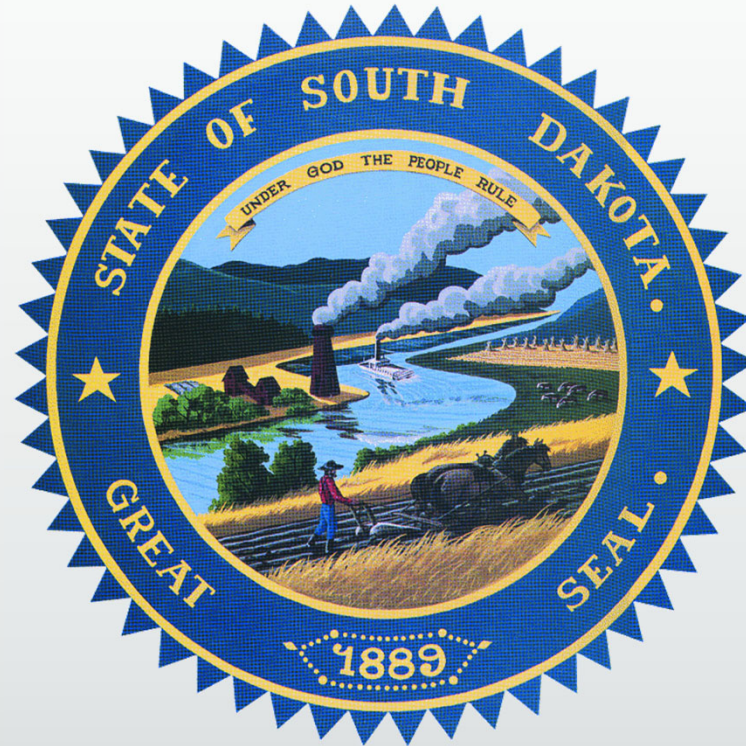


# Budget Overview



South Dakota Bureau Of Finance and Management  
January 12th, 2021

# Outline

- **Economic Outlook**
- **Revenues**
- **FY2021 Mid-Year Adjustments & Emergency Special Appropriations**
- **FY2022 Expenses**

# BFM Budget Team

- Liza Clark, Commissioner
- Mark Quasney, State Economist
- Derek Johnson, Chief Budget Analyst
- Hallie Getz, Senior Budget Analyst
- Morgan Gruebele, Senior Budget Analyst
- Lara Williams, Budget Analyst
- Jacob Parsons, Budget Analyst
- Colin Keeler, Director of Financial Systems

