

FY2015 Presentation to the Joint Committee on Appropriations

South Dakota
Bureau of Finance and Management

1/14/2015

BFM Budget Team

- Jason Dilges, Chief Financial Officer
- Alex Hanson, Chief Budget Analyst
- Jim Terwilliger, State Economist
- Emily Ward, Senior Budget Analyst
- Steven Kohler, Senior Budget Analyst
- Kelsey Hanson, Budget Analyst
- Lindsey Hildebrand, Budget Analyst
- Colin Keeler, Director of Financial Systems

FY2015

Presentation Overview

- Ongoing Revenue Estimates
- One-time Revenue Estimates
- Revenue Law Changes
- Revenue Summary
- Reduced General Bill Appropriations
- Recommended Special Appropriations
- Recommended FY2015 General Bill Amendments
- FY2015 Revised Bottom Line

Ongoing Revenue Estimates: FY2015

(millions)

Source	Adopted FY2015	Revised FY2015	Dollar Change
Sales and Use Tax	\$851.3	\$844.8	(\$6.5)
Property Tax Reduction Fund	107.8	110.1	+ 2.3
Contractor's Excise Tax	95.4	94.9	(0.5)
Insurance Company Tax	78.0	79.3	+ 1.3
Ongoing Unclaimed Property	60.2	54.2	(6.0)
Licenses, Permits, & Fees	52.3	53.8	+ 1.5
Bank Franchise Tax	8.7	10.2	+ 1.5
Investment Income/Interest	2.9	0.8	(2.1)
Remaining Ongoing Revenue	<u>135.2</u>	<u>133.0</u>	<u>(2.2)</u>
Total Ongoing Revenue	\$1,391.8	\$1,381.1	(\$10.7)

One-time Revenue Estimates: FY2015

(millions)

Source	Adopted FY2015	Revised FY2015	Dollar Change
Refinancing Gains:			
Potential 2015 Bond Refunding	\$0.0	\$2.0	+ \$2.0
Savings on Refunding of Bonds	0.0	1.9	+ 1.9
Remaining from 2014 Debt Payoff	0.0	1.5	+ 1.5
Transfer from §10-45B account	<u>0.0</u>	<u>1.3</u>	<u>+ 1.3</u>
Subtotal: One-Time Revenue	0.0	6.7	+ 6.7
De-authorized Expenses:			
Reversion of Medicaid Reserve	0.0	16.0	+ 16.0
Transfer from SD Risk Pool	<u>0.0</u>	<u>2.4</u>	<u>+ 2.4</u>
Total One-Time Revenue	\$0.0	\$25.1	+ \$25.1

Property Tax Reduction Fund Revenue

Source	Rev. FY2015
Video Lottery	\$95,276,946
33% Tobacco over \$35M	\$7,847,198
Telecommunications Tax	\$6,696,957
Wind Energy Tax Fund	<u>\$285,000</u>
Total	\$110,106,101

Unclaimed Property

(millions)

Source	Adopted FY2015	Revised FY2015	Change
Large Holder #1	\$32.6	\$28.0	(\$4.6)
Large Holder #2	27.6	31.8	+4.2
Remaining Receipts	<u>5.5</u>	<u>4.4</u>	<u>(1.1)</u>
Gross Receipts	65.7	64.2	(-1.5)
Claims & Reciprocity	<u>-5.5</u>	<u>-10.0</u>	<u>(4.5)</u>
Total Net Revenue	\$60.2	\$54.2	(\$6.0)

Reversal of 90% Interest Proration

(millions)

Current Law	FY2015
Final 10% from previous FY	\$754,294
Est. 90% from current FY	<u>\$3,809,961</u>
Total GF Interest Income	\$4,564,256

Done

Recommendation	FY2015
Final 10% from previous FY	\$754,294
100% actual from previous FY	<u>\$0</u>
Total GF Interest Income	\$754,294

Done

Total Revenue Changes: FY2015

Source	Adopted			
Sales/Use Tax	\$851.3			
PTRF	107.8			
CET	95.4			
Insurance Co. Tax	78.0			
Unclaimed Prop.	60.2			
LPF's	52.3			
Rest Ongoing	146.8			
One-time	0.0			
De-authorized Exp.	<u>0.0</u>			
Total	\$1,391.8			

Total Revenue Changes: FY2015

Source	Adopted	Revised Ongoing		
Sales/Use Tax	\$851.3	\$844.8		
PTRF	107.8	110.1		
CET	95.4	94.9		
Insurance Co. Tax	78.0	79.3		
Unclaimed Prop.	60.2	54.2		
LPF's	52.3	53.8		
Rest Ongoing	146.8	144.0		
One-time	0.0	0.0		
De-authorized Exp.	<u>0.0</u>	<u>0.0</u>		
Total	\$1,391.8	\$1,381.1		

