

State of South Dakota

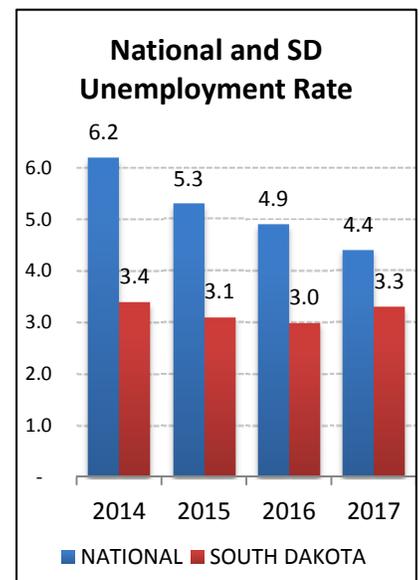
FY2017 Citizen's Financial Report

About South Dakota

South Dakota has often been referred to as the land of infinite variety. That variety is reflected in everything from our weather to our scenery, our economy to our state symbols. South Dakota ranks 16th in size among the 50 states. It was the 40th state to join the Union in 1889 and encompasses 75,885 square miles, averaging 11 people per square mile. South Dakota boasts more miles of shoreline than the state of Florida and the highest point in the United States east of the Rocky Mountains.

South Dakota Economy

- South Dakota's nonfarm employment in 2017 was up 3,800 jobs, or 0.9%, compared to 2016.
- The unemployment rate in South Dakota for 2017 was 3.3%, compared to the national average of 4.4%.
- South Dakota's real Gross Domestic Product for 2016 increased 0.7% over 2015 from \$41,089 million to \$41,375 million.
- Nonfarm income in South Dakota grew 2.7% on an annual basis in 2016 compared to the national growth rate of 2.5% over the same time period.
- Farm income in South Dakota for 2016 totaled \$1.1 billion, which was down from \$1.6 billion in 2015, a decrease of 34.2%.
- Sales and use tax collections in FY2017 were \$991.2 million, compared to \$905.5 million FY2016, an increase of 9.5%. The increase is attributed to the passage of House Bill 1182 from the 2016 Legislative Session, which increased the sales and use tax from 4.0% to 4.5%.



Demographic	2014	2015	2016	2017
Per Capita Personal Income	\$45,921	\$47,665	\$47,834	N/A
State Real GDP (millions)	\$39,963	\$41,089	\$41,375	N/A
Farm Income (billions)	\$2.4	\$1.6	\$1.1	N/A
New and Expanded Industries	360	332	165	211
Housing Units Authorized by Permits	4,738	4,482	5,686	5,364
Resident Population	852,561	857,919	865,454	869,666

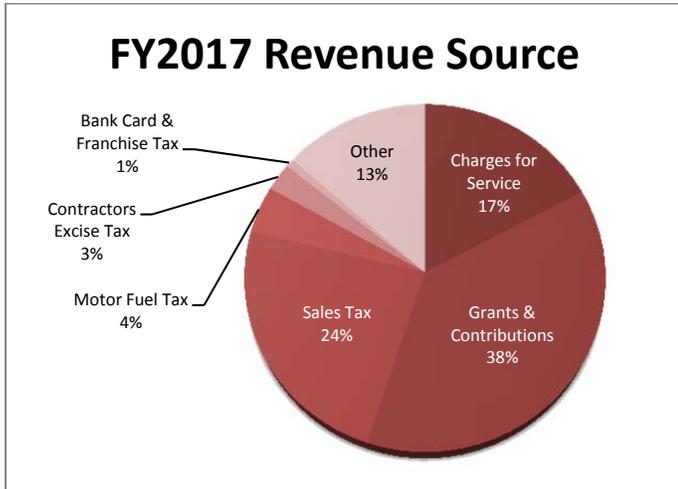
N/A - Information for the given demographics was not yet available at the time of this publication.

For further economic information, please refer to the Bureau of Finance and Management's website at bfm.sd.gov/econ and bfm.sd.gov/dashboards.