# Budget Process

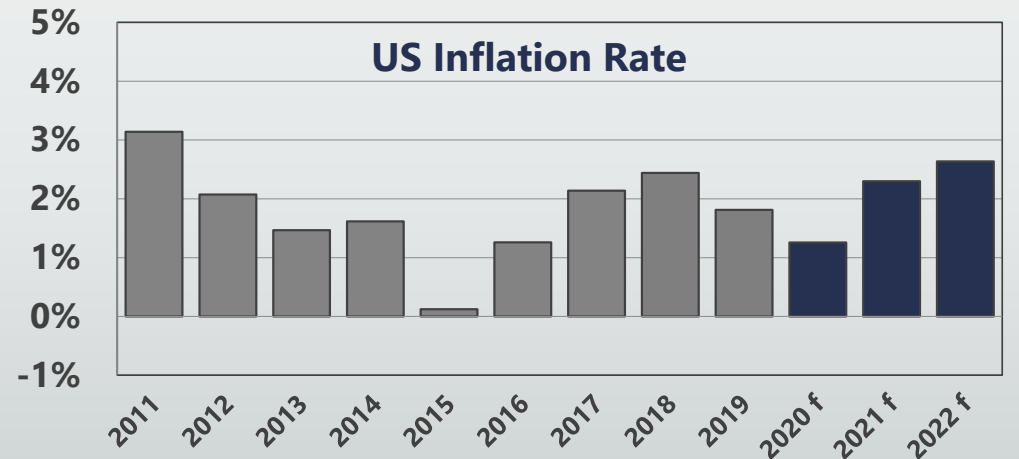
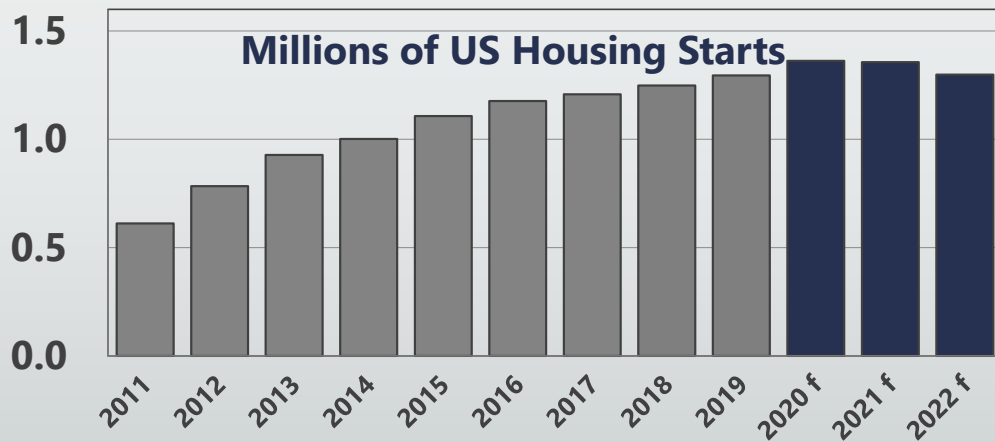
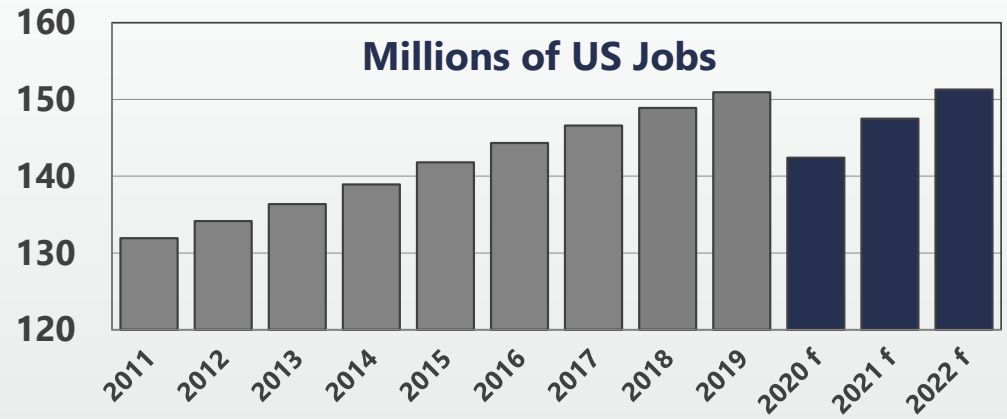
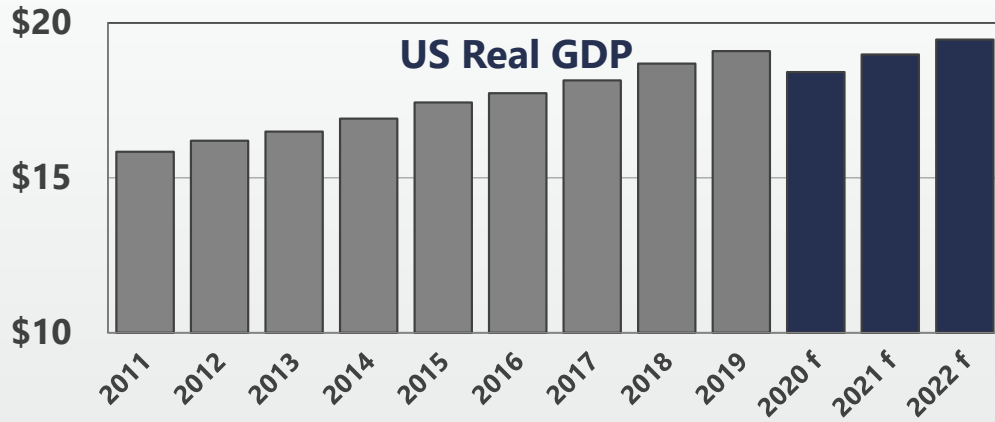
- **August:** Agencies submit budget request to BFM
- **September – October:** Analysts review requests for assigned agencies and make give recommendations to the commissioner
- **November:** BFM gives statewide recommendation to the Governor and her staff
- **December:** Governor presents her recommendations
- **January – March:** Budget decisions finalized by Legislature
- **April – June:** Budgets loaded and year-end spending plans finalized

