and Use Tax	\$ 652,115,527	\$ 681,528,022	\$ 29,412,496	4.51
Contractor's Excise Tax	61,137,330	66,465,182	5,327,852	8.71
Alcohol Beverage Tax	9,822,974	9,981,492	158,518	1.61
Alcohol Beverage 2% Wholesale Tax	1,354,595	1,411,840	57,245	4.23
Cigarette Tax	30,000,000	30,000,000	0	0.00
Bank Franchise Tax	21,669,223	3,909,411	(17,759,812)	(81.96)
Insurance Company Tax	61,734,032	62,261,705	527,673	0.85
Licenses, Permits, and Fees	42,700,249	44,292,123	1,591,874	3.73
Investment Income and Interest	20,586,431	15,654,358	(4,932,073)	(23.96)
Charges for Goods and Services	16,856,600	26,184,159	9,327,559	55.33
Net Transfers In	35,507,852	31,901,034	(3,606,818)	(10.16)
Trust Funds	12,000,000	30,689,216	18,689,216	155.74
Severance Taxes	6,158,958	7,375,336	1,216,378	19.75
Unexpended Carryovers	435,801	0	(435,801)	(100.00)
Lottery	5,979,831	6,602,608	622,777	10.41
Property Tax Reduction Fund	123,174,513	112,843,293	(10,331,220)	(8.39)
Sale-Leaseback	8,457,825	7,782,263	(675,562)	(7.99)
CRP Program	104,006	75,000	(29,006)	(27.89)
SUBTOTAL (CONTINUING RECEIPTS)	<u>\$ 1,109,795,746</u>	<u>\$ 1,138,957,042</u>	<u>\$ 29,161,296</u>	<u>2.63</u>
ONE-TIME RECEIPTS				
Transfer from Custer State Park Improvement Fund	\$ 2,433,637	\$ 4,466,930	\$ 2,033,293	83.55
Transfer from Private Activity Bond Fee Fund	0	698,331	698,331	100.00
Transfer from Tobacco Prev. and Red. Trust Fund	0	1,500,000	1,500,000	100.00
Transfer from Budgetary Accounting Fund	2,020,021	310,487	(1,709,534)	(84.63)
Transfer from Petroleum Release Fund	0	1,000,000	1,000,000	100.00
Transfer from Aeronautics Fund	2,033,581	0	(2,033,581)	(100.00)
Transfer from Tax Relief Fund	3,533,582	1,017,979	(2,515,603)	(71.19)
Refund of Prior Year's Expense	2,200,307	0	(2,200,307)	(100.00)
Transfer from Large Project Liability Account	9,617,142	0	(9,617,142)	(100.00)
Department of Corrections L&E Funds	0	650,000	650,000	100.00
Transfer from Other Disease Fund	0	292,861	292,861	100.00
Transfer from Property Tax Reserves	0	13,955,141	13,955,141	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 21,838,270</u>	<u>\$ 23,891,729</u>	<u>\$ 2,053,459</u>	<u>9.40</u>
GRAND TOTAL	<u>\$ 1,131,634,016</u>	<u>\$ 1,162,848,771</u>	<u>\$ 31,214,755</u>	<u>2.76</u>

NOTE: The totals may not add due to rounding.

**COMPARISON BETWEEN FY2011 AND FY2012
REVENUE COLLECTIONS**

	<u>REVISED FY2011</u>	<u>PROJECTED FY2012</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
CONTINUING RECEIPTS				
Sales and Use Tax	\$ 681,528,022	\$ 701,313,453	\$ 19,785,431	2.90
Contractor's Excise Tax	66,465,182	71,062,460	4,597,278	6.92
Alcohol Beverage Tax	9,981,492	10,195,160	213,668	2.14
Alcohol Beverage 2% Wholesale Tax	1,411,840	1,498,201	86,361	6.12
Cigarette Tax	30,000,000	30,000,000	0	0.00
Bank Franchise Tax	3,909,411	4,047,921	138,510	3.54
Insurance Company Tax	62,261,705	64,560,250	2,298,545	3.69
Licenses, Permits, and Fees	44,292,123	45,020,388	728,265	1.64
Investment Income and Interest	15,654,358	14,284,560	(1,369,798)	(8.75)
Charges for Goods and Services	26,184,159	25,114,557	(1,069,602)	(4.08)
Net Transfers In	31,901,034	31,048,824	(852,210)	(2.67)
Trust Funds	30,689,216	30,292,166	(397,050)	(1.29)
Severance Taxes	7,375,336	7,304,260	(71,076)	(0.96)
Unexpended Carryovers	0	0	0	0.00
Lottery	6,602,608	6,188,500	(414,108)	(6.27)
Property Tax Reduction Fund	112,843,293	107,438,672	(5,404,621)	(4.79)
Sale-Leaseback	7,782,263	7,111,219	(671,044)	(8.62)
CRP Program	75,000	0	(75,000)	(100.00)
SUBTOTAL (CONTINUING RECEIPTS)	<u>\$ 1,138,957,042</u>	<u>\$ 1,156,480,591</u>	<u>\$ 17,523,549</u>	<u>1.54</u>
ONE-TIME RECEIPTS				
Transfer from Custer State Park Improvement Fund	\$ 4,466,930	\$ 0	\$ (4,466,930)	(100.00)
Transfer from Private Activity Bond Fee Fund	698,331	0	(698,331)	(100.00)
Transfer from Tobacco Prev. and Red. Trust Fund	1,500,000	1,000,000	(500,000)	(33.33)
Transfer from Budgetary Accounting Fund	310,487	0	(310,487)	(100.00)
Transfer from Petroleum Release Fund	1,000,000	0	(1,000,000)	(100.00)
Transfer from Tax Relief Fund	1,017,979	0	(1,017,979)	(100.00)
Department of Corrections L&E Funds	650,000	0	(650,000)	100.00
Transfer from Other Disease Fund	292,861	0	(292,861)	100.00
Transfer from Property Tax Reserves	13,955,141	36,908,941	22,953,800	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 23,891,729</u>	<u>\$ 37,908,941</u>	<u>\$ 14,017,212</u>	<u>58.67</u>
 GRAND TOTAL	 <u><u>\$ 1,162,848,771</u></u>	 <u><u>\$ 1,194,389,532</u></u>	 <u><u>\$ 31,540,761</u></u>	 <u><u>2.71</u></u>

NOTE: The totals may not add due to rounding.

GENERAL FUND RECEIPTS

	<u>ACTUAL FY2009</u>	<u>ACTUAL FY2010</u>	<u>REVISED FY2011</u>	<u>PROJECTED FY2012</u>
CONTINUING RECEIPTS				
Sales and Use Tax	\$ 659,735,445	\$ 652,115,527	\$ 681,528,022	\$ 701,313,453
Contractor's Excise Tax	70,373,945	61,137,330	66,465,182	71,062,460
Alcohol Beverage Tax	9,537,513	9,822,974	9,981,492	10,195,160
Alcohol Beverage 2% Wholesale Tax	1,284,896	1,354,595	1,411,840	1,498,201
Cigarette Tax	30,000,000	30,000,000	30,000,000	30,000,000
Bank Franchise Tax	33,409,213	21,669,223	3,909,411	4,047,921
Insurance Company Tax	61,823,150	61,734,032	62,261,705	64,560,250
Licenses, Permits, and Fees	42,248,341	42,700,249	44,292,123	45,020,388
Investment Income and Interest	16,315,214	20,586,431	15,654,358	14,284,560
Charges for Goods and Services	16,570,377	16,856,600	26,184,159	25,114,557
Net Transfers In	19,327,158	35,507,852	31,901,034	31,048,824
Trust Funds	32,872,694	12,000,000	30,689,216	30,292,166
Severance Taxes	4,868,142	6,158,958	7,375,336	7,304,260
Unexpended Carryovers	1,695,722	435,801	0	0
Lottery	5,588,568	5,979,831	6,602,608	6,188,500
Property Tax Reduction Fund	125,463,350	123,174,513	112,843,293	107,438,672
Sale-Leaseback	9,141,450	8,457,825	7,782,263	7,111,219
CRP Program	341,988	104,006	75,000	0
SUBTOTAL (CONTINUING RECEIPTS)	<u>\$1,140,597,167</u>	<u>\$1,109,795,746</u>	<u>\$1,138,957,042</u>	<u>\$1,156,480,591</u>
ONE-TIME RECEIPTS				
Transfer from Telecommunications Relay Service	\$ 1,000,000	\$ 0	\$ 0	\$ 0
Transfer from Custer State Park Improvement Fund	6,325,898	2,433,637	4,466,930	0
Transfer from Private Activity Bond Fee Fund	1,500,000	0	698,331	0
Transfer from Prison Industries Revolving Fund	1,000,000	0	0	0
Transfer from Tobacco Prev. and Red. Trust Fund	2,500,000	0	1,500,000	1,000,000
Transfer from Budgetary Accounting Fund	0	2,020,021	310,487	0
Transfer from Petroleum Release Fund	0	0	1,000,000	0
Transfer from Aeronautics Fund	0	2,033,581	0	0
Refinancing Gains	475,000	0	0	0
Transfer from Tax Relief Fund	0	3,533,582	1,017,979	0
Refund of Prior Year's Expense	0	2,200,307	0	0
Transfer from Large Project Liability Account	0	9,617,142	0	0
Department of Corrections L&E Funds	0	0	650,000	0
Transfer from Other Disease Fund	0	0	292,861	0
Transfer from Property Tax Reserves	0	0	13,955,141	36,908,941
Obligated Cash Carried Forward	150,957	0	0	0
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 12,951,855</u>	<u>\$ 21,838,270</u>	<u>\$ 23,891,729</u>	<u>\$ 37,908,941</u>
GRAND TOTAL	<u>\$1,153,549,022</u>	<u>\$1,131,634,016</u>	<u>\$1,162,848,771</u>	<u>\$1,194,389,532</u>

NOTE: The totals may not add due to rounding.

RECOMMENDED EXPENDITURES

OVERVIEW

Governor Rounds' FY2012 budget reflects a continuing commitment to three key segments: providing a quality education for our children; helping those who cannot take care of themselves including the very young and the very old; and protecting society from those who would do us harm.

The Governor recommends a reduction to the per student allocation for state aid to general education which makes it \$4,564.37. He also recommends maintaining the total available funding for state aid to special education in FY2012. Due to record enrollment levels at the technical institutes, an increase of \$473,931 in general funds is recommended. Also included in the ongoing general fund budget for the Department of Education is a total of \$1,970,416 for sparse school districts and \$494,800 for consolidation incentives.

The ongoing budget for the Board of Regents contains an increases of \$3.8 million in general funds, \$53.8 million in federal fund expenditure authority, and \$19.9 million in other fund expenditure authority, for a total increase of \$77.5 million, with an increase of 227.5 FTE. Included in the general fund increases is \$742,085 for the replacement of American Recover and Reinvestment Act (ARRA) State Fiscal Stabilization Funds (SFSF).

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. On the general fund side, the Departments of Health, Human, and Social Services account for \$40.9 million of the \$29.8 million of ongoing increases, which is 137.4% of the total ongoing general fund increase. This portion of the total budget comprises \$9.7 million of the \$13.1 million in ongoing total fund increases for FY2012.

Social Services will see ongoing increases of \$38.7 million in general funds and \$1.3 million in other fund expenditure authority, along with a decrease of \$27.2 million in federal fund expenditure authority. Four major components influencing this budget are: 1) the loss of funds previously received from the ARRA which results in a \$26.9 million general funds increase; 2) a \$11.8 million increase in general funds due to the Federal Medical Assistance

Percentage rate change; 3) consumer expansion, which amounts to \$10.5 million in general funds and \$17.7 million in federal fund expenditure authority and includes increased utilization of services and additional clients; and 4) provider rate reductions, which amount to decreases of \$11.0 million in general funds, \$15.9 million in federal fund expenditure authority, and \$11,362 in other fund expenditure authority.

The Human Services ongoing budget is increasing by \$2.9 million in general funds along with decreasing by \$4.0 million in federal fund expenditure authority and \$0.4 million in other fund expenditure authority. Increases of \$1.5 million in general funds and \$2.0 million in federal fund expenditure authority are for additional clients served. An increase of \$5.1 million in general funds and a corresponding decrease in federal fund expenditure authority is due to the loss of funds previously received from the ARRA for Medicaid. Provider rate reductions took place totaling \$3.2 million in general funds and \$3.5 million in federal fund expenditure authority. Various other general fund reductions also took place throughout the entire budget.

The ongoing budget for the Department of Health includes decreases of \$0.7 in general funds and \$2.5 million in federal fund expenditure authority and an increase of \$1.7 million in other fund expenditure authority. This includes a temporary decrease of \$349,000 in general funds related to the flu vaccine as the Department has sufficient supply for the fiscal year.

To address the safety of our State's citizens, a progressive criminal justice system is in place. The ongoing budget for Corrections will increase by \$5.1 million in general funds and decreases of \$9.7 million in federal fund expenditure authority, and \$2.5 million in other fund expenditure authority and 25.7 FTE. The primary general fund increase in this budget is due to the replacement of \$8.3 million of ARRA SFSF and Medicaid funding. Additional general fund increases of \$2.3 million, including: 1) funding for the new Rapid City Minimum Unit and Parole facility; 2) inmate health care costs; 3) FMAP rate changes for juvenile group & residential placement services; 4) ongoing support for the Offender Management System; and 4) projected utilities and food services. Provider rate reductions took place totaling \$444,556 in general funds and \$371,662 in federal fund expenditure authority. Various other general fund reductions also took place throughout the entire correctional system.

The Department of Public Safety and the Office of the Attorney General are also engaged in providing for the safety of the public. The Department of Public Safety's ongoing budget includes decreases of \$0.4 in general funds and 1.0 FTE and an increase of \$10,000 in other fund expenditure authority. The Office of the Attorney General's ongoing general fund budget is decreasing by \$0.5 million. A reduction of \$140,000 is due to eligible legal services operations becoming supported by consumer settlement funds rather than general funds. In addition, a number of available alternative funding sources will be utilized in efforts to relieve demand on the general fund.

The safety of South Dakota's citizens is also addressed within the ongoing budget for the Unified Judicial System which has no changes this fiscal year.

<u>Description</u>	<u>Inc/ (Dec)</u>	<u>FTE</u>
Executive Branch	\$ 40,438,615	(160.5)
Board of Regents	3,818,909	227.5
State Aid	(\$14,635,161)	
UJS/Legislature/Elected	(310,138)	(1.0)
Technical Institutes	473,931	
Special/Contin. Approp.	867,307	
	<u>\$ 30,653,463</u>	<u>66.0</u>

The Executive Branch, which is under direct control of the Governor, has the following funding changes for FY2012:

General Funds	\$40,438,615
Federal Funds	(\$70,141,566)
Other Funds	\$2,902,487
FTE	66.0

SUMMARY OF RECOMMENDED BUDGET ADJUSTMENTS

STATE AID, HIGHER EDUCATION, EDUCATION

The budgets included in this category are State Aid to Education, Higher Education, and the Department of Education. General funds in this budget account for \$11.5 million decrease out of the \$29.8 million in ongoing changes. This budget comprises of \$42.2 million of the \$13.1 million in ongoing total fund increases for FY2012. In terms of the total ongoing budget, the education category is 46.7% of the general funds and 35.0% of the total ongoing funds, which amounts to \$1.4 billion in total ongoing funding for education.

STATE AID

This category includes state aid to K-12 general education, special education, postsecondary vocational education institutes, sparse school district funding, consolidation incentive funding, and technology in the schools.

The Governor is recommending the per student allocation for state aid to general education to be \$4,564.37 for FY2012. The funding for each disability level for state aid to special education is recommended to be at the same levels as FY2011.

The total recommended budgeted amount for state aid to general education is \$299,837,441 in general funds for FY2012. However, \$26,292,261 in general funds will be available from the FY2011 budget as a result of Stimulus 3 which will also be dedicated towards state aid to general education. The estimated FY2012 fall enrollment of 125,988 was used for calculating the FY2012 budget.