Total Revenue Changes: FY2015

Source	Adopted	Revised Ongoing	Ongoing + One-time	
Sales/Use Tax	\$851.3	\$844.8	\$844.8	
PTRF	107.8	110.1	110.1	
CET	95.4	94.9	94.9	
Insurance Co. Tax	78.0	79.3	79.3	
Unclaimed Prop.	60.2	54.2	54.2	
LPF's	52.3	53.8	53.8	
Rest Ongoing	146.8	144.0	144.0	
One-time	0.0	0.0	6.7	
De-authorized Exp.	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	
Total	\$1,391.8	\$1,381.1	\$1,387.8	

Total Revenue Changes: FY2015

Source	Adopted	Revised Ongoing	Ongoing + One-time	Total + De-authorized Expenses
Sales/Use Tax	\$851.3	\$844.8	\$844.8	\$844.8
PTRF	107.8	110.1	110.1	110.1
CET	95.4	94.9	94.9	94.9
Insurance Co. Tax	78.0	79.3	79.3	79.3
Unclaimed Prop.	60.2	54.2	54.2	54.2
LPF's	52.3	53.8	53.8	53.8
Rest Ongoing	146.8	144.0	144.0	144.0
One-time	0.0	0.0	6.7	6.7
De-authorized Exp.	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>18.4</u>
Total	\$1,391.8	\$1,381.1	\$1,387.8	\$1,406.2

Net Change to Cash From Revenue

Source: Revenue Changes from Adopted	FY2015
Nominal FY2015 Surplus left by Legislature	\$0
Changes to FY2015 Ongoing Receipts	(\$10,750,435)
Changes to FY2015 One-time Receipts	<u>\$6,706,412</u>
Total Revenue Reduction	(\$4,044,023)
De-authorized Expenses	<u>\$18,420,000</u>
Total Net Change to Cash (Revenue Side)	<u><u>\$14,375,977</u></u>

Summary of FY2015
One-time Reduction of Expenditures
FY2015 General Bill & Non-General Bill

FY2015 Reduced General Bill Appropriations (SB 55)

Source: Decreased Expenses	FY2015 General Funds
State Aid to General Education Revision	(\$6,933,797)
DSS Medicaid Eligibles Revision	(\$2,647,655)
Juvenile Placement Revision	(\$1,395,094)
Child Care Subsidies/Psy. Res. Treatment Serv.	(\$1,296,081)
Technical Institutes Revision	(\$1,057,341)
Correctional Healthcare Revision	<u>(\$143,960)</u>
Total Reduction to FY2015 Adopted Expenses	(\$13,473,928)

State Aid Revision

- Decrease of \$6,933,797 in general funds
- This will reduce funding that is not needed in the FY2015 budget for State Aid to General Ed

Change to General Education Budget	State Funding Impact
Increased lost valuation outside formula	\$925,372
Lower Limited English Proficiency (LEP) costs	(\$558,198)
Fewer students than budgeted (354.0)	(\$1,692,524)
Higher local effort than budgeted	(\$6,608,447)
Reserved for other State Aid expenses	<u>\$1,000,000</u>
Total Revision to FY2015 State Aid Budget	(\$6,933,797)

DSS Medicaid Eligibles Revision

- Decreases of \$2,647,655 in general funds and \$601,422 in federal fund expenditure authority
- Updated projections estimate more individuals than budgeted who are eligible for Title XIX (Medicaid), but not costing as much
- FY15 Medicaid eligibles budget revision from 103,543 individuals to 103,855 individuals (+312). No revision to the number of CHIP eligibles budgeted at 12,881
- Average cost per Medicaid eligible budget revision from \$4,811 to \$4,689 (-\$122)

Juvenile Placement Revision

- Decrease of \$1,395,094 in general funds
- Revised estimate projects fewer juveniles than originally budgeted
- The juvenile Average Daily Population is projected to be 608, which is 27 less than the FY2015 budgeted amount
- The decrease in the juvenile population is within placement services

Child Care Subsidies and Psychiatric Residential Treatment Services

- Decrease of \$1,296,081 in general funds and \$2,156,905 in federal fund expenditure authority
- Anticipate decrease in approximately 232 families served by Child Care subsidies program and 9 children in the psychiatric residential treatment facilities (PRTF) program
- The PRTF reduction is for children in State custody. This is the highest level of care for children in State custody.