# **ECONOMIC OUTLOOK**

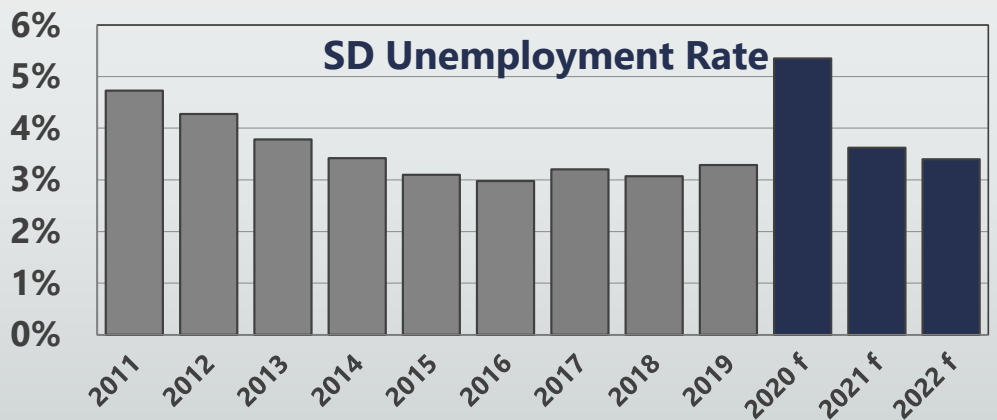
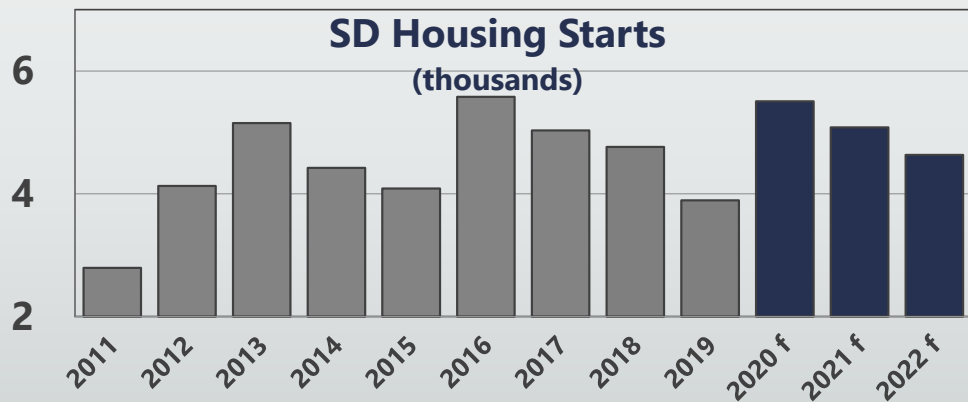
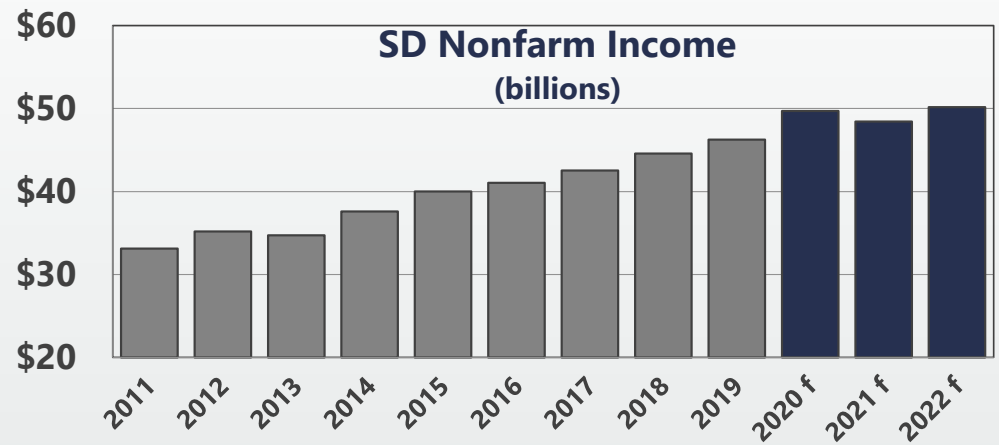
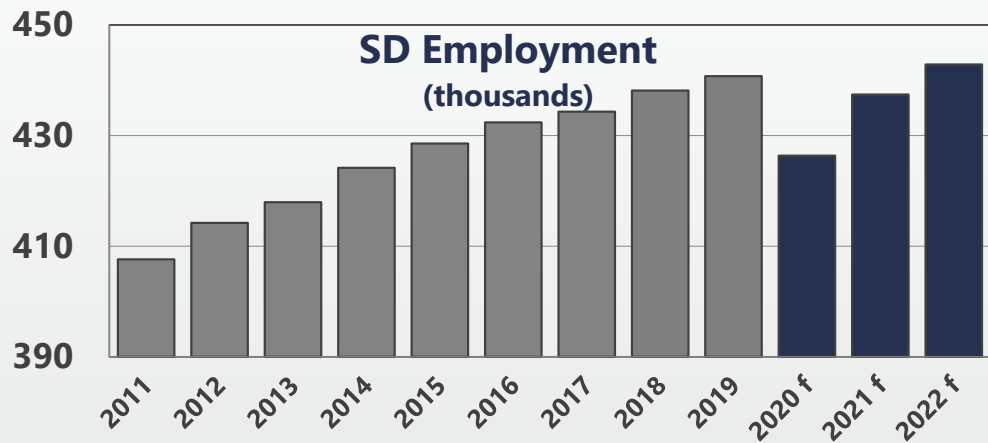
# Economic Assumptions

- **US real GDP growth forecast: -3.6% in 2020 and 3.1% in 2021**
- **SD forecast is less impacted in 2020 but slower growth in 2021 than the national forecast, which aligns with the Council of Economic Advisors**
- **No additional federal stimulus included**
- **Widespread COVID-19 vaccination utilization by mid-2021**