The budgeted amount for state aid to special education is recommended to increase by \$2,832,816 in general funds, bringing the total budget for this program to \$45,565,006 in general funds for FY2012. The increase is recommended in order to meet the federally required maintenance of effort level for special education funding. The recommended budget for FY2012 is based on 0.0% increase in each disability level.

In accordance with SDCL 13-13-78 and SDCL 13-13-79, the Governor is recommending \$1,970,416 of general funds for payments to sparse school districts. An estimated 27 schools will be eligible for sparse payments in FY2012.

In accordance with SDCL 13-6-92 and 13-6-92.1 the Governor is recommending \$494,800 in general

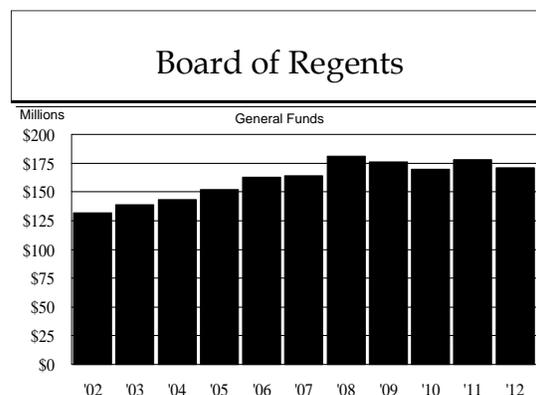
funds for consolidation incentive payments for those school districts that consolidated prior to July 1, 2010.

The Governor is recommending a decrease of \$638,002 in general funds for the technology in schools budget in FY2012. The total recommended budget includes \$5,742,020 in general funds and \$2,520,755 in other fund expenditure authority. The technology in schools budget is used to support ongoing costs of the technology infrastructure for the school districts.

The Governor is recommending an increase of \$473,931 in general funds over the FY2011 base budget for the postsecondary technical institutes. The increase is based on a per student funding level of \$3,219.09 for FY2012. The funding increase is being driven by record enrollment levels at the postsecondary technical institutes. The estimated number of students for the FY2012 budget is an increase of 450 which is a 7.8% increase over the FY2011 budgeted level. The total recommended FY2012 budget for postsecondary institutes is \$21,589,758 in general funds.

BOARD OF REGENTS

The budget for the Board of Regents provides funding for the six state universities (Black Hills State University, Dakota State University, Northern State University, South Dakota School of Mines and Technology, South Dakota State University, and the University of South Dakota). Within the university budgets is funding for the University Center, which is located in Sioux Falls. The state's two special schools, the South Dakota School for the Deaf and the South Dakota School for the Blind and Visually Impaired, are also included in the regental system.



The budget for the Board of Regents contains a net increase of \$77,544,384 in total funds and 227.5 FTE over the FY2011 budget. The increase

consists of \$3,818,909 in general funds, \$53,823,221 in federal fund expenditure authority, and \$19,902,254 in other fund expenditure authority. The total FY2012 recommended budget for the Board of Regents consists of \$171,121,865 in general funds, \$247,589,233 in federal fund expenditure authority, and \$378,436,514 in other fund expenditure authority, for a total FY2012 budget of \$797,147,612 and 5,061.0 FTE.

The FY2012 recommendation includes \$742,085 in general funds to replace lost ARRA stabilization funds. In FY2011, an additional \$10.6 million will be added to their budget which will be committed for higher education and carried over into FY2012. This amount will need to be added to the base budget in FY2013.

The South Dakota Opportunity Scholarship continues to grow. There will not be any available cement plant trust fund earnings so the Governor is recommending a general fund increase of \$31,642 to continue funding the program.

The Board of Regents continues to grow in federal grant and contract activity, along with student support and support staff increases. The recommended budget includes the addition \$64,075,000 in federal fund expenditure authority, \$16,437,298 in other fund expenditure authority, and 227.5 FTE related to federal grant and contract activity and increased lease payments.

EDUCATION

The Governor's recommendation for the Department of Education, including the State Aid to Education formula, reflects a decrease of \$15,270,117 in general funds, \$20,347,128 in federal fund expenditure authority, and an increase of \$274,958 in other fund expenditure authority. The total recommended budget for FY2012 is \$385,179,417 in general funds, \$236,670,218 in federal fund expenditure authority, \$4,424,714 in other fund expenditure authority, and 138.0 FTE.

GENERAL ADMINISTRATION

The total recommended FY2012 budget for this division is \$1,664,476 in general funds, \$8,642,913 in federal fund expenditure authority, \$88,674 in other fund expenditure authority, and 36.5 FTE. Increases in the division include \$920,000 of federal fund expenditure authority due to an increase in the College Access Grant and an increase of \$1,255,005 of federal fund expenditure authority for a High School Graduation Initiative grant that will support effective dropout prevention in targeted high schools. Decreases in this division include a \$1,423,348 reduction in federal fund expenditure authority due to the elimination of the Title IV Safe

and Drug Free Grant, a \$250,000 reduction in general funds for the Gear Up program, a \$100,000 reduction in general funds for contracts with South Dakota Public Broadcasting and a \$25,000 reduction in general funds for the University of South Dakota Summer Gifted Camp. Other decreases within General Administration include a decrease of \$28,642 in general funds, \$6,138 in federal fund expenditure authority and \$42 in other fund expenditure authority related to a re-alignment of budget for space billing.

CURRICULUM, CAREER, AND TECHNICAL EDUCATION

The total recommended FY2012 budget for this division is \$1,088,199 in general funds, \$11,791,362 in federal fund expenditure authority, \$729,352 in other fund expenditure authority, and 15.0 FTE. Changes in this division include an increase of \$1,900,000 in federal fund expenditure authority for the Support for Pregnant and Parenting Teens and Women grant that the division has applied for, which will deliver services to at-risk parenting teens in schools and communities in the state. An increase of \$500,000 in other fund expenditure authority will be utilized for maintenance and repair projects at the Post-Secondary Institutes. An increase of \$250,000 in federal fund expenditure authority is for the increase in the College Access Grant for FY2012. An increase of \$200,000 in federal fund expenditure authority for the EPSCoR grant will provide funding for Science, Technology, Engineering, and Math career programs in local school districts. A reduction of \$205,000 in general funds will reduce state support for Advanced Placement and Dual Credit Programs of Study.

EDUCATION SERVICES AND RESOURCES

This division includes the Office of Assessment and Technology Systems; the Office of Accreditation and Teacher Quality; and the Office of Education Services and Support. The total recommended FY2012 budget for this division is \$5,583,613 in general funds, \$215,043,173 in federal fund expenditure authority, \$899,850 in other fund expenditure authority, and 55.0 FTE. The recommendation for this division includes an increase of \$1,000,000 in federal fund expenditure authority for the Safe and Supportive Schools grant that will support and target statewide learning conditions in schools to improve safety and reduce substance abuse. Decreases within this division include a \$250,000 decrease in other fund expenditure authority due to the division not receiving the Wellmark Foundation grant. A decrease of \$120,830 in general funds in the Birth to Three program is due to a decrease in the number of children served in the program, which also reduces the state maintenance of effort level.

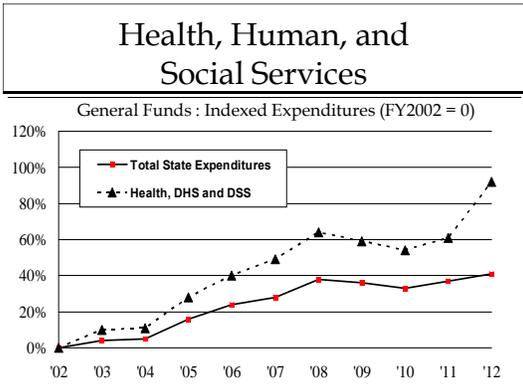
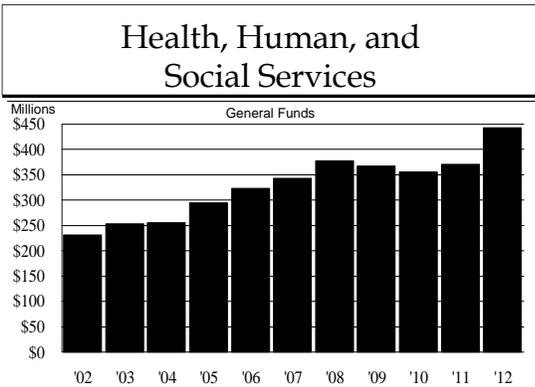
A decrease of \$100,000 in general funds in Child and Adult Nutrition reflects less administrative general fund costs in the program as other federal grants can now pay for these costs. A decrease of \$39,500 in general funds will reduce funding provided to South Dakota Public Broadcasting for educational programming. A decrease of \$20,000 in general funds will reduce funding for the Healthy School Grants.

STATE LIBRARY

The total recommended FY2012 budget for this division is \$1,643,688 in general funds, \$1,192,770 in federal fund expenditure authority, and \$186,083 in other fund expenditure authority. Changes in this division include a decrease of \$219,915 in general funds as expenses that are currently paid with general funds will be shifted to federal grants.

HEALTH, HUMAN, AND SOCIAL SERVICES

The budgets included in this category are the Department of Health, Department of Human Services, and Department of Social Services. General funds account for a \$40.9 million increase out of the \$29.8 million in total ongoing changes. This budget comprises of \$9.7 million of the \$13.1 million in total ongoing fund increases for FY2012. In terms of the total ongoing budget, this category is 37.1% of the general funds and 31.7% of the total ongoing funds, which amounts to \$1.3 billion in total ongoing funding.



HEALTH

The FY2012 Governor's recommended budget for the Department of Health includes decreases of \$746,710 in general funds and \$2,516,231 in federal fund expenditure authority, and an increase of \$1,663,734 in other fund expenditure authority. This includes a decrease of \$65,000 in general funds due to travel and supplies being reduced throughout the department. The total FY2012 budget is \$7,035,575 in general funds, \$42,806,146 in federal fund expenditure authority, and \$33,223,099 in other fund expenditure authority, for a total of \$83,064,820 and 401.2 FTE.

ADMINISTRATION

The FY2012 recommendation for Administration includes a decrease of \$47,695 in general funds and an increase of \$40,672 in other fund expenditure authority. This includes a funding swap of \$40,672 from general funds to other fund expenditure authority. The total recommended budget is \$1,128,261 in general funds, \$6,110,165 in federal fund expenditure authority, \$1,885,017 in other fund expenditure authority, and 31.0 FTE.

HEALTH SYSTEMS DEVELOPMENT AND REGULATION

The recommendation for this division includes decreases of \$139,079 in general funds and \$2,710,000 in federal fund expenditure authority. This includes a decrease of \$25,000 in general funds, as health care facilities will be licensed for a two-year period instead of annually. A funding swap of \$90,000 from general funds to federal fund expenditure authority is recommended because the Trauma Program received a federal grant. A decrease of \$2,800,000 in federal fund expenditure authority is due to the H1N1 grant ending. The total recommended budget is \$2,217,233 in general funds, \$11,334,834 in federal fund expenditure authority, \$1,196,301 in other fund expenditure authority, and 63.5 FTE.

HEALTH AND MEDICAL SERVICES

The changes recommended in the budget for this division include a decrease of \$559,936 in general funds and an increase of \$40,000 in other fund expenditure authority. This includes a reduction of \$117,038 in general funds and an increase of \$40,000 in other fund expenditure authority as latent tuberculosis (TB) infections will no longer be required to report to the department. Also, the number of TB and mold specimens the department pays for is decreasing, resulting in a decrease of \$60,000 in general funds. A decrease of \$349,000 in general funds is also recommended as flu vaccines will not need to be purchased in FY2012 because the department has sufficient funding for one year. The total recommended budget is \$3,690,081 in general funds, \$20,527,159 in federal fund expenditure authority, \$3,809,837 in other fund expenditure authority, and 177.5 FTE.

LABORATORY SERVICES

No changes are recommended for Laboratory Services. The total recommended budget is \$3,074,758 in federal fund expenditure authority, \$3,185,381 in other fund expenditure authority, and 28.0 FTE.

CORRECTIONAL HEALTH

This division has a recommended increase of \$1,083,062 in other fund expenditure authority. An increase of \$1,082,063 in other fund expenditure authority is due to prescription drug and medical supplies inflation and inmate growth. This also includes an increase of \$41,496 in other fund expenditure authority because of inmate expansion at the Rapid City Minimum Unit. Also included is a decrease of \$40,497 in other fund expenditure authority for a provider rate reduction. The total FY2012 budget for this division is \$15,865,871 in other fund expenditure authority and 76.0 FTE.

TOBACCO PREVENTION

The recommendation for Tobacco Prevention includes an increase of \$500,000 in other fund expenditure authority. The total recommended budget is \$1,565,461 in federal fund expenditure authority, \$4,000,000 in other fund expenditure authority, and 3.0 FTE.

PROFESSIONAL AND OCCUPATIONAL LICENSING - INFORMATIONAL

This division is comprised of the informational budgets of the professional and occupational licensing boards. There are eleven boards including the Board of Chiropractic Examiners, Board of Dentistry, Board of Hearing Aid Dispensers, Board of Funeral Service, Board of Medical and Osteopathic

Examiners, Board of Nursing, Board of Nursing Home Administrators, Board of Optometry, Board of Pharmacy, Board of Podiatry Examiners, and Board of Massage Therapy. The total recommended budget for FY2012 for the Boards is \$193,769 in federal fund expenditure authority, \$3,280,692 in other fund expenditure authority, and 22.2 FTE. This includes an increase of \$193,769 in federal fund expenditure authority in the Board of Pharmacy.

HUMAN SERVICES

The Governor is recommending an increase of \$2,944,792 in general funds, and decreases of \$4,035,163 in federal fund expenditure authority and \$375,187 in other fund expenditure authority, for a total decrease of \$1,465,558. The recommendation includes an increase of \$8,084,092 in general funds and a corresponding decrease in federal fund expenditure authority due to the change in the Federal Medical Assistance Percentage (FMAP) for Title XIX and Title XXI programs. Also included are decreases of \$3,237,037 general funds and \$3,455,627 in federal fund expenditure authority for a provider rate reduction. For FY2012, a total budget of \$258,352,224 is recommended, consisting of \$112,103,211 in general funds, \$140,472,108 in federal fund expenditure authority, \$5,776,905 in other fund expenditure authority, and 1,205.2 FTE.

SECRETARIAT

The Governor's recommendation includes a decrease of \$1,960 in general funds, for a total budget of \$1,856,739 and 24.0 FTE.

DEVELOPMENTAL DISABILITIES

The recommendation for the Division of Developmental Disabilities is an increase in general funds of \$4,029,814 and a decrease of \$1,994,913 in federal fund expenditure authority. The Governor's recommendation includes increases of \$1,214,049 in general funds and \$1,795,494 in federal fund expenditure authority to address consumer expansion for individuals with developmental disabilities and \$4,138,779 in federal fund expenditure authority for the transition of the Children's Care Hospital and School (CCHS). Also within the recommended budget is a decrease of \$125,000 in general funds for an autism grant.

SOUTH DAKOTA DEVELOPMENTAL CENTER

The recommendation for the South Dakota Developmental Center includes an increase of \$901,494 in general funds and a decrease of \$1,591,798 in federal fund expenditure authority. The Governor's recommendation includes decreases of \$95,645 in general funds and

\$141,452 in federal fund expenditure authority for utility cost adjustments and \$139,944 in general funds and \$206,966 in federal fund expenditure authority for personal services. The total recommended budget is \$9,309,284 in general funds, \$13,693,528 in federal fund expenditure authority, \$992,145 in other fund expenditure authority, and 395.6 FTE.