Financial Summary of South Dakota

Primary Government Revenues

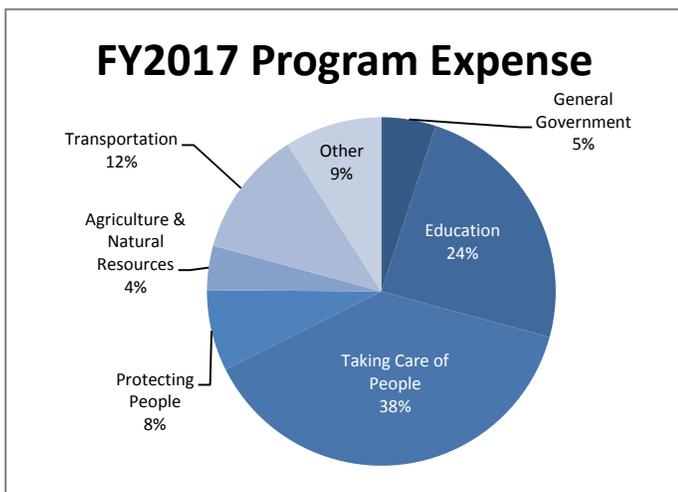
Total revenue increased \$257 million from FY2016 to FY2017. In FY2017, South Dakota received 40% of its revenues from taxes (sales, motor fuel, contractors excise, bank card, bank franchise, and other taxes), and 38% from federal grants and contributions. Charges for service accounted for 17%. The sales and use tax increase is attributed to the passage of House Bill 1182 from the 2016 Legislative Session, which increased the sales and use tax from 4.0% to 4.5%. Revenues include all funds and are reported under the accrual basis of accounting.



Revenue Source	FY2016 (thousands)	FY2017 (thousands)
Charges for Service	\$ 717,842	\$ 716,709
Grants & Contributions	1,516,215	1,583,106
Sales Tax	905,475	991,155
Motor Fuel Tax	184,105	183,795
Contractors Excise Tax	104,979	106,834
Bank Card & Franchise Tax	25,943	32,844
Other	466,434	563,511
Total Revenues	\$ 3,920,993	\$ 4,177,954

Primary Government Expenses

Total expenses increased \$104 million from FY2016 to FY2017. In FY2017, Health, Human and Social Services (taking care of people) accounted for 38% of the State's expenses, followed by 24% to education (K-12 and post-secondary), 12% transportation (constructing and maintaining roads and bridges), and 8% for law, justice, public protection, and regulation (protecting people). Expenses include all funds and are reported under the accrual basis of accounting.



Program Expense	FY2016 (thousands)	FY2017 (thousands)
General Government	\$ 198,079	\$ 198,531
Education	864,688	946,801
Taking Care of People	1,423,411	1,503,967
Protecting People	269,583	294,852
Agriculture & Natural Resources	140,314	161,412
Transportation	561,536	459,424
Other	357,666	354,055
Total Expenses	\$ 3,815,277	\$ 3,919,042

For further financial information, please refer to the Bureau of Finance and Management's website at bfm.sd.gov/cafr.

South Dakota Performance Measures

Performance Measure	FY2014	FY2015	FY2016	FY2017
All Government				
Full-Time Equivalent Employees	13,244.5	13,259.3	13,196.3	13,294.8
Education				
K-12 Public School Fall Enrollment	128,924	129,772	130,936	132,520
Higher Education Fall Headcount	36,532	36,439	36,531	36,662
Higher Education Tuition and Fees	\$8,039	\$8,039	\$8,475	\$8,504
Taking Care of People				
Medicaid Enrolled/Month	115,328	117,346	118,674	119,619
Supplemental Nutrition Assistance Program Persons	101,878	99,075	96,913	94,558
Protecting People				
Average Daily Population (Adult) in Corrections	3,645	3,610	3,613	3,844
Felony Offenses Filings	9,413	10,392	10,800	11,512
Agriculture and Natural Resources				
Park Visitations	8,115,000	7,605,595	7,509,840	7,729,787
Acres of Walk-In Areas	1,270,000	1,389,734	1,392,000	1,331,000
Transportation				
% of Non-Interstate Roads Rated Good or Better	89%	90%	82%	83%
% of Interstate Pavement in Excellent Condition	46%	53%	45%	50%