# IHS Markit US Economy Forecast



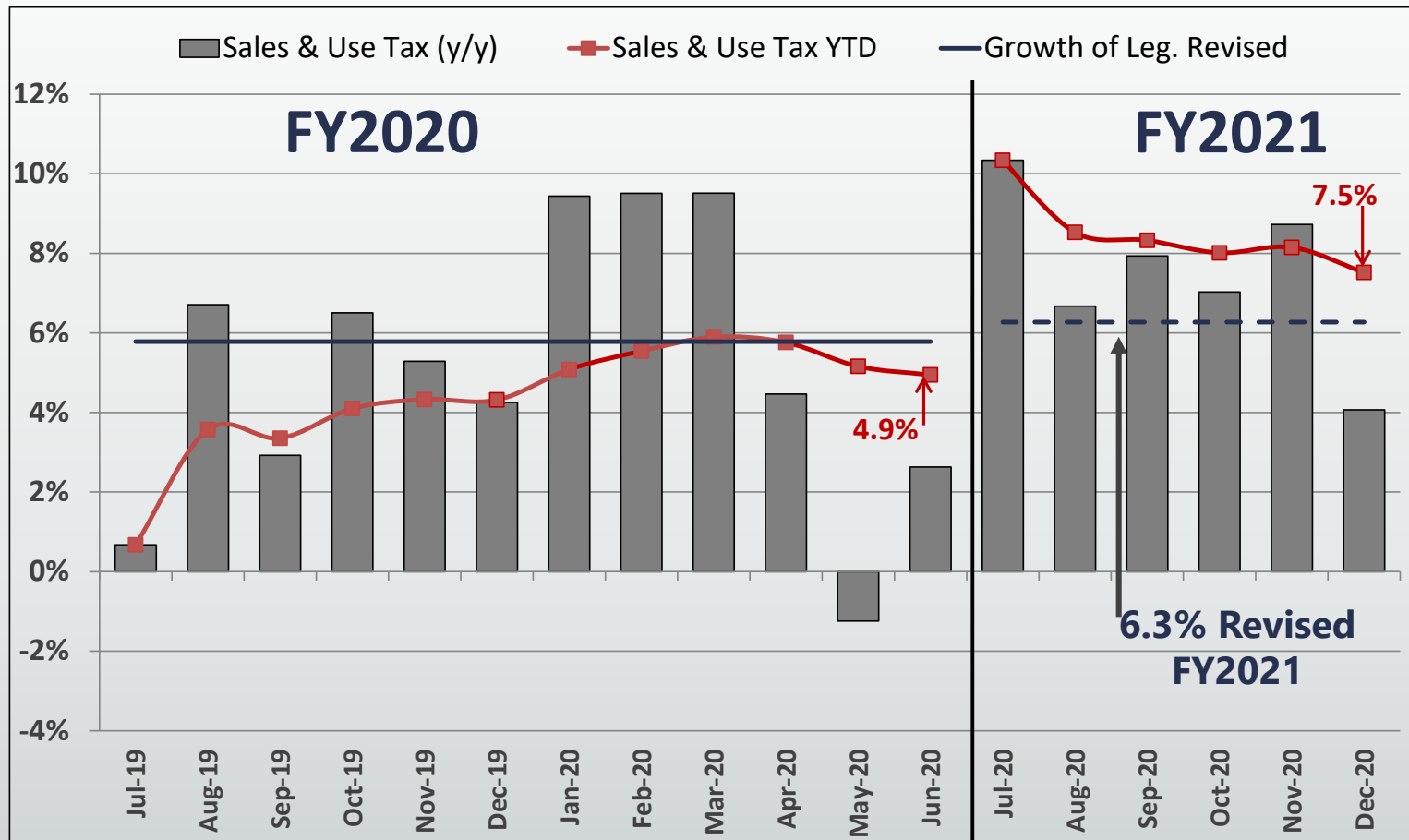
# SD Economy Forecast





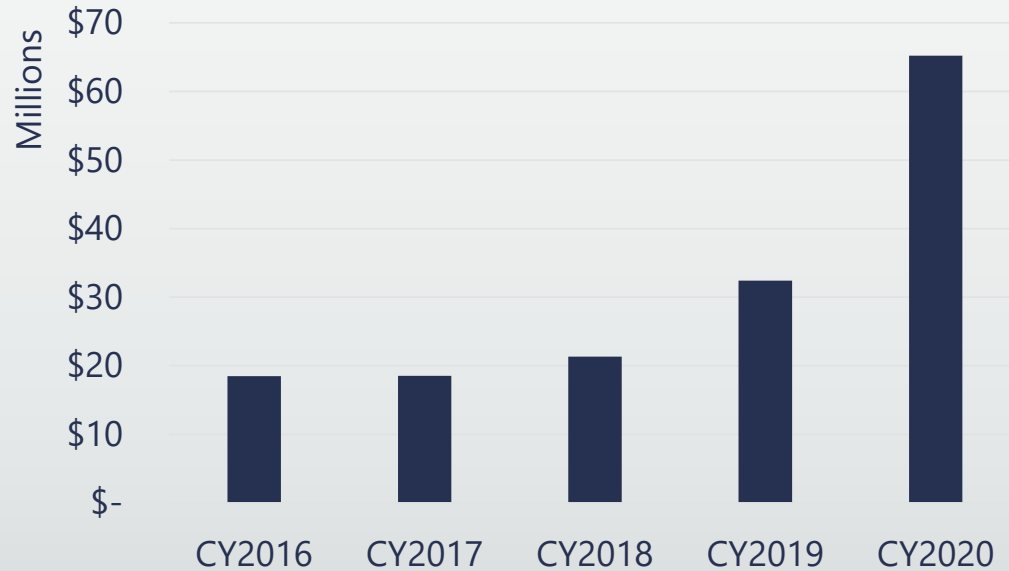
# REVENUES

# Recent Growth in Sales and Use Tax

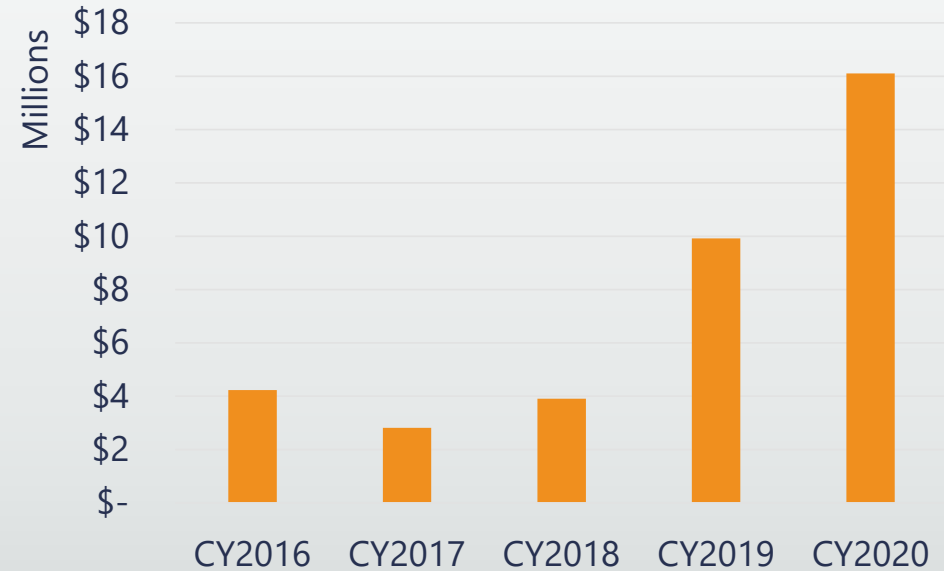


# Recent Growth in Sales and Use Tax

Sale/Use Tax reported Known Wind Farm Suppliers



CET Reported By Known Wind Farm Contractors



# Recent Growth in Sales and Use Tax

Quarterly Personal Income



# History of Additional Ongoing Revenues

	<b>Adopted Growth</b>
FY 2016	+ 41.3M
FY 2017*	+ 165.0M
FY 2018	(8.0M)
FY 2019	+ 51.5M
FY 2020	+ 59.7M
FY 2021 Adopted Estimate	+ 41.3M

\*Includes the 0.5% increase to Sales and Use Tax Rate

# FY2021 Adopted vs. Revised Ongoing Receipts (millions)

Source	Adopted FY2021	Revised FY2021	Change
Sales and Use Tax	\$1,102.0	\$1,140.1	+38.1
Lottery	132.2	134.8	+2.6
Contractor's Excise Tax	130.3	136.9	+6.6
Insurance Company Tax	94.0	96.0	+2.0
Unclaimed Property	41.5	40.0	(1.5)
Licenses, Permits, and Fees	70.0	68.7	(1.3)