ALCOHOL AND DRUG ABUSE

The Governor recommends a decrease of \$677,203 in general funds, an increase of \$371,435 in federal fund expenditure authority, and a decrease of \$442,000 in other fund expenditure authority, for a total decrease of \$747,768. Increases within this division include \$558,880 in general funds and \$826,544 in federal fund expenditure authority due to Centers for Medicare and Medicaid Services (CMS) requiring the state to transition adolescent inpatient treatment to a Psychiatric Residential Treatment Facility (PRTF) classification. The Governor's recommendation also includes decreases of \$442,000 in other fund expenditure authority due to the loss of Tobacco Coalition funding, and \$1,088,166 in general funds for community-based methamphetamine specific treatment.

REHABILITATION SERVICES

The Governor's recommended budget for Rehabilitation Services includes an increase of \$38,344 in general funds and a decrease of \$568,705 in federal fund expenditure authority, for a total decrease of \$530,361. Decreases within this division include \$242,913 in ARRA federal fund expenditure authority that will no longer be needed, \$31,151 in general funds and \$107,233 in federal fund expenditure authority for the Traumatic Brain Injury (TBI) program, and \$139,864 in general funds for Client Services.

TELECOMMUNICATION DEVICES FOR THE DEAF

The Governor is recommending no change to the Telecommunication Devices for the Deaf budget. The total FY2012 budget is \$1,251,680 in other fund expenditure authority.

BOARD OF COUNSELOR EXAMINERS - INFORMATIONAL

The Governor is recommending an increase of \$2,970 in other fund expenditure authority. The total FY2012 budget is \$87,209 in other fund expenditure authority.

BOARD OF PSYCHOLOGY EXAMINERS - INFORMATIONAL

The Governor is recommending no change to the Board of Psychology Examiners budget. The total FY2012 budget is \$76,329 in other fund expenditure authority.

BOARD OF SOCIAL WORK EXAMINERS - INFORMATIONAL

The Governor is recommending no change to the Board of Social Work Examiners budget. The total FY2012 budget is \$93,260 in other fund expenditure authority.

CERTIFICATION BOARD FOR ALCOHOL AND DRUG PROFESSIONALS - INFORMATIONAL

The Governor is recommending an increase of \$4,547 in other fund expenditure authority. The total FY2012 budget is \$142,763 in other fund expenditure authority and 1.3 FTE.

SERVICE TO THE BLIND AND VISUALLY IMPAIRED

The Governor is recommending decreases of \$90,862 in general funds and \$93,320 in federal fund expenditure authority, for a total decrease of \$184,182. A majority of the general fund decrease within this division is \$63,900 for Client Services. The total recommended budget is \$819,083 in general funds, \$2,263,770 in federal fund expenditure authority, \$252,356 in other fund expenditure authority, and 29.2 FTE.

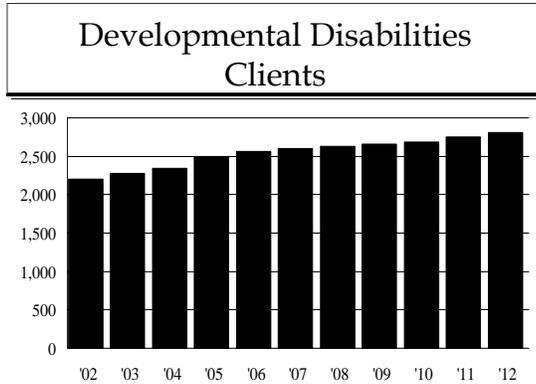
HUMAN SERVICES CENTER

The Governor recommends a decrease of \$1,505,629 in general funds and increases of \$951,067 in federal fund expenditure authority and \$60,000 in other fund expenditure authority. This recommendation includes an increase of \$301,377 in general funds for the annual dietary building bond payment. Recommended decreases include \$1,537,963 in general funds and a corresponding increase in federal fund expenditure authority to realign projected Medicaid and Medicare revenues with expenses, \$111,556 in general funds and \$63,270 in federal fund expenditure authority for utility cost adjustments, \$162,744 in general funds and \$29,625 in federal fund expenditure authority for food services adjustments and \$343,110 in general funds for the annual energy loan payment.

COMMUNITY MENTAL HEALTH

The Governor's recommendation for the Division of Community Mental Health reflects an increase of \$250,794 in general funds and decreases of \$1,108,929 in federal fund expenditure authority

and \$704 in other fund expenditure authority, for a total decrease of \$858,839. Additional funding is recommended for Mental Health consumer expansion at a total cost of \$253,332 in general funds and \$209,299 in federal fund expenditure authority. A recommended decrease of \$50,000 in general funds for contractual services is also included.



SOCIAL SERVICES

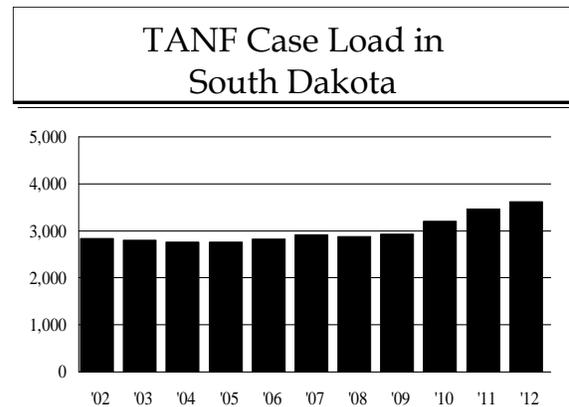
The Governor's recommended budget for the Department of Social Services is \$322,630,419 in general funds, \$615,762,643 in federal fund expenditure authority, and \$9,322,815 in other fund expenditure authority, for a total FY2012 budget of \$947,715,877 and 995.5 FTE. This recommendation includes an increase of \$38,730,532 in general funds, a decrease of \$27,183,859 in federal fund expenditure authority, and an increase of \$1,260,771 in other fund expenditure authority. This budget includes a swap of \$31,800,221 from federal fund expenditure authority to general funds due to the increase in the state's share in the Federal Medical Assistance Percentage (FMAP). Also included are decreases of \$42,159 in general funds, \$59,341 in federal fund expenditure authority, and \$4,642 in other fund expenditure authority due to reductions in travel.

ADMINISTRATION

The recommended budget for Administration includes decreases of \$141,114 in general funds and \$612,207 in federal fund expenditure authority. Increases of \$53,197 in general funds and \$85,160 in federal fund expenditure authority are recommended as computer services utilization is increasing. Also included are decreases of \$200,074 in general funds and \$683,351 in federal fund expenditure authority due to reducing capital asset purchases. The total recommended budget is \$6,989,709 in general funds, \$18,601,745 in federal fund expenditure authority, \$219,117 in other fund expenditure authority, and 177.2 FTE.

ECONOMIC ASSISTANCE

The Governor's recommended budget for Economic Assistance includes decreases of \$1,511,880 in general funds and \$4,263,880 in federal fund expenditure authority, and an increase of \$1,113,932 in other fund expenditure authority. An increase of \$1,924,002 in federal fund expenditure authority is recommended because of Temporary Assistance to Needy Families (TANF) caseload growth. Also recommended is an \$80,280 general fund increase since Supplemental Security Income (SSI) State Supplemented cases have also increased. A decrease of \$6,000,000 in federal fund expenditure authority in weatherization is due to an American Recovery and Reinvestment Act (ARRA) grant ending. A funding swap of \$1,121,122 from general funds to other fund expenditure authority is recommended in order to spend one-time Supplemental Nutrition Assistance Program (SNAP) incentive funds. Also included are decreases of \$204,470 in general funds and \$113,022 in federal fund expenditure authority from reducing the SNAP Employment and Training program from twenty counties to two counties. Decreases of \$330,731 in general funds, \$87,491 in federal fund expenditure authority, and \$7,190 in other fund expenditure authority are for provider rate reductions in the auxiliary placement program. The total recommended budget is \$19,767,406 in general funds, \$66,941,297 in federal fund expenditure authority, \$1,557,735 in other fund expenditure authority, and 320.5 FTE.



MEDICAL AND ADULT SERVICES

The recommended budget for Medical and Adult Services includes an increase of \$39,936,897 in general funds and a decrease of \$19,910,811 in federal fund expenditure authority. The FY2012 recommended budget is \$262,905,463 in general funds, \$479,785,258 in federal fund expenditure authority, \$2,991,730 in other fund expenditure authority, and 145.0 FTE. Increases of \$3,796,438 in general funds and \$5,063,419 in federal fund expenditure authority are for mandatory inflation. Increases of \$6,624,938 in general funds and

\$10,559,154 in federal fund expenditure authority are due to the growth in the number of Medicaid and Children's Health Insurance Program (CHIP) clients and the increased utilization of Medical Services. Additional increases of \$3,297,548 in general funds and \$4,876,839 in federal fund expenditure authority are due to growth in High Cost Claims clients. An increase of \$6,489,287 in general funds is to restore the one-time cut to Medicare Part D which was implemented in the FY2011 budget. An increase of \$6,456,063 in federal fund expenditure authority is for Indian Health Services. Also included are decreases of \$330,700 in general funds and \$489,082 in federal fund expenditure authority for reductions to the graduate medical education program. A decrease of \$95,000 in general funds relates to the Retired Senior Volunteer Program. Decreases of \$10,035,425 in general funds and \$15,209,392 in federal fund expenditure authority are due to provider rate reductions. A decrease of \$1,000,000 in federal fund expenditure authority is due to the victims' services ARRA grant ending.

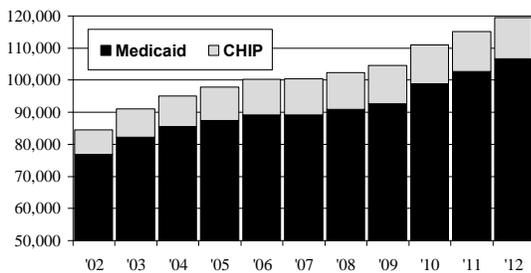
included in this division are decreases of \$609,374 in general funds, \$576,915 in federal fund expenditure authority, and \$4,172 in other fund expenditure authority due to provider rate reductions. The total recommended budget is \$32,967,841 in general funds, \$50,434,343 in federal fund expenditure authority, \$4,554,233 in other fund expenditure authority, and 352.8 FTE.

CORRECTIONS

The Governor's recommended budget for the Department of Corrections is \$81,479,369 in general funds, \$11,281,003 in federal fund expenditure authority, and \$7,101,509 in other fund expenditure authority, for a total FY2012 budget of \$99,861,881 and 859.3 FTE. The overall FY2012 budget recommendation includes an increase of \$5,116,831 in general funds and decreases of \$9,733,937 in federal fund expenditure authority, \$2,503,491 in other fund expenditure authority, and 25.7 FTE, for a net decrease of \$7,120,597.

The Average Daily Count (ADC) of adult inmates is projected to reach 3,610 in FY2012. This represents an increase of 114 inmates over the actual FY2010 ADC of 3,496 inmates, or a 3.3% increase over two years. The average daily population of juveniles in institutional settings within the Department of Corrections is projected to increase from the actual FY2010 ADC of 134 to 142 for FY2012, which is a 6.0% increase over two years.

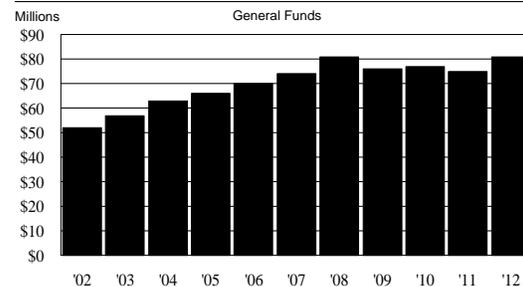
Medical Assistance Case Loads in South Dakota



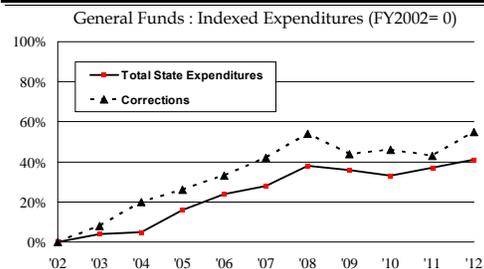
CHILDREN'S SERVICES

The Governor's recommended FY2012 budget for Children's Services includes an increase of \$446,629 in general funds, a decrease of \$2,396,961 in federal fund expenditure authority, and an increase of \$146,839 in other fund expenditure authority. This includes a funding swap of \$362,500 from federal fund expenditure authority to general funds as ARRA provisions are ending. Increases of \$489,363 in general funds and \$329,222 in federal fund expenditure authority are for additional subsidized adoptions and guardianships. Decreases of \$51,000 in general funds and \$99,000 in federal fund expenditure authority are to align child support contractual services with anticipated expenditures. Decreases of \$52,922 in general funds and \$102,731 in federal fund expenditure authority, with a corresponding \$155,653 other fund expenditure authority increase, are to use one-time child support incentive funds. A decrease of \$1,305,928 in general funds is due to reductions made in the child care program. Also

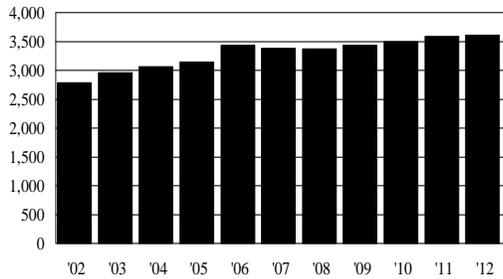
Corrections



Corrections



Average Daily Population of Adult Inmates



ADMINISTRATION

The Governor is recommending an increase of \$9,271,079 in general funds and decreases of \$8,505,596 in federal fund expenditure authority and 2.0 FTE in Administration. The general fund increases represent the projected expenses for Inmate Health Services agreements with the Department of Health, the replacement funding due to the expiration of the American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Funding (SFSF), and the annual software maintenance agreement for the Offender Management System. The recommended decrease of \$111,876 in general funds is the result of eliminating 2.0 FTE. An increase of \$7,967,096 in general funds and a corresponding decrease in federal fund expenditure authority is due to the ARRA State Fiscal Stabilization Funding swap. The total FY2012 recommended budget in Administration includes \$19,350,592 in general funds, \$2,155,818 in federal fund expenditure authority, \$559,514 in other fund expenditure authority, and 39.5 FTE.

MIKE DURFEE STATE PRISON

The recommended budget for the Mike Durfee State Prison (MDSP) includes a decrease of \$516,152 in general funds, increases of \$3,000 in federal fund expenditure authority and \$36,888 in other fund expenditure authority, and a decrease of 8.5 FTE. The general fund decrease is largely a result of reducing 8.5 FTE throughout the institution. General fund increases due to projected fuel oil utilization and food services contracts are offset by various operating expense budget reductions where possible. Adjustments to federal and other fund expenditure authority are due to a funding swap of personal services and aligning budget to anticipated operating expenditures. The overall FY2012 budget for MDSP is \$11,770,784 in general funds, \$157,588 in federal fund expenditure authority, \$437,397 in other fund expenditure authority, and 171.0 FTE.

STATE PENITENTIARY

The recommendation for the South Dakota State Penitentiary (SDSP) includes a decrease of \$1,551,301 in general funds, an increase of \$381,602 in federal fund expenditure authority, and a decrease of 10.0 FTE. The general fund reductions are the result of eliminating various operating expenses and 10.0 FTE. Additionally, a funding swap increasing federal fund expenditure authority in place of general funds is due to aligning the number of federal inmates in custody. The overall FY2012 budget for SDSP is \$16,447,112 in general funds, \$884,306 in federal fund expenditure authority, \$238,267 in other fund expenditure authority, and 276.5 FTE.

WOMEN'S PRISON

The South Dakota Women's Prison (SDWP) budget is recommended to increase by \$27,657 in general funds and decrease by \$173,018 in federal fund expenditure authority and 1.0 FTE. A general fund increase and a corresponding federal fund expenditure authority decrease is the result of aligning the budgeted number of female federal inmates in state custody. General fund increases were offset with budget reductions in various personal services and operating expenses. The total FY2012 budget for the SDWP is \$3,254,117 in general funds, \$102,933 in federal fund expenditure authority, \$151,814 in other fund expenditure authority, and 49.0 FTE.