Technical Institutes Revision

- Decrease of \$1,057,341 in general funds
- Savings are available due to reduced enrollments at the technical institutes and lower state cost of debt service

Correctional Healthcare Revision

- Decrease of \$143,960 in general funds
- Adjusted with revised estimates based on current year-to-date expenditures
- Decrease of general funds in DOC and a corresponding decrease of other fund expenditure authority in DOH

Change to Cash From Reduced Expenditures

Source: Decreased Expenses	FY2015 General Funds
State Aid to General Education Revision	(\$6,933,797)
DSS Revised Medicaid Eligibles Revision	(\$2,647,655)
Juvenile Placement Revision	(\$1,395,094)
Child Care Subsidies/Psy. Res. Treatment Serv.	(\$1,296,081)
Technical Institutes Revision	(\$1,057,341)
Correctional Healthcare Revision	<u>(\$143,960)</u>
Total Reduction to FY2015 Adopted Expenses	(\$13,473,928)

Medicaid Reserve De-authorization (SB 51)

- SB 51 de-authorizes the special appropriation authorized in SB 177 of the 2014 Legislative Session
- De-authorizes \$16,000,000 in general funds and \$17,416,876 in federal fund expenditure authority
- General funds set aside for Medicaid contingency have never been utilized

Risk Pool Reserve De-authorization (SB 55)

- Transfers \$2,420,000 from the South Dakota Risk Pool to the general fund
- Risk Pool participants are now receiving insurance through the Health Insurance Exchange, so the Risk Pool is being de-authorized.
- \$3.9M will remain in the Risk Pool for run-out claims to be paid in FY2016

Change to Cash From Reduced Expenditures

Source: Decreased Expenses	FY2015 General Funds
State Aid to General Education Revision	(\$6,933,797)
DSS Revised Medicaid Eligibles Revision	(\$2,647,655)
Juvenile Placement Revision	(\$1,395,094)
Child Care Subsidies/Psy. Res. Treatment Serv.	(\$1,296,081)
Technical Institutes Revision	(\$1,057,341)
Correctional Healthcare Revision	<u>(\$143,960)</u>
Total Reduction to FY2015 Adopted Expenses	(\$13,473,928)
De-authorized Non-General Bill Expenditures	<u>(\$18,420,000)</u>
Total Reduction to FY2015 Expenditures	(\$31,893,928)

Total FY2015 One-time Funds Available for Expenses - Cash

	General Funds
Changes to Revenue	(\$4,044,023)
Reduced Expenditures	(\$31,893,928)
Total One-time Funds Available	\$27,849,905

Total FY2015 One-time Funds Available for Expenses - Accounting

	General Funds
Changes to Revenue	\$14,375,977
Reduced Expenditures	(\$13,473,928)
Total One-time Funds Available	\$27,849,905

FY2015 One-time Expenses

Recommended Expenditures of One-time General Funds

	General Funds
Emergency Special Appropriations	\$26,128,715
FY2015 General Bill Amendments	\$1,659,189
Continuous Appropriations Increase	<u>\$62,001</u>
Total Expenditures	\$27,849,905

Emergency Special Appropriations

	General
Emergency and Disaster Fund (SB 39)	\$7,994,449
Provider Direct Care Workforce Funding	\$4,125,000
Captive Insurance for Property and Casualty	\$4,000,000
Captive Insurance for Authorities	\$2,000,000
Sanford Underground Lab Ross Shaft Upgrades	\$3,950,000
SD Conservation Fund for Wildlife Habitat	\$1,500,000
Jobs For America's Graduates Start-up Funding	\$925,000
River Flow Study	\$500,000
Tax Refunds for Elderly and Disabled	\$450,000
Rural Healthcare Recruitment Assistance (HB 1060)	\$381,766
Rural Healthcare Facility Recruitment Assistance (HB1057)	<u>\$302,500</u>
Total FY2015 Emergency Special Appropriations	\$26,128,715

Emergency and Disaster Fund: SB39

- \$7,994,449 in general funds
- Fund is spent negative as emergencies and disasters occur

Emergency and Disaster Fund	Balance
Balance as of 12/31/13	\$921,542
Expenditures/Reimbursements 1/1/14-12/31/14	<u>(\$6,305,175)</u>
Balance as of 12/31/14	(\$5,383,633)
Anticipated Future Expenditures/Reimbursements	<u>(\$2,610,816)</u>
Estimated Fund Balance	(\$7,994,449)

Provider Direct Care Workforce Funding

- \$4,125,000 in general funds and \$2,984,392 in federal fund expenditure authority
- Address workforce issues community providers have in hiring direct care staff
- Funding to 3 agencies:
 - DSS: \$2,926,732 GF; \$1,863,190 FF
 - DHS: \$1,041,240 GF; \$1,041,411 FF
 - DOC: \$79,791 GF; \$157,028 FF