Tobacco Taxes	45.8	50.9	+5.1
Other Ongoing Receipts	<u>126.8</u>	<u>137.2</u>	+10.4
<b>Total Ongoing Receipts</b>	<b>\$1,742.6</b>	<b>\$1,804.7</b>	<b>+62.1</b>

\*Totals may not sum due to rounding

# FY2021 & FY2022 Revenue Forecast

(millions)

Source	Adopted FY2021	Revised FY2021	Recommended FY2022	Revised FY2021 vs. FY2022
Sales and Use Tax	\$1,102.0	\$1,140.1	\$1,145.3	+5.3
Lottery	132.2	134.8	135.8	+1.0
Contractor's Excise Tax	130.3	136.9	137.1	+0.2
Insurance Company Tax	94.0	96.0	97.9	+1.9
Unclaimed Property	41.5	40.0	40.0	0.0
Licenses, Permits, and Fees	70.0	68.7	68.9	+0.1
Tobacco Taxes	45.8	50.9	50.4	(0.6)
Other Ongoing Receipts	<u>126.8</u>	<u>137.2</u>	<u>128.0</u>	<u>(9.3)</u>
<b>Total Ongoing Receipts</b>	<b>\$1,742.6</b>	<b>\$1,804.7</b>	<b>\$1,803.3</b>	<b>(1.4)</b>

\*Totals may not sum due to rounding

# Ongoing Revenue Available

	FY2022
Current Year Revised Ongoing Revenue Growth	\$62.1M
Projected Ongoing Revenue Growth	<u>(\$1.4M)</u>
<b>Total Additional Ongoing Revenue</b>	<b>\$60.7M</b>