PHEASANTLAND INDUSTRIES

The budget for Pheasantland Industries is recommended to decrease by \$1,480,929 in other fund expenditure authority. The decrease is the result of SB65 of the 2010 Legislative Session, delaying the production cycle of motor vehicle license plates. The total FY2012 budget for Pheasantland Industries is \$2,507,839 in other fund expenditure authority and 14.0 FTE.

COMMUNITY SERVICES

The Community Services budget is recommended to increase by \$267,599 in general funds, decrease by \$22,249 in federal fund expenditure authority and \$999,450 in other fund expenditure authority, and increase by 1.6 FTE. The increases in general funds and the 1.6 FTE are largely due to the anticipated opening of the new Rapid City Minimum Unit and Parole Facility in January 2012. A number of general fund increases have been offset by the lease termination of the current location, reduced contracted beds for work release inmate placements, and various other operating expense reductions throughout the minimum security facilities. The recommended reductions in federal and other fund expenditure authority are the result

of aligning anticipated grant awards and unsupported other fund expenditure authority. The total FY2012 budget for Community Services is \$4,417,209 in general funds, \$147,464 in federal fund expenditure authority, \$2,196,067 in other fund expenditure authority, and 77.1 FTE.

PAROLE SERVICES

The Governor's budget recommendation for Parole Services includes a decrease of \$144,145 in general funds and 1.0 FTE. The recommended general fund decrease is the result of personal services reductions throughout Parole operations and terminating lease agreements, as some offices will be relocated to the new Rapid City Minimum Unit and Parole Facility. The total FY2012 budget recommendation for Parole Services is \$3,354,528 in general funds, \$205,659 in other fund expenditure authority, and 52.0 FTE.

JUVENILE COMMUNITY CORRECTIONS

The Juvenile Community Corrections budget is recommended to decrease by \$1,574,131 in general funds, \$1,447,796 in federal fund expenditure authority, and 2.0 FTE. The general fund decrease is due to reductions throughout Group and Residential Placement services to align the budget with anticipated Average Daily Count (ADC) and adjustments to selected services for juvenile offenders. Additional recommended general fund reductions are due to various personal services alignments. The Federal Medical Assistance Percentages (FMAP) rate adjustment, expiration of Stimulus packages, and placement reductions account for \$572,503 of the general fund increases and federal fund expenditure authority decrease. The overall FY2012 budget for Juvenile Community Corrections is \$13,798,558 in general funds, \$7,267,425 in federal fund expenditure authority, \$635,080 in other fund expenditure authority, and 46.5 FTE.

YOUTH CHALLENGE CENTER

The Governor is recommending a decrease of \$99,835 in general funds budgeted for the Youth Challenge Center (YCC). The recommended reduction includes both personal services and operating expenses. The total FY2012 budget for YCC is \$1,367,372 in general funds, \$14,942 in other fund expenditure authority, and 26.0 FTE.

PATRICK HENRY BRADY ACADEMY

The Governor is recommending a decrease of \$53,125 in general funds for the Patrick Henry Brady Academy. The total FY2012 budget for the Brady Academy is \$1,386,264 in general funds, \$14,280 in other fund expenditure authority, and 26.0 FTE.

STATE TREATMENT AND REHABILITATION (STAR) ACADEMY

The State Treatment and Rehabilitation (STAR) Academy contains the budget for food services, the physical plant, medical services, education, and administration for the Custer juvenile programs. The budget for FY2012 is recommended to decrease by \$452,540 in general funds, increase by \$30,120 in federal fund expenditure authority, and decrease by \$60,000 in other fund expenditure authority and 2.8 FTE. Personal services general fund reductions are the result of realigning provided services and programs. Operating expenses general fund reductions impact a variety of operating budget categories. Federal fund expenditure authority increase is recommended due to the federal Child & Nutrition Services rate adjustments. The other fund expenditure authority decrease is due to the alignment with projected available fund sources. The total FY2012 budget for STAR is \$4,817,900 in general funds, \$565,469 in federal fund expenditure authority, \$128,000 in other fund expenditure authority, and 53.7 FTE.

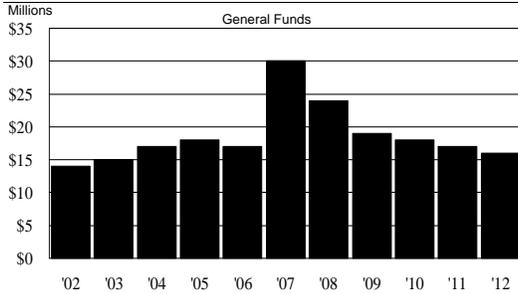
QUEST/EXCEL

The Governor is recommending a budget decrease of \$58,275 in general funds in Quest/ExCEL. The recommended reduction includes both personal services and operating expenses throughout the two programs. The total FY2012 budget for Quest/ExCEL is \$1,514,933 in general funds, \$12,650 in other fund expenditure authority, and 28.0 FTE.

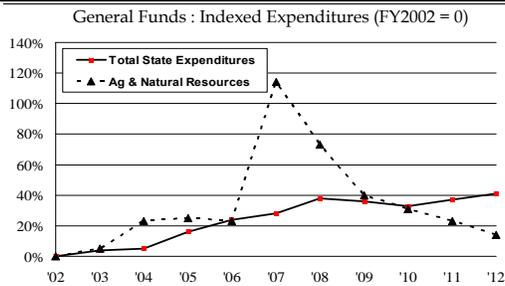
AGRICULTURE; ENVIRONMENT AND NATURAL RESOURCES; AND, GAME, FISH, AND PARKS

The budgets included in this category are the Department of Agriculture, Department of Environment and Natural Resources, and Department of Game, Fish, and Parks. General funds account for a decrease by \$1.1 million out of the \$29.8 million in total ongoing changes. This budget represents a decrease of \$27.2 million out of the \$13.1 million in total ongoing fund increases for FY2012. In terms of the total ongoing state budget, this category is 1.3% of the general funds and 3.8% of the total ongoing funds, which amounts to \$152.5 million in total ongoing funding.

Agriculture, Natural Resources and Game, Fish, and Parks



Agriculture, Natural Resources and Game, Fish, and Parks



AGRICULTURE

The Governor's FY2012 recommended budget for the Department of Agriculture is \$38,195,408, and consists of \$5,557,664 in general funds, \$6,091,009 in federal fund expenditure authority, \$26,546,735 in other fund expenditure authority, and 207.5 FTE. The Governor is recommending a decrease of \$587,356 in general funds, a decrease of \$4,326,652 in federal fund expenditure authority, and an increase of \$1,532,931 in other fund expenditure authority.

OFFICE OF THE SECRETARY

The Governor is recommending decreases of \$87,746 in general funds and 0.5 FTE from the Office of the Secretary. The Office of the Secretary's total recommended budget for FY2012 is \$919,050 and consists of \$754,119 in general funds, \$52,592 in federal fund expenditure authority, and \$112,339 in other fund expenditure authority, and 9.0 FTE.

AGRICULTURAL SERVICES AND ASSISTANCE

The recommended FY2012 budget for Agricultural Services and Assistance includes \$1,716,390 in general funds, \$3,389,658 in federal fund expenditure authority, and \$3,045,288 in other fund expenditure authority, for a total budget of \$8,151,336 and 81.8 FTE. This recommendation reflects a total decrease of \$3,202,238 for FY2012.

This general bill center is composed of Agriculture Services and Fire Suppression.

The total FY2012 recommended budget for Agriculture Services is \$4,093,860 and 32.2 FTE. This budget is comprised of \$690,908 in general funds, \$812,693 in federal fund expenditure authority, and \$2,590,259 in other fund expenditure authority. The Governor is recommending a decrease of \$12,000 in general funds within the Nursery program. Also included in this recommendation is a reduction of \$125,000 of general funds for prairie dog control efforts. In addition, the Governor is recommending a decrease of \$84,313 in general funds and an increase of \$56,760 in other fund expenditure authority in the Dairy program.

The total recommended budget for Fire Suppression includes \$1,025,482 in general funds, \$2,576,965 in federal fund expenditure authority, and \$455,029 in other fund expenditure authority, for a total budget of \$4,057,476, and 49.6 FTE. Included in this budget is a decrease of \$3,000,000 in American Recovery and Reinvestment Act federal fund expenditure authority that is not needed in FY2012. The Governor is recommending an increase of \$60,000 in general funds to relocate computer and radio equipment for the fire dispatch center. This recommended increase is the direct result of the expired dispatch center lease at the Rapid City Regional Airport. The Governor is also recommending a decrease of \$97,685 in general funds that pay for Single Engine Air Tanker contracts.

AGRICULTURAL DEVELOPMENT AND PROMOTION

The Governor is recommending a total decrease of \$471,000 for Agricultural Development and Promotion. The total recommended FY2012 budget consists of \$1,071,651 in general funds, \$1,632,070 in federal fund expenditure authority, and \$1,867,267 in other fund expenditure authority, for a total budget of \$4,570,988 and 27.3 FTE. This general bill center is composed of Agriculture Development and Resource Conservation and Forestry.

The total FY2012 recommended budget for Agriculture Development consists of \$108,443 in general funds, \$297,469 in federal fund expenditure authority, \$1,065,044 in other fund expenditure authority and 8.5 FTE. The Governor is recommending decreases of \$50,000 in general funds and 0.5 FTE.

The total FY2012 recommended budget for Resource Conservation and Forestry is \$3,100,032 and 18.8 FTE. The Governor is recommending a decrease of \$421,000 of American Recovery and

Reinvestment Act federal fund expenditure authority that will not be needed in FY2012.

ANIMAL INDUSTRY BOARD

The total FY2012 recommended budget for the Animal Industry Board is \$2,832,193 and 26.9 FTE. This budget is comprised of \$1,715,504 in general funds, \$1,016,689 in federal fund expenditure authority, and \$100,000 in other fund expenditure authority. The Governor is recommending decreases of \$190,612 in general funds, \$905,652 in federal fund expenditure authority, \$156,967 in other fund expenditure authority, and 18.0 FTE within the Meat Inspection Program.

BOARDS AND COMMISSIONS - INFORMATIONAL

The total recommended FY2012 budget for the Agricultural Boards and Commissions is \$19,415,754 in other fund expenditure authority and 43.0 FTE. The Agricultural Boards and Commissions are as follows: the American Dairy Association, the Wheat Commission, the Oilseeds Council, the Soybean Research and Promotion Council, the Brand Board, the Corn Utilization Council, the Board of Veterinary Medical Examiners, and the Pulse Crops Council. For FY2012, the Governor is recommending a decrease of \$22,860 in other fund expenditure authority within the American Dairy Association. The Governor is also recommending increases in other fund expenditure authority of: \$108,982 in the Wheat Commission, \$37,500 in the Oilseeds Council, \$1,446,230 in the Soybean Research and Promotion Council, \$62,786 in the Brand Board, and \$500 in the Pulse Crops Council.

STATE FAIR

The total FY2012 Governor's recommended budget for the State Fair is \$300,000 in general funds and \$2,006,087 in other fund expenditure authority for a total budget of \$2,306,087 and 19.5 FTE. No changes are recommended for this budget in FY2012.

ENVIRONMENT AND NATURAL RESOURCES

The Governor's FY2012 recommended budget for the Department of Environment and Natural Resources totals \$31,233,697, and consists of \$5,538,404 in general funds, \$19,729,813 in federal fund expenditure authority, \$5,965,480 in other fund expenditure authority, and 173.0 FTE. The Governor is recommending a decrease of \$268,704 in general funds, a decrease of \$28,941,466 in federal fund expenditure authority, and an increase of \$108,073 in other fund expenditure authority.

FINANCIAL AND TECHNICAL ASSISTANCE

The Financial and Technical Assistance budget consists of \$2,075,449 in general funds, \$14,040,852 in federal fund expenditure authority, and \$847,220 in other fund expenditure authority, for a total budget of \$16,963,521 and 55.0 FTE. The Governor is recommending a decrease of \$26,574,100 in American Recovery and Reinvestment Act federal fund expenditure authority that is not needed in FY2012. The Governor is recommending a decrease of \$73,389 in general funds and a corresponding increase of federal fund expenditure authority within the Groundwater Quality Monitoring Program. This funding flip will allow the program to continue monitoring shallow aquifers around the state for quality, quantity, and fertilizer and pesticide levels. The Governor is recommending a reduction of 1.5 FTE and \$28,188 in general funds, coupled with an increase in other fund expenditure authority of \$28,188 to replace seasonal personnel with interns. The interns can be paid with other funds instead of general funds.

ENVIRONMENTAL SERVICES

The Governor recommends a total FY2012 budget for Environmental Services of \$11,755,176 and 118.0 FTE. Environmental Services consists of \$3,462,955 in general funds, \$5,688,961 in federal fund expenditure authority, and \$2,603,260 in other fund expenditure authority. This budget includes a recommended decrease of \$36,554 in general funds and a subsequent increase of \$36,554 in federal fund expenditure authority to continue to pay for a portion of a project engineer's time associated with the oversight of cleanup at the Gilt Edge Mine. This recommendation includes a funding swap of \$73,107 of general funds for a like amount of other fund expenditure authority. This swap will utilize anticipated revenue from a large scale mining permit in the Black Hills to offset general funds. The Governor is recommending a decrease of \$29,469 in general funds to eliminate state regulation of municipal swimming pools and public beaches. The Governor is recommending a decrease of 0.2 FTE and \$18,407 in general funds, which will result in the elimination of seasonal employees and interns in the division. This budget also includes a decrease of \$2,500,000 in American Recovery and Reinvestment Act federal fund expenditure authority that is not needed in FY2012.

REGULATED RESPONSE FUND – INFORMATIONAL

The Governor is recommending no change in the Regulated Response Fund budget. This budget is informational and continuously appropriated with \$1,750,000 in other fund expenditure authority.

LIVESTOCK CLEANUP FUND – INFORMATIONAL

The Governor is recommending no change in the Livestock Cleanup Fund budget. This budget is informational and continuously appropriated with \$765,000 in other fund expenditure authority.

GAME, FISH, AND PARKS

The FY2012 recommended budget for the Department of Game, Fish, and Parks totals \$83,084,963, including \$4,827,282 in general funds, \$28,067,053 in federal fund expenditure authority, \$50,190,628 in other fund expenditure authority, and 565.6 FTE. This budget reflects an overall increase of \$5,234,683. The Governor is recommending a decrease of \$260,274 in general funds, an increase of \$6,687,902 in federal fund expenditure authority, and a decrease of \$1,192,945 in other fund expenditure authority.

CONSERVATION RESERVE ENHANCEMENT PROGRAM

The Governor is recommending a decrease of \$75,000 in general funds in the Conservation Reserve Enhancement Program as bond payments are complete.

ADMINISTRATION

The total recommended budget for Administration includes \$1,154,520 in general funds, \$3,122,717 in other fund expenditure authority, and 25.1 FTE, for a total budget of \$4,277,237. The Governor is recommending an increase of \$4,266 in general funds for scheduled bond payments for the Fish Hatcheries and the Sioux Falls Outdoor Campus.

WILDLIFE – INFORMATIONAL

The Governor is recommending a total budget for the Division of Wildlife of \$40,720,448. This budget is composed of \$14,422,752 in federal fund expenditure authority and \$26,297,696 in other fund expenditure authority. Included in this budget is an increase of \$230,000 in other fund expenditure authority due to increasing property tax payments. The Governor is recommending an increase of \$113,750 in federal fund expenditure authority and \$81,250 in other fund expenditure authority for third party shooting range construction and improvement projects.

