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South Dakota Ends Fiscal Year With Balanced Budget

PIERRE, S.D. – South Dakota state government ended the 2011 fiscal year on June 30 with a balanced budget and without using any state reserve funds, Gov. Dennis Daugaard announced today.

The state general fund budget for Fiscal Year 2011 ended on a positive note with increased revenues as well as lower expenditures than budgeted. No reserve funds were used to balance the budget, marking the third consecutive year that reserve balances remained intact.

When the 2011 legislative session concluded in March, lawmakers projected state revenues would improve for the remainder of the fiscal year. March estimates for FY2011 revenues were increased by nearly \$14 million over the January estimates. Actual revenue growth exceeded those March estimates by still another \$10,277,263. In addition, state agencies spent \$1,946,939 less than appropriated. In total, the state's financial picture showed a \$12,224,202 improvement from the March estimates. The improvement enabled the state to make a full refund in FY2011 of a \$26.1 million overpayment of bank franchise tax revenue. The state had earlier budgeted a partial refund only.

“We met our goal of balancing the budget without the use of reserves and without raising taxes,” Gov. Daugaard said. “I’m pleased that FY2011 was closed successfully, and our budget for FY2012 overcame a structural deficit of \$127 million. The strength with which we ended FY2011 will help ensure that we successfully achieve a structurally balanced budget in FY2012 in which ongoing revenues match ongoing expenses.”

South Dakota's sales and use tax receipts, the state's largest revenue source, began improving in recent months as the state and nation continued to recover from the worst economic recession since the Great Depression. Sales and use tax collections in FY2011, ending June 30, totaled \$710,196,255, which was 8.91 percent above the previous year. This positive growth was tempered by declines in bank franchise tax and video lottery receipts, which decreased by 78.15 percent and 10.04 percent respectively.

Collections from the sales and use tax accounted for 62 percent of general fund receipts in FY2011. Total state general fund receipts were \$1,148,302,339 for the fiscal year. Ongoing receipts to the general fund totaled \$1,163,046,393. However, due to the refund of overpaid bank franchise taxes, one-time revenue sources declined by \$14,744,054.

Despite an increased need for state government services during a subdued economy, state agencies remained within their appropriated budgets in FY2011. Collectively, the three branches of state government spent a total of \$1,946,939 less than appropriated. Of that, \$526,473 represented reduced spending during the fiscal year and \$1,420,466 consisted of unspent special appropriations, contract carryovers and deferred budgets.

South Dakota state government ended FY2011 with state reserve accounts unchanged. The state's Budget Reserve Fund has a balance of \$43,398,446, and the Property Tax Reduction Fund has a balance of \$63,626,269. The combination of those two funds, totaling \$107,024,715, represents a combined reserve of approximately 9.3 percent of total general fund spending for FY2011.