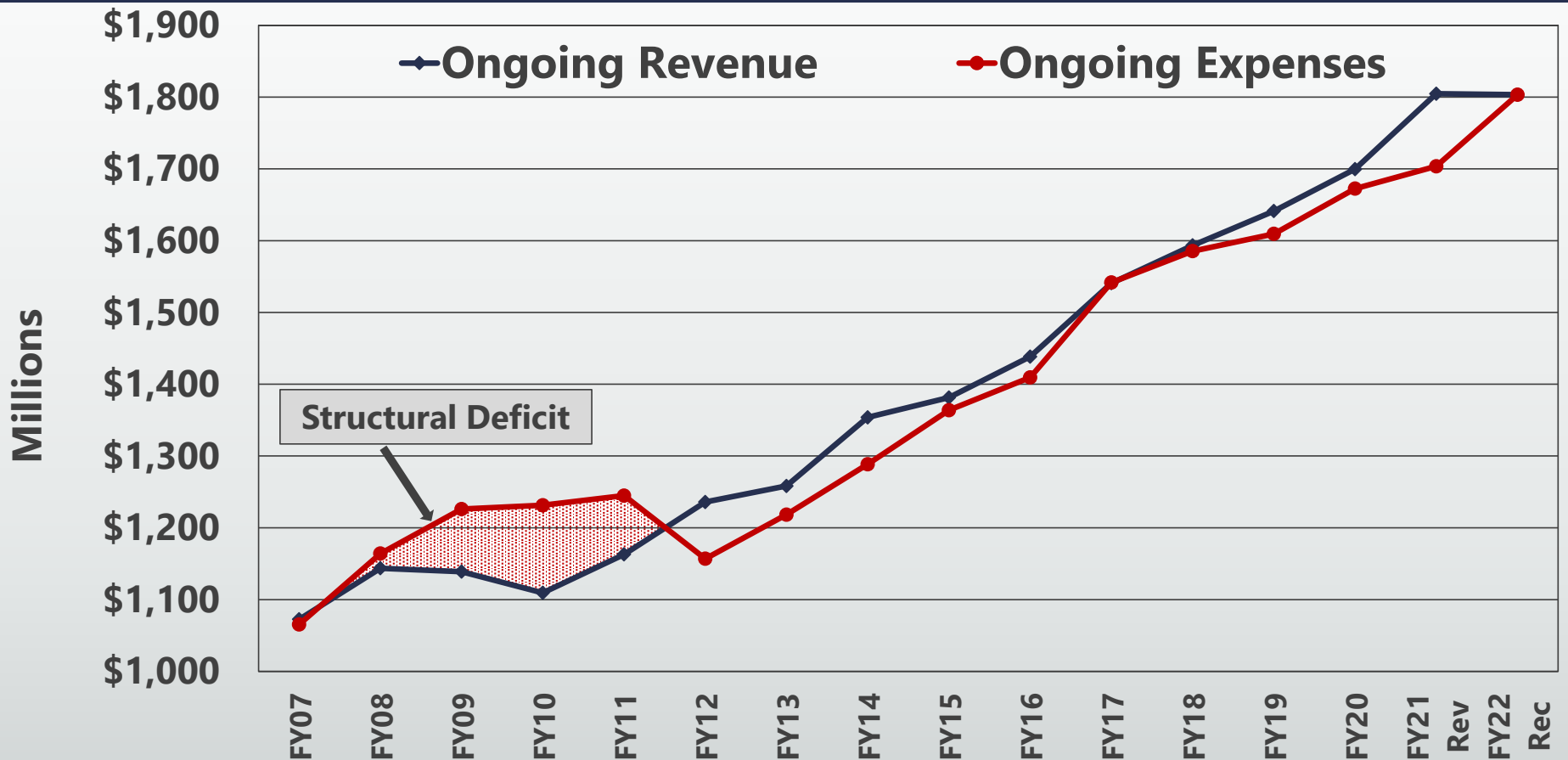


# History of Additional Ongoing Revenues

	Adopted Growth
FY 2016	+ 41.3M
FY 2017*	+ 165.0M
FY 2018	(8.0M)
FY 2019	+ 51.5M
FY 2020	+ 59.7M
FY 2021 Adopted Estimate	+ 41.3M
<b>FY 2022 Recommended</b>	<b>+ 60.7M</b>

\*Includes the 0.5% increase to Sales and Use Tax Rate

# History of Ongoing Revenues and Expenses



# One-Time Revenue in FY2021 (millions)

Source	Recommended FY2021
Closeout of SDRC Inc. Funds	\$3,381,726
Refinancing Gains	\$6,744,667
Bank Franchise Prior Year	\$9,720,271
One-Time Unclaimed Property	\$16,704,747
One-Time Sales and Use Tax	\$20,915,582
<b>Total One-Time Revenue</b>	<b>\$57,466,993</b>

\*Totals may not sum due to rounding

# One-Time Revenue in FY2021

	<b>General Funds</b>
FY2021 Revised Ongoing Revenue	\$62,086,848
FY2021 One-time Revenue	<u>\$57,466,993</u>
<b>Total FY2021 Revenue Available</b>	<b>\$119,553,841</b>