WILDLIFE DEVELOPMENT AND IMPROVEMENT – INFORMATIONAL

The Governor is recommending an overall decrease of \$800,000 in the Wildlife Development and Improvement Program. The total budget for

the Wildlife Development and Improvement Program is \$5,356,000, of which \$2,466,000 is federal fund expenditure authority and \$2,890,000 is other fund expenditure authority.

STATE PARKS AND RECREATION

The Division of State Parks and Recreation's recommended total FY2012 budget is \$18,955,567 and 242.2 FTE. The Governor is recommending a decrease of \$189,540 in general funds, and increases of \$155,494 in federal fund expenditure authority and \$1,056,669 in other fund expenditure authority in this division. This budget includes increases of 2.0 FTE and \$52,042 in other fund expenditure authority due to campground expansion at Hartford Beach State Park, Lake Vermillion Recreation Area, and Angostura Recreation Area. Included in this budget is an increase of \$310,460 in general funds for bond payments due to enhancements at Custer State Park, this increase will be offset by a corresponding transfer of department funds into the state general fund. The Governor is recommending a decrease of \$500,000 in general funds coupled with an increase of \$500,000 in other fund expenditure authority based on the direction given by the 2010 Legislature. The loss in general funds will be made up by increasing usage fees charged by the division. The Governor is also recommending an increase of \$277,900 in other fund expenditure authority for pine beetle eradication efforts.

STATE PARKS AND RECREATION DEVELOPMENT AND IMPROVEMENT

The Division of State Parks and Recreation's Development and Improvement budget has a total recommended increase of \$4,700,550. The total recommended budget includes an increase of \$5,140,550 in federal fund expenditure authority and a decrease of \$440,000 in other fund expenditure authority, for a total budget of \$12,482,700. Included in this budget is an increase of \$3,300,000 in federal fund expenditure authority and \$50,000 in other fund expenditure authority to purchase the Blood Run property. This budget also includes an increase of \$1,400,000 in federal fund expenditure authority for shoreline stabilization at Shadehill Recreation Area.

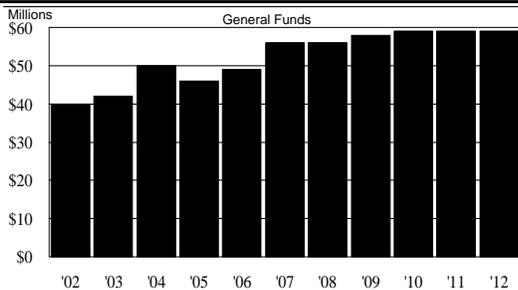
SNOWMOBILE TRAILS – INFORMATIONAL

The total recommended budget for the Snowmobile Trails Program is \$75,000 in federal fund expenditure authority, \$1,218,011 in other fund expenditure authority, and 9.1 FTE. The Governor is recommending decreases of \$160,000 in federal fund expenditure authority and \$166,000 in other fund expenditure authority due to the completed construction of the new shop at the Hardy Camp.

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

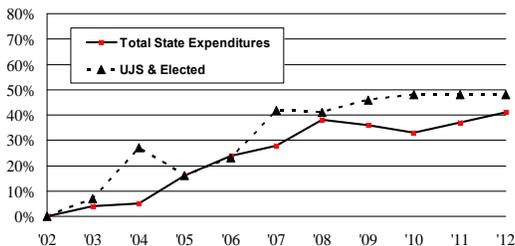
The budgets included in this category are the Legislature, Unified Judicial System, Public Utilities Commission, Office of the Attorney General, Secretary of State, School and Public Lands, Office of the State Auditor, and Office of the State Treasurer. General funds account for a decrease of \$73,191 out of the \$29.8 million in total ongoing changes. This budget represents a \$1.2 million increase out of the \$13.1 million in total ongoing fund increases for FY2012. In terms of the total ongoing state budget, this category is 4.7% of the general funds and 2.4% of the total ongoing funds, which amounts to \$97.8 million in total ongoing funding.

UJS, Legislature and Elected Officials



UJS, Legislature and Elected Officials

General Funds : Indexed Expenditures (FY2002 = 0)



LEGISLATURE

The total FY2012 recommended budget for the South Dakota Legislature is \$7,263,183 in general funds, \$35,000 in other fund expenditure authority, and 66.3 FTE. Changes to the budget for the Legislative Research Council include decreases in general funds of \$17,280 for personal services, \$126,338 for dues and registration fees, \$29,000 for contractual services research, and \$2,883 for supplies and materials. Changes to the budget for

Legislative Audit include decreases of 1.0 FTE and \$47,552 in general funds along with \$16,500 in general funds for various operating expenses. The net change for the South Dakota Legislature is a decrease of \$239,553 in general funds.

UNIFIED JUDICIAL SYSTEM

The Governor's recommendation for the Unified Judicial System includes no budgetary changes for FY2012. The total FY2012 recommended budget for the Unified Judicial System is \$35,281,213 in general funds, \$393,539 in federal fund expenditure authority, and \$9,328,633 in other fund expenditure authority, for a total budget of \$45,003,385 and 527.4 FTE.

PUBLIC UTILITIES COMMISSION

The Governor recommends a decrease of \$10,845 in general funds, an increase of \$27,286 in federal fund expenditure authority, and a decrease of \$34,758 in other fund expenditure authority. This includes a decrease of \$10,845 in general funds from the Administration division. The total FY2012 recommended budget is \$503,354 in general funds, \$379,191 in federal fund expenditure authority, \$3,240,672 in other fund expenditure authority, and 33.2 FTE.

ATTORNEY GENERAL

The Governor's FY2012 budget recommendation for the Office of the Attorney General includes \$9,372,016 in general funds, \$4,822,471 in federal fund expenditure authority, \$6,844,077 in other fund expenditure authority, for a total of \$21,038,564 and 168.5 FTE. The budget recommendation consists of a decrease of \$514,863 in general funds and increases of \$169,340 in federal fund expenditure authority and \$396,928 in other fund expenditure authority.

LEGAL SERVICES

The Governor's recommended budget for Legal Services includes a decrease of \$224,070 in general funds and increases of \$688 in federal fund expenditure authority and \$261,928 in other fund expenditure authority. The budget recommendation includes general fund reductions accompanied by other fund expenditure authority increases for Consumer Settlement operating expenses, scheduled computer replacements, and personal services for consultation provided to the Investment Council. Additional miscellaneous reductions are recommended within operating expenses throughout Legal Services. The total FY2012 recommended budget for the Division of Legal

Services is \$4,978,988 in general funds, \$1,848,709 in federal fund expenditure authority, and \$1,638,253 in other fund expenditure authority, for a total of \$8,465,950 and 81.5 FTE.

CRIMINAL INVESTIGATION

The Governor is recommending a budget decrease of \$240,793 in general funds and increases of \$168,652 in federal fund expenditure authority and \$135,000 in other fund expenditure authority for the Division of Criminal Investigation (DCI). The general fund decrease is partially due to funding swaps including personal services in the 24/7 and Record Check programs, scheduled computer replacements, and equipment maintenance agreements. Additional recommended decreases include fewer internships and miscellaneous operating expenses. The overall recommended budget for the Division of Criminal Investigation is \$4,060,626 in general funds, \$2,973,762 in federal fund expenditure authority, and \$3,342,638 in other fund expenditure authority, for a total of \$10,377,026 and 74.5 FTE.

LAW ENFORCEMENT TRAINING

The Governor's recommendation for Law Enforcement Training is a decrease of \$50,000 in general funds. The recommended decrease is due to reductions in training supplies and materials. The total budget for the Division of Law Enforcement Training is \$332,402 in general funds and \$1,658,219 in other fund expenditure authority, for a total of \$1,990,621 and 10.5 FTE.

911 TRAINING

The Governor is recommending no budgetary change for the Division of 911 Training. The total recommended budget for 911 Training is \$204,967 in other fund expenditure authority and 2.0 FTE.

SECRETARY OF STATE

The Governor's recommendation for the Secretary of State's FY2012 budget is \$928,850 in general funds, \$3,130,575 in federal fund expenditure authority, \$335,854 in other fund expenditure authority, and 15.6 FTE. This recommendation includes a decrease of \$45,307 in general funds. The recommended reduction will be in operating expenses and will mainly encompass reductions in computer development, travel, office machines, and funding for the printing of the "Blue Book" as this will not have to be printed until FY2013. This recommendation also includes a reduction in other fund expenditure authority of \$118,086. This overall reduction is the net effect of reducing expenditure authority due to the sunset of SDCL 57A-9-528, and reductions in travel, printing, and

telecommunications costs, and an increase in credit card user fees.

SCHOOL AND PUBLIC LANDS

The Governor's recommendation for the FY2012 School and Public Lands' budget is \$1,347,047 in general funds and \$225,000 in other fund expenditure authority, for a total budget of \$1,572,047 and 7.0 FTE.

STATE AUDITOR

The Governor's recommendation includes a decrease of \$27,623 in general funds. The recommended budget includes the elimination of a seasonal intern and miscellaneous decreases in operating expenses. The total FY2012 recommended budget is \$1,178,320 in general funds, \$100,000 in other fund expenditure authority, and 18.0 FTE.

STATE TREASURER

The Governor's recommended budget includes a decrease of \$35,000 in general funds and an increase of \$847,338 in other fund expenditure authority. The total FY2012 recommended budget consists of \$473,556 in general funds, \$12,660,771 in other fund expenditure authority, and 37.0 FTE.

TREASURY MANAGEMENT

The Governor's recommendation includes a decrease of \$35,000 in general funds due to the alignment of anticipated contractual services expenses. The total recommended FY2012 budget for Treasury Management includes \$473,556 in general funds and 5.5 FTE.

UNCLAIMED PROPERTY - INFORMATIONAL

The Governor's recommendation includes no change for FY2012. The total recommended FY2012 budget for Unclaimed Property is \$2,895,551 in other fund expenditure authority and 3.5 FTE.

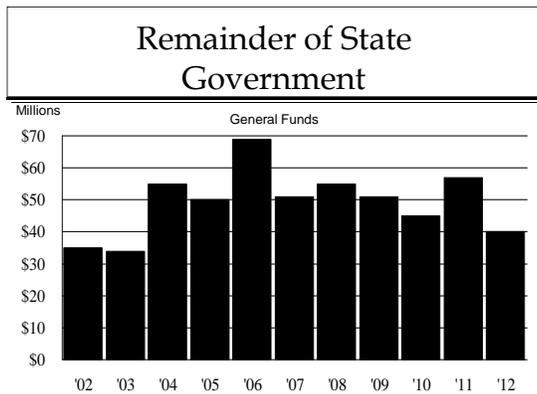
INVESTMENT COUNCIL

The Governor is recommending an increase of \$847,338 in other fund expenditure authority for the Investment Council. The recommendation includes an increase of \$570,707 for personal services promotional development, performance-based incentives, and salary adjustments based on the SDIC's long-term compensation plan. The recommended budget also includes an increase of \$276,631 in other fund expenditure authority for

contractual services expenses, mostly due to the anticipation of increased bank custodian fees. The total recommended FY2012 budget for the Investment Council is \$9,765,220 in other fund expenditure authority and 28.0 FTE.

REMAINDER OF STATE GOVERNMENT

The budgets included in this category are the Departments of Executive Management, Military and Veterans' Affairs, Revenue and Regulation, Tourism and State Development, Transportation, Labor, and Public Safety. General funds account for a decrease of \$3.6 million out of the \$29.8 million in total ongoing changes. This budget represents a decrease of \$5.7 million out of the \$13.1 million in total ongoing fund increases for FY2012. In terms of the total ongoing state budget, this category is 3.3% of the general funds and 24.6% of the total ongoing funds, which amounts to \$1.0 billion in total ongoing funding.



EXECUTIVE MANAGEMENT

The Governor's recommendation for the Department of Executive Management includes a decrease of \$1,853,424 in general funds, an increase of \$590,700 in federal fund expenditure authority, a decrease of \$8,514,183 in other fund expenditure authority, and a decrease of 39.8 FTE. The total FY2012 budget includes \$19,922,726 in general funds, \$23,004,812 in federal fund expenditure authority, and \$86,885,818 in other fund expenditure authority, for a total of \$129,813,356 and 638.5 FTE.

GUBERNATORIAL DIVISION

The total recommended budget for this division is \$2,132,518 in general funds and \$253,296 in federal fund expenditure authority, for a total of \$2,385,814 and 22.0 FTE. The Governor's recommendation includes general fund decreases of \$5,000 for the International Legislators Forum, \$15,000 for the Governor's Contingency Fund,

\$181,141 for personal services and \$35,806 for various operating expenses.

BUREAU OF FINANCE AND MANAGEMENT

The Governor recommends decreases of \$666,185 in general funds and \$534,573 in other fund expenditure authority. The general fund decrease is attributable to the Bureau of Finance and Management's sale/leaseback payment schedule and a \$44,000 decrease in various operating expenses. This recommendation also includes other fund expenditure authority decreases of \$111,384 for changes in contracts, \$297,099 for various operating expenses, \$50,109 for South Dakota Building Authority operating expenses, and \$75,981 for South Dakota Health and Educational Facilities Authority operating expenses. The recommended FY2012 budget is \$7,468,445 in general funds, \$16,000,000 in federal fund expenditure authority, and \$6,531,087 in other fund expenditure authority, for a total recommended budget of \$29,999,532 and 36.0 FTE.

BUREAU OF ADMINISTRATION

The Governor recommends decreases of \$347,292 in general funds, \$3,841,525 in other fund expenditure authority, and 6.5 FTE. This recommendation includes decreases of \$263,166 in other fund expenditure authority within personal services and 6.5 FTE, \$50,091 in general funds for sale/leaseback payments, \$297,201 in general funds for various operating expenses, \$3,292,889 in other fund expenditure authority due to no new fleet purchases, and \$285,470 in other fund expenditure authority for buildings and grounds expenses. The FY2012 recommended budget for this division is \$4,185,128 in general funds, \$500,000 in federal fund expenditure authority, and \$28,018,154 in other fund expenditure authority, for a total budget of \$32,703,282 and 167.0 FTE.

BUREAU OF INFORMATION AND TELECOMMUNICATIONS

The Governor recommends a decrease of \$577,000 in general funds, an increase of \$590,700 in federal fund expenditure authority, and decreases of \$3,798,485 in other fund expenditure authority and 29.3 FTE. This recommendation includes a decrease of \$415,000 in general funds, an increase of \$177,700 in federal fund expenditure authority, and decreases of \$1,419,600 in other fund expenditure authority and 29.3 FTE within personal services. Additional decreases in other fund expenditure authority consist of \$490,683 in unneeded expenditure authority, \$305,923 for contract extensions, \$307,553 for the removal of telephone lines in state universities, \$159,000 for the Division of Administration's operating expenses, \$339,726 for the Division of Development's

operating expenses, \$315,000 for the Data Center's operating expenses, and \$161,000 for the Division of Telecommunication's operating expenses. The recommendation also includes a decrease of \$162,000 in general funds for South Dakota Public Broadcasting operating expenses and an increase of \$413,000 in federal fund expenditure authority for a broadband mapping grant. The Governor's total recommended FY2012 budget for the Bureau of Information and Telecommunications is \$5,191,686 in general funds, \$5,751,516 in federal fund expenditure authority, and \$38,536,529 in other fund expenditure authority, for a total recommended budget of \$49,479,731 and 347.0 FTE.

BUREAU OF PERSONNEL

The Governor's recommended changes for the Bureau of Personnel include decreases of \$26,000 in general funds, \$339,600 in other fund expenditure authority and 4.0 FTE. The recommendation includes decreases of \$26,000 in general funds for the training program, \$94,600 in other fund expenditure authority for various operating expenses, and \$245,000 in other fund expenditure authority, and 4.0 FTE within personal services. The total FY2012 budget consists of \$944,949 in general funds, \$500,000 in federal fund expenditure authority, and \$13,800,048 in other fund expenditure authority, for a total of \$15,244,997 and 66.5 FTE.