Top Ten Employers in South Dakota

Rank	Employer	SD Employees	% of Total SD Employment
1	Federal Government	11,670	2.8%
2	Sanford Medical	10,848	2.6%
3	Avera Medical	10,535	2.5%
4	Sioux Falls MSA Local Government	10,519	2.5%
5	South Dakota State Government	9,374	2.2%
6	Rapid City MSA Local Government	6,539	1.6%
7	South Dakota Board of Regents	6,430	1.5%
8	Walmart Associates	5,230	1.2%
9	Rapid City Regional Hospital, Inc.	3,637	0.9%
10	Hy-Vee Food Store, Inc.	3,596	0.9%
		78,378	18.6%
Total 2017 SD Employment		421,178	

Source: Prepared by the Labor Market Information Center, SD Department of Labor & Regulation.

For further financial information, please refer to the Bureau of Finance and Management's website at bfm.sd.gov/cafr.

Profile of the Government

Structure: State government is comprised of three distinct and separate branches of government: legislative, executive, and judicial. The State Legislature is composed of a 35-member Senate and a 70-member House of Representatives. Legislators are elected for two-year terms and limited to four consecutive terms for the same seat. The Governor may be elected for two consecutive four-year terms. The Governor appoints all heads of state departments who serve at the pleasure of the Governor. The judicial branch is governed by the Unified Judicial System consisting of the Supreme Court, circuit courts, and courts of limited jurisdiction.

Budget Process. State law requires annual preparation and approval of the State's budget. The Governor presents the annual budget to the State Legislature by the first Tuesday after the first Monday in December. The State Legislature is required to approve a budget by the end of the legislative session. The Constitution of the State of South Dakota requires the Legislature to pass a balanced annual budget in which expenditures and appropriations may not exceed anticipated revenue. The State budget must remain in balance through the end of the fiscal year. Annual budget information can be found on the Bureau of Finance and Management website at bfm.sd.gov/budget.

Long-Term Financial Planning and Financial Policies. Governor Dugaard is committed to the long-term strength and financial condition of the State and pledges to never lose sight of those values that keep our state strong. In doing so, the Governor has implemented the following long-term financial planning and financial policies:

- **Maintaining AAA bond rating.** The State has received AAA public issuer rating from Standard & Poor's, Fitch Ratings, and Moody's. This represents the highest rating possible from all three bond rating agencies.
 - **Long-Term Financial Planning.** To further strengthen the financial practices of the State of South Dakota, state law requires the Bureau of Finance and Management to prepare and provide a Long-term Financial Plan, a Capital Expenditure Plan, and a Debt Limitation and Management Policy. The Long-Term Financial Plan contains projections of both revenues and expenditures. The Capital Expenditure Plan includes capital projects being considered over the course of the next five fiscal years and separates the projects into three main categories: new construction, expansion, and maintenance and repair. The Debt Limitation and Management Policy lays out policies pertaining to the issuance, maintenance, and servicing of debt. The long-term planning documents provide an early detection system, help prioritize capital planning, govern and limit indebtedness, and allow for greater transparency. These documents can be found on the Bureau of Finance and Management website at bfm.sd.gov/lftp.
 - **Budget Reserve.** The State has prudently maintained a 10% reserve of rainy day funds while using the excess to address emergencies and prepay liabilities. The State has two statutorily created reserve accounts: the General Fund Budget Reserve and the General Revenue Replacement Fund. The combined accrual basis balance of these two reserve accounts for fiscal years 2011 through 2016 was \$111.2 million, \$139.0 million, \$163.1 million, \$153.4 million, \$171.3 million, and \$157.4 million, respectively, and, \$165.3 million for fiscal year 2017.
 - **Financially Sound and Well-Funded Retirement System.** South Dakota has one of the strongest pension plans in the nation. SDRS's funded ratio based on market value of assets for June 30, 2014, 2015, 2016, and 2017 was 107.3%, 104.1%, 96.6%, and 100.1%. That is compared to an estimated average of 77%, 73%, 69%, and 73% (respectively) for other statewide public systems.
 - **Comprehensive Annual Financial Report.** In 1987, the State issued its first CAFR. That report contained an unmodified opinion from the Department of Legislative Audit (the independent auditors). Since then, South Dakota has received an unmodified opinion on each CAFR issued. This document can be found on the Bureau of Finance and Management website at bfm.sd.gov/cafr.
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