**FY2021  
MID-YEAR  
ADJUSTMENTS &  
EMERGENCY SPECIAL  
APPROPRIATIONS**

# FY2021 Recommendation Detail

	General Funds
FY2021 Revenue Available	\$119,553,841
FY2021 General Bill Reductions (SB 64)	\$134,189,765
FY2021 General Bill Increases (SB 64)	(\$30,201,398)
FY2021 Expenditure Transfers (SB 64)	(\$64,721,582)
FY2021 Emergency Special Appropriations (Various)	(\$158,611,534)
FY2021 Continuous Appropriation Adjustment (SDCL)	<u>(\$165,478)</u>
<b>Bottom Line</b>	<b>\$43,614</b>

# FY2021 Recommendation Detail

	General Funds
FY2021 Revenue Available	\$119,553,841
<b>FY2021 General Bill Reductions (SB 64)</b>	<b>\$134,189,765</b>
FY2021 General Bill Increases (SB 64)	(\$30,201,398)
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<b>Bottom Line</b>	<b>\$43,614</b>

# FY2021 General Bill Amendments

Reductions	General Funds
Public Health and Public Safety Employee Savings (CRF)	\$44,337,735
FY2021 Enhanced FMAP	\$41,820,047
FY2020 Enhanced FMAP and Claims Carryover	\$39,152,704
Medicare Part D Clawback Savings	\$4,400,000
Correctional Healthcare Adjustment	\$2,087,067
Statewide Food Services Adjustments	\$661,972
SDDC Personal Services Reduction	\$534,425
Dual Credit	\$525,485
Statewide Utilities Adjustments	\$396,059
Drug/DUI Court Treatment	\$120,419
Technical Colleges Formula	\$106,287
Legislative Per Diem	\$47,565
<b>Total FY2021 General Bill Amendment Reductions</b>	<b>\$134,189,765</b>



# FY2021 Recommendation Detail

	General Funds
FY2021 Revenue Available	\$119,553,841
FY2021 General Bill Reductions (SB 64)	\$134,189,765
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<b>Bottom Line</b>	<b>\$43,614</b>

# FY2021 General Bill Amendments

<b>Increases</b>	<b>General Funds</b>
Regional Crisis Diversion Centers	\$8,364,225
State Airplane Purchase	\$5,000,000
Technical Colleges Equipment	\$3,366,196
State Radio Coverage	\$3,200,000
Emergency Vehicle Operations Course	\$2,434,501
Educator Certification Website, Database, and Application System	\$1,531,755
Reemployment Assistance Indirect Costs Related to COVID-19	\$999,294
K-12 Civics/History Curriculum	\$900,000
Bureau Billings	\$873,856
Community Transition Program	\$455,885
SDSU Ag Experiment Station - Precision Ranching	\$453,200
Virtual Crisis Care Grant Extension and Expansion	\$360,000
USD Animal Resource Center Equipment	\$355,000
Miscellaneous Increases	\$1,907,486
<b>Total General Bill Amendment Increases</b>	<b>\$30,201,398</b>

# FY2021 Recommendation Detail

	General Funds
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<b>Bottom Line</b>	<b>\$43,614</b>

# FY2021 General Bill Amendments

<b>Expenditure Transfers</b>	<b>General Funds</b>
Trust Fund	\$50,000,000
State IT Application Brittle Fund	\$10,000,000
Aeronautics Fund	\$4,000,000
State Fair Cash Shortfall	<u>\$721,582</u>
<b>Total</b>	<b>\$64,721,582</b>

# FY2021 Recommendation Detail

	General Funds
FY2021 Revenue Available	\$119,553,841
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FY2021 Continuous Appropriation Adjustment (SDCL)	(\$165,478)
<b>Bottom Line</b>	<b>\$43,614</b>

# FY2021 Emergency Special Appropriations

Emergency Specials	General Funds
Broadband Expansion (SB 34)	\$100,000,000
Technical Colleges Bond Payoff (SB 48)	\$21,669,906
Livestock Complex (TBD)	\$12,000,000
Meat Processing Grants (HB 1040)	\$5,000,000
Dam Maintenance (SB 47)	\$5,000,000
Marijuana Implementation (SB 35)	\$4,161,502
Ellsworth Airforce Base Recreational Center (HB 1019)	\$3,200,000
STAR Academy (SB 18)	\$1,740,000
Fire Suppression Fund (HB 1039)	\$973,514

\*List continued on next slide

# FY2021 Emergency Special Appropriations

<b>Emergency Specials Continued</b>	<b>General Funds</b>
South Dakota Women's Prison Adjacent Property (SB 17)	\$910,000
Rural Recruitment Assistance Programs (HB 1021)	\$811,967
SDDC Vacant Building Demolition (SB 36)	\$794,645
Sioux Falls Readiness Center (HB 1018)	\$500,000
Custer State Park - Bison Visitor Center (SB 54)	\$500,000
Tax Refunds for the Elderly and Disabled (HB 1013)	\$450,000
Extraordinary Litigation Fund (HB 1026)	\$400,000
Veterans' Bonus Program (HB 1020)	\$400,000
USS Pierre (SB 33)	\$100,000
<b>Total Emergency Special Appropriations</b>	<b>\$158,611,534</b>