MILITARY AND VETERANS' AFFAIRS

The Governor's recommendation for the Department of Military and Veterans' Affairs includes a decrease of \$409,680 in general funds, a decrease of \$366,014 in federal fund expenditure authority, and an increase of \$333,871 in other fund expenditure authority. The total recommended FY2012 budget is \$5,861,131 in general funds, \$36,894,708 in federal fund expenditure authority, and \$4,526,777 in other fund expenditure authority, for a total of \$47,282,616 and 196.1 FTE.

OFFICE OF THE ADJUTANT GENERAL

The Governor's FY2012 total budget recommendation for the Office of the Adjutant General is \$695,633 in general funds, \$11,300 in federal fund expenditure authority, \$26,168 in other fund expenditure authority, and 6.3 FTE. Included in this budget is an increase of \$25,000 in general funds for travel related to activation and deactivation ceremonies. This budget also includes a reduction of \$111,783 in general funds for the National Guard tuition assistance program.

ARMY GUARD

The Governor's recommendation for the Army Guard includes decreases of \$151,733 in general

funds and \$339,066 in federal fund expenditure authority. Included in this recommendation are increases of \$23,446 in general funds and \$78,464 in federal fund expenditure authority for various operating expenses. The Governor is recommending decreases of \$14,634 in general funds and \$82,925 in federal fund expenditure authority based on anticipated utility costs in FY2012. Also included in this budget are decreases of \$160,545 in general funds and \$334,605 in federal fund expenditure authority. This reduction will result in the delay of statewide armory maintenance and repair projects. The total FY2012 recommended budget for the Army Guard is \$33,184,316 and 48.1 FTE.

AIR GUARD

The Governor's recommendation for the Air Guard includes decreases of \$22,825 in general funds and \$26,948 in federal fund expenditure authority. The Governor is recommending decreases of \$13,983 in general funds and \$41,948 in federal fund expenditure authority based on anticipated utility costs in FY2012. This budget also includes a decrease of \$17,842 in general funds, which will eliminate a portion of the funding related to operating the Civil Air Patrol.

VETERANS' BENEFITS AND SERVICES

The total recommended FY2012 budget for Veterans' Benefits and Services is \$921,738 in general funds, \$274,765 in federal fund expenditure authority, and \$61,000 in other fund expenditure authority, for a total of \$1,257,503 and 18.0 FTE. Included in this budget is a decrease of \$21,000 in general funds for a grant to the Disabled American Veterans and the Paralyzed Veterans of America. The Governor is recommending a decrease of \$157,605 in general funds to reimburse County and Tribal Service Officers for salary and travel expenses. This budget includes a decrease of \$20,160 in general funds for the headstone and burial allowance for eligible veterans.

STATE VETERANS' HOME

The Governor's recommendation for the State Veterans' Home includes increases of \$46,326 in general funds and \$333,871 in other fund expenditure authority. Included in this budget are increases of \$105,000 in general funds and \$195,000 in other fund expenditure authority for engineering costs related to the proposed construction of a West River Veterans' Home. This budget also includes increases of \$47,836 in general funds and \$88,835 in other fund expenditure authority for various operating costs and for costs associated with the Veterans' Home conversion to Medicaid. This budget also includes increases of \$26,126 in general funds and \$48,520

in other fund expenditure authority to reinstate the Resident Work Therapy Program. The Governor is recommending a decrease of \$133,646 in general funds within operating expenses at the Veterans' Home. These costs will have to be paid with other funds going forward. The total recommended FY2012 budget is \$2,315,646 in general funds, \$487,500 in federal fund expenditure authority, and \$4,439,609 in other fund expenditure authority, for a total budget of \$7,242,755 and 82.7 FTE.

REVENUE AND REGULATION

The Governor's recommended budget for the Department of Revenue and Regulation totals \$68,215,679 and consists of \$1,080,303 in general funds, \$585,198 in federal fund expenditure authority, \$69,115,898 in other fund expenditure authority, and 318.6 FTE. The Governor is recommending a decrease of \$62,308 in general funds, an increase of \$585,198 in federal fund expenditure authority, a decrease of \$2,565,720 in other fund expenditure authority and a decrease of 3.5 FTE.

SECRETARIAT

The Governor's recommendation for this division is decreases of \$5,324 in general funds, \$132,726 in other fund expenditure authority, and 1.0 FTE. A decrease of \$75,000 in other fund expenditure authority is for savings realized in the ongoing costs of the new tax system. A decrease of \$1,500 in general funds, \$28,500 in other fund expenditure authority, and 1.0 FTE will combine the duties of support positions in the division. Other decreases include miscellaneous adjustments for reduced travel, reduced printing costs, and adjustments to contractual services. The total FY2012 recommended budget consists of \$160,047 in general funds, \$3,525,116 in other fund expenditure authority and 38.5 FTE.

BUSINESS TAX

The Governor's recommendation for Business Tax is decreases of \$221,109 in other fund expenditure authority and 0.5 FTE. A decrease of \$124,500 in other fund expenditure authority is due to savings realized from converting to the new tax system, reductions to supplies and materials, and other miscellaneous reductions. A decrease of \$66,000 in other fund expenditure authority is due to savings as a result of less postage, printing, and supply costs by using more electronic communication within the division. A decrease of \$13,726 in other fund expenditure authority and 0.5 FTE is due to reducing a full-time support position to half time due to the automation of many functions on the new tax system. The total FY2012 recommended budget

consists of \$3,412,650 in other fund expenditure authority and 49.5 FTE.

MOTOR VEHICLES

The Governor's recommendation for this division is a decrease of \$1,592,140 in other fund expenditure authority and 1.0 FTE. A decrease of \$1,055,640 in other fund expenditure authority is due to the delay of the license plate production, which was changed during the 2010 Legislative Session. A decrease of \$475,000 in other fund expenditure authority is for a reduction in development costs related to the completion of the Titles and Registration system and the motor fuel portion of the tax system. A decrease of \$32,500 in other fund expenditure authority and 1.0 FTE is due to efficiencies realized with the new Titles and Registration system. Other miscellaneous decreases are recommended for reduced travel and capital assets purchases. The total FY2012 recommended budget consists of \$5,318,133 in other fund expenditure authority and 48.1 FTE.

PROPERTY AND SPECIAL TAXES

The Governor's recommendation for this division is a decrease of \$56,984 in general funds. A decrease \$29,000 in general funds is for the cash rent land survey that has been replaced by the productivity study. A decrease of \$15,000 in general funds eliminates funding for the annual assessor's school. A decrease of \$12,984 in general funds will reduce travel for tobacco checks and travel to counties for property tax assessment audits. The recommended FY2012 budget consists of \$920,256 in general funds and 14.0 FTE.

AUDITS

The Governor's recommendation includes no major changes for this division. The total FY2012 budget consists of \$3,643,988 in other fund expenditure authority, and 56.0 FTE.

BANKING

The Governor's recommendation for this division is a decrease of \$126,300 in other fund expenditure authority and 1.0 FTE. A decrease of \$85,500 in other fund expenditure authority is for a reduction in state cooperative bank exam agreements with other states. A reduction of \$41,300 in other fund expenditure authority is for reduced travel by limiting or suspending exams, reducing legal costs, and reducing computer service costs within the division. A decrease of 1.0 unutilized FTE is recommended. The recommended total FY2012 recommended budget is \$1,785,953 in other fund expenditure authority and 20.5 FTE.

SECURITIES

The Governor's recommendation includes a decrease of \$5,000 in other fund expenditure authority for reduced travel. The total FY2012 recommended budget consists of \$405,695 in other fund expenditure authority and 5.0 FTE.

INSURANCE

The Governor's recommendation for this division is an increase of \$585,198 in federal fund expenditure authority and a decrease of \$49,000 in other fund expenditure authority. An increase of \$585,198 in federal fund expenditure authority is for a federal grant awarded to the division by the Office of Consumer Information and Insurance Oversight. This grant will be used for actuarial development of rate review standards, establishment of a portal allowing public access to rate filings, and enhancements to the System for Electronic Rate and Form Filing. A decrease of \$49,000 in other fund expenditure authority is for savings from reduced printing and postage costs, reduced travel policy, and reductions to capital assets. The total recommended FY2012 budget consists of \$585,198 in federal fund expenditure authority, \$1,777,578 in other fund expenditure authority, and 28.0 FTE.

INSURANCE FRAUD UNIT - INFORMATIONAL

The Governor is recommending a decrease of \$26,705 in other fund expenditure authority to align the budget with historical expenses in this division. The total recommended FY2012 budget is \$240,341 in other fund expenditure authority and 3.0 FTE.

PETROLEUM RELEASE COMPENSATION

The Governor's recommendation includes a decrease of \$43,949 in other fund expenditure authority for reduced travel, supplies, materials, and other miscellaneous reductions. The total recommended FY2012 budget for Petroleum Release Compensation is \$2,509,183 in other fund expenditure authority and 5.0 FTE.

LOTTERY

The Governor's recommendation for this division is a decrease of \$250,000 in other fund expenditure authority. A decrease of \$210,000 in other fund expenditure authority is from contractual savings through the new video lottery vendor. A decrease of \$40,000 in other fund expenditure authority is due to savings by utilizing T1 lines to conduct the nightly polling of video lottery machines. The total recommended FY2012 budget for Lottery is \$32,886,568 of other fund expenditure authority and 30.0 FTE.

REVENUE BOARDS AND COMMISSIONS – INFORMATIONAL

This includes the informational budgets of the Real Estate Commission, the Abstracters Board of Examiners, and the Commission on Gaming. The Governor is recommending an overall decrease of \$118,791 in other fund expenditure authority within the three informational boards. This includes a \$60,000 decrease in other fund expenditure authority for Real Estate Commission due to the completion of online service development and reduced travel. A decrease of \$58,791 in other fund expenditure authority in the Commission on Gaming is for restructuring the duties of racing stewards, limiting conference and workshop attendance, and reducing consultant and industry training. The total FY2012 recommended budget for the Boards and Commissions is \$11,044,973 in other fund expenditure authority and 21.0 FTE.

TOURISM AND STATE DEVELOPMENT

The Governor's recommended budget for the Department of Tourism and State Development totals \$66,877,054, consisting of \$7,894,803 in general funds, \$15,290,624 in federal fund expenditure authority, \$43,691,627 in other fund expenditure authority, and 186.6 FTE. The recommended changes include decreases of \$838,621 in general funds, \$7,923,829 in federal fund expenditure authority, \$11,070,057 in other fund expenditure authority, and 66.5 FTE.

ECONOMIC DEVELOPMENT

The Governor's recommended budget for Economic Development consists of \$2,268,397 in general funds, \$11,268,805 in federal fund expenditure authority, and \$11,625,626 in other fund expenditure authority, for a total budget of \$25,162,828 and 40.8 FTE. This recommendation includes a decrease of \$8,500,000 in federal fund expenditure authority for American Recover and Reinvestment Act grants that will no longer be needed. Also recommended are general fund decreases of \$13,591 for contractual services and \$159,883 for Community Development Block Grant (CDBG) matching dollars that will be matched with other funds instead.

TOURISM

The Tourism budget is funded by revenues generated from Deadwood Gaming, a gross receipts tax on hotel rooms and other tourist activities, and the Co-op Revolving Fund. For FY2012, the Governor is recommending no change to the Tourism budget. The total FY2012 recommended budget consists of \$11,834,564 in other fund expenditure authority and 22.8 FTE.

RESEARCH COMMERCE

The Governor is recommending a total budget of \$3,602,321 in general funds and 2.0 FTE for the Division of Research Commerce. The recommendation includes a \$440,258 general fund decrease for funding provided to 2010 Research Centers.

TRIBAL GOVERNMENT RELATIONS

The Governor's recommendation for the FY2012 Tribal Government Relations budget is \$202,785 in general funds and 3.0 FTE. The recommendation includes general fund decreases of \$18,665 for personal services and \$3,877 for various operating expenses.

ARTS

The total recommended FY2012 Arts budget consists of \$878,000 in federal fund expenditure authority, and \$783,179 in other fund expenditure authority, for a total budget of \$1,661,179 and 3.0 FTE. The recommendation includes an increase of \$131,137 in federal fund expenditure authority to cover additional National Endowment for the Arts grant awards.

HISTORY

The total recommended FY2012 History budget consists of \$1,821,300 in general funds, \$867,589 in federal fund expenditure authority, \$2,371,302 in other fund expenditure authority, for a total budget of \$5,060,191 and 42.5 FTE. The recommendation includes a decrease of \$98,376 in general funds for contractual services and a decrease of \$89,690 in general funds, an increase of \$14,000 in other fund expenditure authority and a decrease of 1.5 FTE.

SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY - INFORMATIONAL

The total recommended FY2012 South Dakota Housing Development Authority budget is \$9,961,306, consisting of \$2,101,230 in federal fund expenditure authority, \$7,860,076 in other fund expenditure authority, and 65.0 FTE. The recommendation includes a \$445,034 increase in federal fund expenditure authority and a corresponding decrease in other fund expenditure authority due to additional federal grants.

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY - INFORMATIONAL

The total recommended FY2012 budget for the South Dakota Science and Technology Authority is \$8,960,000 in other fund expenditure authority and 5.0 FTE. A decrease of \$10,639,023 in other fund expenditure authority and 65.0 FTE is being

recommended because the National Science Foundation (NSF) is expected to take over the Deep Underground Science and Engineering Laboratory (DUSEL) operations in the spring of 2011.

SOUTH DAKOTA ELLSWORTH DEVELOPMENT AUTHORITY - INFORMATIONAL

The Governor is recommending no change to the South Dakota Ellsworth Development Authority budget. The total FY2012 budget is \$175,000 in federal fund expenditure authority, \$200,000 in other fund expenditure authority, and 2.5 FTE.

TRANSPORTATION

The recommended FY2012 budget for the Department of Transportation contains \$522,399 in general funds, \$380,716,028 in federal fund expenditure authority, \$212,987,694 in other fund expenditure authority, and 1,026.3 FTE. The FY2012 budget reflects an increase of \$3,243,278 in federal fund expenditure authority, and an increase of \$24,265,325 in other fund expenditure authority.

GENERAL OPERATIONS

The Governor's total FY2012 recommended budget for General Operations includes \$522,399 in general funds, \$33,647,155 in federal fund expenditure authority, and \$131,855,294 in other fund expenditure authority, for a total budget of \$166,024,848 and 1,026.3 FTE. This budget includes a decrease of \$223,693 in other fund expenditure authority due to anticipated decreases in the cost of utilities. Also included in this budget is a decrease of \$4,660,000 in American Recovery and Reinvestment Act federal fund expenditure authority that is not needed in FY2012. The Governor is recommending that the General Operations budget decrease by \$4,883,693 in FY2012.

CONSTRUCTION CONTRACTS - INFORMATIONAL

The recommended budget for Construction Contracts includes an increase of \$7,903,278 in federal fund expenditure authority and an increase of \$24,489,018 in other fund expenditure authority. The total budget for Construction Contracts is \$428,201,273 and makes up 72% of the Department of Transportation's budget. The Construction Contracts budget is Informational.

Within the budget for Roads and Bridges, the Governor is recommending a decrease of \$54,740,000 in American Recovery and Reinvestment Act federal fund expenditure authority that is not needed in FY2012. The Governor is

recommending an increase of \$66,253,646 in federal fund expenditure authority and \$24,259,332 in other fund expenditure authority for enhancements to statewide roads and bridges.

Within the budget for Airport Construction, the Governor is recommending a decrease of \$2,546,520 in American Recovery and Reinvestment Act federal fund expenditure authority that is not needed in FY2012. This budget also includes a decrease of \$1,063,848 in federal fund expenditure authority, and an increase of \$229,686 in other fund expenditure authority for enhancements to statewide airports.