Captive Insurance for Property and Casualty

- \$4,000,000 in general funds
- Funding to create a captive insurance company controlled entirely by the State to fund property and casualty loss coverage for State owned property

Captive Insurance for Authorities

- \$2,000,000 in general funds
- Funding to create a captive insurance company to provide liability coverage to the South Dakota Building Authority, South Dakota Health and Educational Facilities Authority, South Dakota Housing Development Authority, South Dakota Ellsworth Development Authority, and South Dakota Educational Enhancement Funding Corporation

Sanford Underground Lab

Ross Shaft Upgrades

- \$3,950,000 in general funds
- SD Science and Technology Authority needs \$13 million to complete the Ross Shaft Upgrade
- Upgrade will allow the lab to construct the Long-Baseline Neutrino Facility experiment, a \$275 million construction project
- Remainder of funding will be from private contributions

South Dakota Conservation Fund for Wildlife Habitat

- \$1,500,000 in general funds
- Funding to create the South Dakota Conservation Fund within the South Dakota Community Foundation to establish a long-term, dedicated conservation fund with a 50/50 match for donations and contributions
- Funds will not be spent until matching dollars have been received

Jobs for America's Graduates Start-Up Funding

- \$925,000 in general funds
- Funding to carry out two additional years of the Jobs for America's Graduates program at 26 new school districts throughout the state
- Helps keep students in school, graduate, and provides a path to post-secondary and/or employment

River Flow Study

- \$500,000 in general funds
- To conduct a river flow study of the lower section of the Big Sioux River basin to provide an accurate hydrologic model of the area in order to predict the severity of flood events under a range of climatic events and implement appropriate defenses

Tax Refunds for Elderly and Disabled Persons

- \$450,000 in general funds
- Continue program with eligibility requirements at the same level as FY2014

Rural Healthcare Recruitment Assistance Program: HB 1060

- \$381,766 in general funds
- Participants in the program agree to practice in the community for three years, at the end of which they will receive reimbursement
- Helps serve the increasing medical needs of our rural citizens
- Reimburses one physician, two dentists, one physician assistant, and two nurse practitioners

Rural Healthcare Facility Recruitment Assistance Program: HB 1057

- \$302,500 in general funds
- Program assists health care facilities in rural areas recruit and retain health care professionals
- Professionals receive an incentive payment of \$10,000 after a three-year commitment at the facility.
- Reimburses 43 professionals

FY2015 General Bill Amendment (SB 55)

General Fund Increases

	General
DOE Dual Credit	\$577,500
Statewide Utilities	\$546,793
DENR Computer System Upgrade	\$350,000
GFP Bonding	<u>\$184,896</u>
FY2015 General Bill Increases	\$1,659,189

DOE Dual Credit

- \$577,500 in general funds
- Fund 5,500 additional dual credit courses, as interest in the dual credit program was higher than anticipated

Revised Utility Projections

- \$546,793 in general funds, \$105,006 in federal funds, \$31,695 in other funds
- FY15 rates increased more than anticipated
 - 15% for natural gas
 - 10% for propane
 - 10% for fuel oil
 - 5% for electricity
- Impacts the Departments of Social Services, Military, Veterans' Affairs, Corrections, Human Services, the Board of Regents, and the Bureau of Administration

DENR Computer System Upgrade

- \$350,000 in general funds
- Consolidation and modernization of environmental databases
- Used for geological mapping, water project management, hazardous waste tracking, etc.

GFP Bonding

- \$184,896 in general funds
- To allow payment of a new bond that includes new visitor center construction projects at Good Earth and Custer State Parks

FY2015 General Bill Amendment General Fund Increases (SB 55)

	General
DOE Dual Credit	\$577,500
Statewide Utilities	\$546,793
DENR Computer System Upgrade	\$350,000
GFP Bonding	<u>\$184,896</u>
FY2015 General Bill Increases	\$1,659,189

FY2015 Bottom Line

	FY2015 - Cash	FY2015 – Accounting
FY2015 Adopted Receipts	\$1,391,836,433	\$1,391,836,433
FY2015 Increased Receipts	<u>(\$4,044,023)</u>	<u>\$14,375,977</u>
FY2015 Revised Receipts	\$1,387,792,410	\$1,406,212,410
FY2015 Adopted Expenses	\$1,391,836,433	\$1,391,836,433
FY2015 Reduced Expenses	(\$31,893,928)	(\$13,473,928)
FY2015 One-time Expenses	<u>\$27,849,905</u>	<u>\$27,849,905</u>
FY2015 Revised Expenses	\$1,387,792,410	\$1,406,212,410
Unobligated Net Balance	\$0	\$0