# FY2021 Recommendation Detail

	General Funds
FY2021 Revenue Available	\$119,553,841
FY2021 General Bill Reductions	\$134,189,765
FY2021 General Bill Increases	(\$30,201,398)
FY2021 Expenditure Transfers	(\$64,721,582)
FY2021 Emergency Special Appropriations	(\$158,611,534)
FY2021 Continuous Appropriation Adjustment	<u>(\$165,478)</u>
<b>Bottom Line</b>	<b>\$43,614</b>



# **FY2022 EXPENSES**

# Ongoing Revenue Available

	FY2022
Current Year Revised Ongoing Revenue Growth	\$62.1M
Projected Ongoing Revenue Growth	<u>(\$1.4M)</u>
<b>Total Additional Ongoing Revenue</b>	<b>\$60.7M</b>

# Ongoing Expense Overview

- **2.4% increase for medical provider reimbursement rates, plus targeted rate increases**
- **2.4% increase to target teacher salaries and special education disability rates**
- **2.4% increase for technical colleges per student allocation**
- **2.4% increase in salaries for state employees, plus new benefit plan options**
- **Funding for maintenance and repair of state-owned buildings at 1.75% of replacement value**

# FY2022 Recommended Expense Summary

Major Increases/Decreases	General Funds
Medical Provider Inflation (2.4% + Targeted + Mandatory)	\$20,645,472
State Aid to K-12 Education (2.4%)	\$19,341,746
State Employee Salary Policy (2.4%)	\$9,572,887
Technical Colleges Formula (2.4%)	\$375,930
Maintenance & Repair (1.75% of Replacement Value)	\$6,302,784
Consumer Expansion	\$3,245,198
Bureau Billings and Captive Insurance	\$1,018,965
GOED Marketing	\$1,000,000
Utilities and Food Service	(\$403,455)
Bond Payments	(\$460,284)
Federal Medical Assistance Percentage	(\$3,372,630)
Various Increases/Decreases	\$3,007,421
Fire Premium Refund Continuous Appropriation	\$403,273
<b>Total FY2022 General Fund Increases</b>	<b>\$60,677,307</b>

# FY2022 Recommended Expense Summary

Major Increases/Decreases	General Funds
<b>Medical Provider Inflation (2.4% + Targeted + Mandatory)</b>	<b>\$20,645,472</b>
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Fire Premium Refund Continuous Appropriation	\$403,273
<b>Total FY2022 General Fund Increases</b>	<b>\$60,677,307</b>

# Medical Provider Inflation

<b>Medical Provider Inflation</b>	<b>General Funds</b>
<b>Discretionary Inflation (2.4%)</b>	<b>\$11,465,961</b>
Social Services	\$6,769,143
Human Services	\$4,396,376
Corrections	\$221,618
Unified Judicial System	\$67,772
Public Safety	\$11,052
<b>Targeted Inflation (Various)</b>	<b>\$5,407,255</b>
Human Services	\$3,542,340
Social Services	\$1,799,819
Corrections	\$65,096
<b>Mandatory Inflation (Various)</b>	<b>\$3,772,256</b>
Social Services	<u>\$3,772,256</u>
<b>Total</b>	<b>\$20,645,472</b>

# FY2022 Recommended Expense Summary

Major Increases/Decreases	General Funds
Medical Provider Inflation (2.4% + Targeted + Mandatory)	\$20,645,472
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Fire Premium Refund Continuous Appropriation	\$403,273
<b>Total FY2022 General Fund Increases</b>	<b>\$60,677,307</b>

# State Aid to K-12 Education

State Aid to K-12 Education	General Funds
State Aid to General Education Expansion	\$2,919,873
State Aid to General Education Inflation (2.4%)	\$16,308,221
Sparsity	<u>\$113,652</u>
<b>Total</b>	<b>\$19,341,746</b>

## Assumptions:

- FY2022 Fall Enrollment at 138,813, an increase of 1,430 students
- State share goal of 58.88% in FY2022
- Special Education Inflation (2.4%) covered within existing budget



# FY2022 Recommended Expense Summary

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<b>Total FY2022 General Fund Increases</b>	<b>\$60,677,307</b>

# Bottom Line

	FY2021	FY2022
Increased Ongoing Revenues vs. Adopted	\$62,086,848	\$60,677,307
Other One-Time Revenue	\$57,466,993	\$0
Mid-Year Expense Adjustments and Transfers	\$39,266,785	\$0
Emergency Special Appropriations	(\$158,611,534)	\$0
Ongoing Expense Adjustments	\$0	(\$60,274,034)
Continuous Appropriation Adjustments	<u>(\$165,478)</u>	<u>(\$403,273)</u>
<b>Bottom Line</b>	<b>\$43,614</b>	<b>\$0</b>