LABOR

The Governor's recommendation for the Department of Labor is \$788,550 in general funds, \$34,510,054 in federal fund expenditure authority, \$6,658,622 in other fund expenditure authority, and 422.2 FTE. This recommendation includes decreases of \$87,617 in general funds, \$317,012 in federal fund expenditure authority, \$325,593 in other fund expenditure authority, and 6.3 FTE. This includes a decrease of \$20,000 in general funds for the adult education literacy grant. Decreases of \$67,617 in general funds and 0.8 FTE, and an increase of \$480 in federal fund expenditure authority, are due to reductions in the Human Rights activity. Also included are decreases of \$317,492 in federal fund expenditure authority and 5.5 FTE due to a reduction in funding from the Department of Social Services for the Supplemental Nutrition Assistance Program Employment and Training Program.

PROFESSIONAL AND OCCUPATIONAL LICENSING

This division is comprised of the informational budgets of the professional and occupational licensing boards. There are six boards with a total recommended budget for FY2012 of \$2,861,029 in other fund expenditure authority. This includes an increase of 1.0 FTE and \$47,407 in other fund expenditure authority in the Board of Technical Professions. The boards include: Board of Accountancy, Board of Barber Examiners, Cosmetology Commission, Plumbing Commission, Board of Technical Professions, and the Electrical Commission.

SOUTH DAKOTA RETIREMENT SYSTEM

The recommended budget for the South Dakota Retirement System is \$3,362,876 in other fund expenditure authority and 33.0 FTE. A decrease of \$35,000 in other fund expenditure authority is due to eliminating an administrative evaluation contract. Also included is a decrease of \$243,000 in other

fund expenditure authority due to reductions in travel, supplies, printing and publishing, fees, communications services, capital assets, and personal services. A decrease of \$95,000 in other fund expenditure authority is recommended as actuarial services will be reduced.

PUBLIC SAFETY

The Department of Public Safety FY2012 Governor's recommended budget includes \$3,302,105 in general funds, \$21,837,352 in federal fund expenditure authority, and \$26,573,929 in other fund expenditure authority, for a total of \$51,713,431 and 410.5 FTE.

ADMINISTRATION

The Governor is recommending a decrease of \$30,581 in general funds. The decrease is the result of aligning various administrative activities. The Division of Administration's total recommended budget is \$95,227 in general funds, \$123,044 in federal fund expenditure authority, and \$628,461 in other fund expenditure authority, for a total of \$846,732 and 8.5 FTE.

HIGHWAY PATROL

The Division of Highway Patrol includes the South Dakota Highway Patrol, Accident Records, Highway Safety, and State Radio. The Governor is recommending decreases of \$79,864 in general funds and 1.0 FTE. The recommended decreases are due to the elimination of 1.0 FTE and restrictions on general operating expenses within State Radio. The total FY2012 recommendation includes \$1,243,778 in general funds, \$5,483,233 in federal fund expenditure authority, and \$19,000,014 in other fund expenditure authority, for a total of \$25,727,025 and 276.0 FTE.

EMERGENCY SERVICES AND HOMELAND SECURITY

The Division of Emergency Services & Homeland Security includes Emergency Management, Emergency Medical Services, the State Fire Marshal, and the Office of Homeland Security. The Governor is recommending a decrease of \$184,903 in general funds and an increase of \$10,000 in other fund expenditure authority. Recommended general fund decreases are due to personal services and operating expenses reductions including \$117,848 in Emergency Management, \$38,373 in Emergency Medical Services, and \$28,682 in Fire Marshal. The increase of \$10,000 in other fund expenditure authority is due to a personal services funding swap for inspections of fire safe cigarettes. The FY2012 budget recommendation for the Division of Emergency

Services & Homeland Security includes \$1,369,124 in general funds, \$16,131,075 in federal fund expenditure authority, and \$296,999 in other fund expenditure authority, for a total of \$17,797,198 and 35.5 FTE.

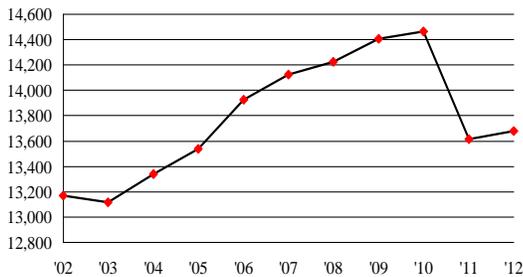
INSPECTION AND LICENSING

The Division of Inspection and Licensing includes Weights and Measures, Driver Licensing, and Inspections. The Governor is recommending a decrease of \$71,558 in general funds. The recommended budget reductions are within the Weights and Measures program, including performing fewer inspections within statutory mandates and the elimination of the capital outlay budget. The FY2012 recommended budget includes \$594,021 in general funds, \$100,000 in federal fund expenditure authority, and \$6,648,455 in other fund expenditure authority, for a total of \$7,342,476 and 90.5 FTE.

FTE CHANGE

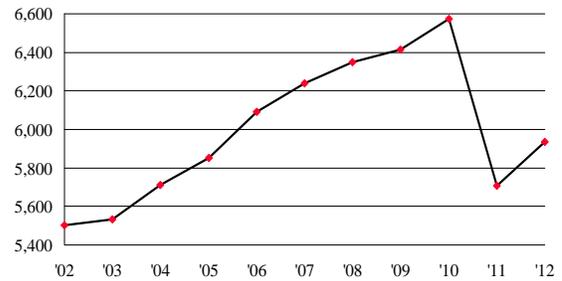
The total appropriated FTE increased from 13,061.2 in FY2002 to a recommended level of 13,678.1 for FY2012. This is an increase of 616.9 FTE or 4.7% over the decade. The recommended change in ongoing FTE for FY2012 is an increase of 66.0 across state government.

FTE History All of State Government



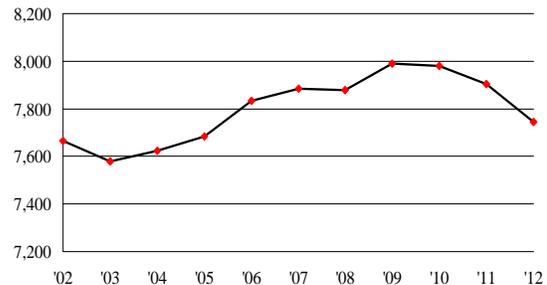
For offices outside the control of the Governor, total appropriated FTE grew from 5,501.5 in FY2002 to a recommended level of 5,934.0 for FY2012. This is an increase of 432.5 FTE, or 7.9%. The changes recommended for these offices in the FY2012 budget are a net increase of 226.5 FTE. This includes an increase of 227.5 FTE in the regental system and a decrease of 1.0 FTE in the Department of Legislative Audit.

FTE History for Offices Outside Control of Governor



The agencies under direct control of the Governor had total appropriated FTE of 7,559.7 in FY2002. The FY2012 budget recommendation brings the FTE to a level of 7,744.1. This is an increase of 184.4 FTE or 2.4% over the decade. The recommended decrease of 160.5 FTE in FY2012 includes reductions of 66.5 in the Department of Tourism and State Development; 29.3 in the Bureau of Information and Telecommunications; 5.3 in the Department of Labor; 4.0 in the Bureau of Personnel; 3.5 in the Department of Revenue and Regulation; 1.0 in the Department of Public Safety; and an increase of 2.0 in the Department of Game, Fish and Parks. This is the third consecutive year of a recommended FTE reduction in the agencies under the control of the Governor.

FTE History for Offices Under Control of Governor



SPECIAL APPROPRIATION RECOMMENDATIONS

FY2012 SPECIAL APPROPRIATIONS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
Tax Refunds for Elderly and Disabled		\$ 600,000	\$ -	\$ -	\$ 600,000
Physician Tuition Reimbursement		\$ 244,813	\$ -	\$ -	\$ 244,813
DOC Rapid City Minimum Unit		\$ -	\$ -	\$ 1,800,000	\$ 1,800,000
TOTAL FY2012 SPECIAL APPROPRIATIONS	0.0	\$ 844,813	\$ -	\$ 1,800,000	\$ 2,644,813

NOTE: FY2012 special appropriations become available for expenditure on July 1, 2011, and are included in the FY2012 column of the General Fund Condition Statement.

Governor Rounds is recommending total special appropriations of \$844,813 in general funds and \$1,800,000 in other fund expenditure authority. The following paragraphs highlight each recommended special appropriation.

- ◆ **Tax Refunds for the Elderly and Disabled:** The Governor is recommending \$600,000 in general funds for tax refunds for elderly and disabled individuals who meet income guidelines.

- ◆ **Physician Tuition Reimbursement Program:** The Governor is recommending \$244,813 in general funds to reimburse five participants who have complied with the requirements of the South Dakota Physician, Midlevel, or Dentist Tuition Reimbursement program per SDCL 1-16A-71.1, SDCL 1-16A-73.6, or SDCL 1-16A-73.20.

- ◆ **DOC Rapid City Minimum Unit:** The Governor is recommending \$1,800,000 in other fund expenditure authority for the completion of the new Rapid City Minimum Unit facility.

FY2011 EMERGENCY SPECIAL APPROPRIATIONS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
Emergency & Disaster Fund		\$ 13,378,347			\$ 13,378,347
Water Omnibus Bill			\$ 255,000	\$ 14,865,500	\$ 15,120,500
TOTAL FY2011 EMERGENCY SPECIAL APPROPRIATIONS	0.0	\$ 13,378,347	\$ 255,000	\$ 14,865,500	\$ 28,498,847

NOTE: FY2011 emergency special appropriations become available for expenditure upon passage of the bill and are included in the FY2011 column of the General Fund Condition Statement.

Governor Rounds is recommending total emergency special appropriations of \$13,378,347 in general funds, \$255,000 in federal fund expenditure authority, and \$14,865,500 in other fund expenditure authority. The following paragraphs highlight each recommended emergency special appropriation.

- ◆ **Emergency & Disaster Fund:** The Governor is recommending \$13,378,347 in general funds to be deposited into the Emergency & Disaster Special Revenue Fund for costs related to disasters in South Dakota.
- ◆ **Water Omnibus Bill:** The Governor is recommending \$255,000 in federal fund expenditure authority and \$14,865,500 in other fund expenditure authority for water development, solid waste, and water quality improvement projects throughout the state.

FY2011 GENERAL BILL AMENDMENTS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
BOR Stimulus 3		\$ 10,623,423			\$ 10,623,423
DOE Increased Enrollments-State Aid		\$ 5,553,998			\$ 5,553,998
DOE Increased Enrollments-Postsecondary Technical Institutes		\$ 795,993			\$ 795,993
DOE Sparsity Shortfall		\$ 134,088			\$ 134,088
GFP bonding		\$ 141,900			\$ 141,900
DOE Birth to Three Maintenance of Effort		\$ (138,005)			\$ (138,005)
DSS Unemployment Bonus 2 Additional Quarters		\$ (5,704,075)			\$ (5,704,075)
DHS Unemployment Bonus 2 Additional Quarters		\$ (1,481,186)			\$ (1,481,186)
DOC Unemployment Bonus 2 Additional Quarters		\$ (119,749)			\$ (119,749)
DSS FMAP Stimulus 3		\$ (16,444,012)			\$ (16,444,012)
DHS FMAP Stimulus 3		\$ (4,102,887)			\$ (4,102,887)
DOC FMAP Stimulus 3		\$ (331,705)			\$ (331,705)
DHS Human Services Center Medicaid/Medicare Realign		\$ (1,537,963)	\$ 1,537,963		\$ -
DHS Alcohol & Drug Abuse Maintenance of Effort		\$ (813,111)			\$ (813,111)
DHS Mental Health Maintenance of Effort		\$ (573,298)			\$ (573,298)
DHS Utilities		\$ (272,178)	\$ (112,627)		\$ (384,805)
DOC Utilities		\$ (133,534)	\$ (5,893)		\$ (139,427)
DOT Utilities				\$ (259,003)	\$ (259,003)
DOC Reductions		\$ (700,000)			\$ (700,000)
DOT Tiger II ARRA Grant for Railroads			\$ 16,000,000		\$ 16,000,000
DOE College Access Grant			\$ 1,170,000		\$ 1,170,000
DOE EPSCoR Grant			\$ 200,000		\$ 200,000
DRR Federal Insurance Grant			\$ 585,198		\$ 585,198
GOV Health Insurance Exchange	0.5		\$ 154,371		\$ 154,371
DSS Health Insurance Exchange	2.4		\$ 225,824		\$ 225,824
DRR Health Insurance Exchange			\$ 56,998		\$ 56,998
BIT Health Insurance Exchange			\$ 303,558		\$ 303,558
MVA Air Guard Firefighters	3.0		\$ 174,405		\$ 174,405
DSS Medical Services Nurse	2.0				\$ -
TOTAL FY2011 GENERAL BILL AMENDMENTS	7.9	\$ (15,102,301)	\$ 20,289,797	\$ (259,003)	\$ 4,928,493

NOTE: FY2011 general bill amendments are changes needing to be made to the FY2011 General Appropriations Act and are included in the FY2011 column of the General Fund Condition Statement.

Governor Rounds is recommending total general bill amendments of (\$15,102,301) in general funds, \$20,289,797 in federal fund expenditure authority, (\$259,003) in other fund expenditure authority, and 8.5 FTE. The following paragraphs highlight the recommended changes to the FY2011 general bill amendment.

- ◆ **BOR Stimulus 3:** The Governor is recommending \$10,623,423 in general funds for the Board of Regents in order to meet the maintenance of effort for Stimulus 3, and that those funds be committed to Higher Education and carried over into FY2012.
- ◆ **DOE Increased Enrollments-State Aid:** The Governor is recommending \$5,553,998 in general funds to fund the shortfall in the FY2011 state aid to general education budget due to higher enrollments and lower property valuation growth within the K-12 funding formula.
- ◆ **DOE Increased Enrollments-Postsecondary Technical Institutes:** The Governor is recommending \$795,993 in general funds due to higher student enrollments at the state's four Postsecondary Technical Institutes.
- ◆ **DOE Sparsity Shortfall:** The Governor is recommending \$134,088 in general funds for additional schools that became eligible for sparsity payments.
- ◆ **Custer State Park Bonding:** The Governor is recommending \$141,900 in general funds to make the payment on the third and final bond issuance for Custer State Park improvements due to the passage of SB218 during the 2007 Legislative Session.
- ◆ **DOE Birth to Three Maintenance of Effort:** The Governor is recommending a decrease of \$138,005 in general funds due to a decrease in utilization in the program, which also allows for a reduction in the maintenance of effort funding.
- ◆ **DSS Unemployment Bonus 2 Additional Quarters:** The Governor is recommending a decrease of \$5,704,075 in general funds due to the extension of the Medicaid Unemployment Bonus for the third and fourth quarters of FY2011.
- ◆ **DHS Unemployment Bonus 2 Additional Quarters:** The Governor is recommending a decrease of \$1,481,186 in general funds due to the extension of the Medicaid Unemployment Bonus for the third and fourth quarters of FY2011.

- ◆ **DOC Unemployment Bonus 2 Additional Quarters:** The Governor is recommending a decrease of \$119,749 in general funds due to the extension of the Medicaid Unemployment Bonus for the third and fourth quarters of FY2011.
- ◆ **DSS FMAP Stimulus 3:** The Governor is recommending a decrease of \$16,444,012 in general funds due to additional Medicaid federal funds from Stimulus 3.
- ◆ **DHS FMAP Stimulus 3:** The Governor is recommending a decrease of \$4,102,887 in general funds due to additional Medicaid federal funds from Stimulus 3.
- ◆ **DOC FMAP Stimulus 3:** The Governor is recommending a decrease of \$331,705 in general funds due to additional Medicaid federal funds from Stimulus 3.
- ◆ **DHS Human Services Center Medicaid/Medicare Realignment:** The Governor is recommending a decrease of \$1,537,963 in general funds and a corresponding increase in federal funds to realign projected expenses with Medicare and Medicaid revenues.
- ◆ **DHS Alcohol & Drug Abuse Maintenance of Effort:** The Governor is recommending a decrease of \$813,111 in general funds so that the proposed FY2012 budget will meet the maintenance of effort requirements.
- ◆ **DHS Mental Health Maintenance of Effort:** The Governor is recommending a decrease of \$573,298 in general funds so that the proposed FY2012 budget will meet the maintenance of effort requirements.
- ◆ **DHS Utilities:** The Governor is recommending (\$272,178) in general funds and (\$112,627) in federal fund expenditure authority due to revised FY2011 energy projections.
- ◆ **DOC Utilities:** The Governor is recommending (\$133,534) in general funds and (\$5,893) in federal fund expenditure authority due to revised FY2011 energy projections.
- ◆ **DOT Utilities:** The Governor is recommending (\$259,003) in other fund expenditure authority due to revised FY2011 energy projections.
- ◆ **DOC Reductions** The Governor is recommending (\$700,000) in general funds due to anticipated savings as a result of implementing efficiencies throughout the correctional system.
- ◆ **DOT TIGER II ARRA Grant for Railroads:** The Governor is recommending \$16,000,000 in American Recovery and Reinvestment Act federal fund expenditure authority to repair the rail line from Mitchell to Chamberlain.
- ◆ **DOE College Access Grant:** The Governor is recommending \$1,170,000 in federal fund expenditure authority due to an increase in the College Access Grant from the US Department of Education.
- ◆ **DOE EPSCoR Grant:** The Governor is recommending \$200,000 in federal fund expenditure authority for EPSCoR (Experimental Program to Stimulate Competitive Research) funding that will support science, technology, engineering, and math career related programs.
- ◆ **DRR Federal Insurance Grant:** The Governor is recommending \$585,198 in federal fund expenditure authority for a federal grant that will assist with the oversight of health insurance premiums.
- ◆ **GOV Health Insurance Exchange:** The Governor is recommending 0.5 FTE and \$154,371 in federal fund expenditure authority to research South Dakota's need for a health insurance exchange.
- ◆ **BIT Health Insurance Exchange:** The Governor is recommending \$303,558 in federal fund expenditure authority to research South Dakota's need for a health insurance exchange.
- ◆ **DRR Health Insurance Exchange:** The Governor is recommending \$56,998 in federal fund expenditure authority to research South Dakota's need for a health insurance exchange.
- ◆ **DSS Health Insurance Exchange:** The Governor is recommending 2.4 FTE and \$225,824 in federal fund expenditure authority to research South Dakota's need for a health insurance exchange.
- ◆ **MVA Air Guard Firefighters:** The Governor is recommending an increase of 3.0 FTE and \$174,405 in federal fund expenditure authority for 6.0 additional firefighters to work half of a year at Joe Foss Field in Sioux Falls.
- ◆ **DSS Medical Services Nurses:** The Governor is recommending increases of 2.0 FTE in order to hire four nurses to manage high cost Medicaid cases.

**GOVERNOR'S FY2012 GENERAL FUND
BASE BUDGET RECOMMENDATIONS**

GENERAL BILL	FTE EXPANSION/ (REDUCTION)	GENERAL FUND EXPANSION/ (REDUCTION)	TOTAL GENERAL FUND RECOMMENDATION
Administration	(6.5)	(347,292)	4,185,128
Agriculture	(19.0)	(587,356)	5,557,664
Attorney General	0.0	(514,863)	9,372,016
Corrections	(25.7)	5,116,831	81,479,369
Education (Excluding State Aid and Postsecondary Education)	0.0	(1,108,887)	9,979,976
State Aid to Education		(14,635,161)	353,609,683
Postsecondary Vocational Education		473,931	21,589,758
Environment and Natural Resources	(1.7)	(268,704)	5,538,404
Finance and Management	0.0	(666,185)	7,468,445
Game, Fish, and Parks	2.0	(260,274)	4,827,282
Gubernatorial Division	0.0	(236,947)	2,132,518
Health	0.0	(746,710)	7,035,575
Human Services	0.0	2,944,792	112,103,211
Information and Telecommunications	(29.3)	(577,000)	5,191,686
Labor and Regulation (Includes SD Retirement System)	(5.3)	(87,617)	788,550
Legislature	(1.0)	(239,553)	7,263,183
Military and Veteran's Affairs	0.0	(409,680)	5,861,131
Personnel	(4.0)	(26,000)	944,949
Public Safety	(1.0)	(366,906)	3,302,150
Public Utilities Commission	0.0	(10,845)	503,354
Regents	227.5	3,818,909	171,121,865
Revenue	(3.5)	(62,308)	1,080,303
School and Public Lands	0.0	800,000	1,347,047
Secretary of State	0.0	(45,307)	928,850
Social Services	0.0	38,730,532	322,630,419
State Auditor	0.0	(27,623)	1,178,320
State Treasurer (Including Investment Council)	0.0	(35,000)	473,556
Tourism & State Development	(66.5)	(838,621)	7,894,803
Transportation	0.0	0	522,399
Unified Judicial System	0.0	0	35,281,213
TOTAL FY2012 GENERAL BILL RECOMMENDATIONS	66.0	29,786,156	1,191,192,807
BREAKDOWN			
Executive Branch	(160.5)	40,438,615	586,391,444
Unified Judicial System and Other Elected Officials	(1.0)	(310,138)	58,480,057
State Aid		(14,635,161)	353,609,683
Postsecondary Vocational Education		473,931	21,589,758
Board of Regents	227.5	3,818,909	171,121,865
TOTAL FY2012 GENERAL BILL RECOMMENDATIONS	66.0	29,786,156	1,191,192,807

GENERAL FUND CONDITION STATEMENT

	<u>ACTUAL FY2009</u>	<u>ACTUAL FY2010</u>	<u>REVISED FY2011</u>	<u>PROJECTED FY2012</u>
RECEIPTS				
Sales and Use Tax	\$ 659,735,445	\$ 652,115,527	\$ 681,528,022	\$ 701,313,453
Contractor's Excise Tax	70,373,945	61,137,330	66,465,182	71,062,460
Property Tax Reduction Fund	125,463,350	123,174,513	112,843,293	107,438,672
Bank Franchise Tax	33,409,213	21,669,223	3,909,411	4,047,921
Insurance Company Tax	61,823,150	61,734,032	62,261,705	64,560,250
Other	189,792,064	189,965,121	211,949,429	208,057,835
One-Time Receipts	12,800,898	21,838,270	9,936,588	1,000,000
Transfer from Property Tax Reserves	0	0	13,955,141	36,908,941
Obligated Cash Carried Forward	150,957	0	0	0
TOTAL RECEIPTS	<u>\$1,153,549,022</u>	<u>\$1,131,634,016</u>	<u>\$1,162,848,771</u>	<u>\$1,194,389,532</u>
EXPENDITURES				
General Bill Excl. State Aid to Education	\$ 771,653,938	\$ 747,170,308	\$ 772,371,420	\$ 837,583,124
State Aid to Education	365,522,412	374,658,478	373,932,930	353,609,683
Special Appropriations	10,008,647	3,523,237	836,656	844,813
Emergency Special Appropriations	3,712,079	3,974,959	13,378,347	0
Continuing Appropriations	2,500,989	2,307,035	2,329,418	2,351,912
TOTAL EXPENDITURES	<u>\$1,153,398,065</u>	<u>\$1,131,634,016</u>	<u>\$1,162,848,771</u>	<u>\$1,194,389,532</u>
TRANSFERS				
Budget Reserve Fund	\$ 150,957	\$ 0	\$ 0	\$ 0
Property Tax Reduction Fund	0	0	0	0
TOTAL TRANSFERS	<u>\$ 150,957</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Beginning Unobligated Cash Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net (Receipts less Expend./Transfers)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
OBLIGATIONS AGAINST CASH				
Budget Reserve Fund	0	0	0	0
Property Tax Reduction Fund	0	0	0	0
Total Obligations Against Cash	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Unobligated Cash Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

SOURCE: State of South Dakota Bureau of Finance and Management

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

TOTAL STATE GOVERNMENT BUDGET (Excluding Information Budgets)

GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2009	ACTUAL FY 2010	BUDGETED FY 2011	REQUESTED FY 2012	GOVERNOR'S RECOMMENDED FY 2012	RECOMMENDED INC/(DEC) FY 2012
FUNDING SOURCE:						
General Funds	\$ 1,137,176,349	\$ 1,121,828,785	\$ 1,161,406,651	\$ 1,223,921,131	\$ 1,191,192,807	\$ 29,786,156
Federal Funds	1,120,568,147	1,329,282,464	1,517,185,973	1,467,026,396	1,467,026,396 (50,159,577)
Other Funds	605,549,079	601,205,924	715,230,993	726,171,544	726,171,544	10,940,551
Total	<u>\$ 2,863,293,576</u>	<u>\$ 3,052,317,174</u>	<u>\$ 3,393,823,617</u>	<u>\$ 3,417,119,071</u>	<u>\$ 3,384,390,747</u>	<u>(\$ 9,432,870)</u>
EXPENDITURE DETAIL:						
Personal Services	\$ 697,799,335	\$ 709,074,790	\$ 745,555,936	\$ 768,071,769	\$ 768,071,769	\$ 22,515,833
Operating Expenses	2,165,494,241	2,343,242,384	2,648,267,681	2,649,047,302	2,616,318,978 (31,948,703)
Total	<u>\$ 2,863,293,576</u>	<u>\$ 3,052,317,174</u>	<u>\$ 3,393,823,617</u>	<u>\$ 3,417,119,071</u>	<u>\$ 3,384,390,747</u>	<u>(\$ 9,432,870)</u>
Staffing Level FTE:	12,493.6	12,834.6	12,277.2	12,407.2	12,407.2	130.0

SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2011	GOVERNOR'S RECOMMENDED FY 2012	RECOMMENDED INC/(DEC) FY 2012
General Funds	\$ 1,442,120	\$ 3,196,725	\$ 1,754,605
Federal Funds	26,644,797	6,100,000	(20,544,797)
Other Funds	24,539,107	3,083,270	(21,455,837)
Total	<u>\$ 52,626,024</u>	<u>\$ 12,379,995</u>	<u>(\$ 40,246,029)</u>
Staffing Level FTE:	7.9	0.0	(7.9)

TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2011	GOVERNOR'S RECOMMENDED FY 2012	RECOMMENDED INC/(DEC) FY 2012
General Funds	\$ 1,162,848,771	\$ 1,194,389,532	\$ 31,540,761
Federal Funds	1,543,830,770	1,473,126,396	(70,704,374)
Other Funds	739,770,100	729,254,814	(10,515,286)
Total	<u>\$ 3,446,449,641</u>	<u>\$ 3,396,770,742</u>	<u>(\$ 49,678,899)</u>
Staffing Level FTE:	12,285.1	12,407.2	122.1

INFORMATION BUDGETS CONTAINED IN THE GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2009	ACTUAL FY 2010	BUDGETED FY 2011	REQUESTED FY 2012	GOVERNOR'S RECOMMENDED FY 2012	RECOMMENDED INC/(DEC) FY 2012
FUNDING SOURCE:						
General Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal Funds	275,085,944	393,928,949	393,150,914	402,746,125	402,746,125	9,595,211
Other Funds	291,860,946	256,568,438	260,965,766	273,942,831	273,942,831	12,977,065
Total	\$ 566,946,891	\$ 650,497,388	\$ 654,116,680	\$ 676,688,956	\$ 676,688,956	\$ 22,572,276
EXPENDITURE DETAIL:						
Personal Services	\$ 83,135,374	\$ 85,530,827	\$ 99,954,853	\$ 90,233,004	\$ 90,233,004	(\$ 9,721,849)
Operating Expenses	483,811,516	564,966,560	554,161,827	586,455,952	586,455,952	32,294,125
Total	\$ 566,946,891	\$ 650,497,388	\$ 654,116,680	\$ 676,688,956	\$ 676,688,956	\$ 22,572,276
Staffing Level FTE:	1,276.3	1,307.4	1,320.9	1,256.9	1,256.9	(64.0)

INFORMATION BUDGETS

South Dakota Building Authority
 South Dakota Health and Educational Facilities Authority
 Public Entity Pool for Liability (PEPL) Administration
 PEPL Fund Claims
 Insurance Fraud Unit
 Petroleum Release Fund
 Lottery Instant and On-Line Operations
 Real Estate Commission
 Abstractors Board of Examiners
 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
 South Dakota Housing Development Authority
 Science and Technology Authority
 SD Energy Infrastructure Authority
 SD Ellsworth Development Authority
 Division of Wildlife
 Wildlife Development and Improvement
 Snowmobile Trails Program
 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 Accountancy
 Board of Barber Examiners
 Cosmetology Commission
 Plumbing Commission
 Board of Technical Professions
 Electrical Commission
 Highway Construction Contracts
 Tuition and Fee Fund
 Army/Air National Guard
 Board of Counselor Examiners
 Board of Psychology Examiners
 Board of Social Work Examiners
 Certification Board for Alcohol and Drug
 Professionals
 Regulated Response Fund
 Livestock Cleanup
 PUC Administration
 Grain Warehouse
 Fixed Utilities
 Pipeline Safety
 One-Call Notification Board
 State Bar Association
 Unclaimed Property Fund

TOTAL STATE GOVERNMENT BUDGET (Including Information Budgets)

GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2009	ACTUAL FY 2010	BUDGETED FY 2011	REQUESTED FY 2012	GOVERNOR'S RECOMMENDED FY 2012	RECOMMENDED INC/(DEC) FY 2012
FUNDING SOURCE:						
General Funds	\$ 1,137,176,349	\$ 1,121,828,785	\$ 1,161,406,651	\$ 1,223,921,131	\$ 1,191,192,807	\$ 29,786,156
Federal Funds	1,395,657,056	1,723,218,216	1,910,598,144	1,870,033,778	1,870,033,778	(40,564,366)
Other Funds	898,815,763	859,335,899	977,736,888	1,001,633,051	1,001,633,051	23,896,163
Total	<u>\$ 3,431,649,168</u>	<u>\$ 3,704,382,899</u>	<u>\$ 4,049,741,683</u>	<u>\$ 4,095,587,960</u>	<u>\$ 4,062,859,636</u>	<u>\$ 13,117,953</u>
EXPENDITURE DETAIL:						
Personal Services	\$ 781,932,790	\$ 795,550,035	\$ 846,781,498	\$ 859,556,679	\$ 859,556,679	\$ 12,775,181
Operating Expenses	2,649,716,378	2,908,832,864	3,202,960,185	3,236,031,281	3,203,302,957	342,772
Total	<u>\$ 3,431,649,168</u>	<u>\$ 3,704,382,899</u>	<u>\$ 4,049,741,683</u>	<u>\$ 4,095,587,960</u>	<u>\$ 4,062,859,636</u>	<u>\$ 13,117,953</u>
Staffing Level FTE:	13,780.8	14,153.0	13,612.1	13,678.1	13,678.1	66.0

SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2011	GOVERNOR'S RECOMMENDED FY 2012	RECOMMENDED INC/(DEC) FY 2012
General Funds	\$ 1,442,120	\$ 3,196,725	\$ 1,754,605
Federal Funds	26,644,797	6,100,000	(20,544,797)
Other Funds	24,539,107	3,083,270	(21,455,837)
Total	<u>\$ 52,626,024</u>	<u>\$ 12,379,995</u>	<u>(\$ 40,246,029)</u>
Staffing Level FTE:	7.9	0.0	(7.9)

TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2011	GOVERNOR'S RECOMMENDED FY 2012	RECOMMENDED INC/(DEC) FY 2012
General Funds	\$ 1,162,848,771	\$ 1,194,389,532	\$ 31,540,761
Federal Funds	1,937,242,941	1,876,133,778	(61,109,163)
Other Funds	1,002,275,995	1,004,716,321	2,440,326
Total	<u>\$ 4,102,367,707</u>	<u>\$ 4,075,239,631</u>	<u>(\$ 27,128,076)</u>
Staffing Level FTE:	13,620.0	13,678.1	58.1