

Budget Overview



South Dakota Bureau of Finance and Management
January 11th, 2022

BFM Budget Team

- Jeffrey Partridge, Interim Commissioner
- Derek Johnson, State Economist
- Morgan Gruebele, Chief Budget Analyst
- Hallie Getz, Senior Budget Analyst
- Lara Williams, Budget Analyst
- Brandy Miesner, Budget Analyst
- Colin Keeler, Director of Financial Systems
- Matt Flett, Director of Executive Management Finance Office

Outline

- **Economic Outlook**
- **Revenues**
- **FY2022 Mid-Year Adjustments & Emergency Special Appropriations**
- **FY2023 Expenses**

Budget Process

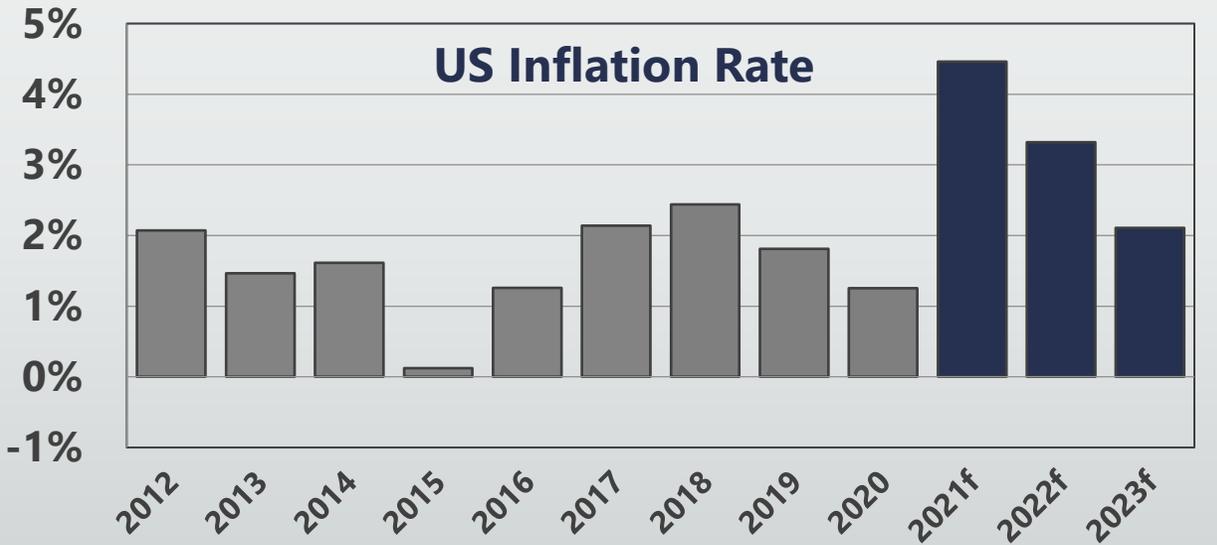
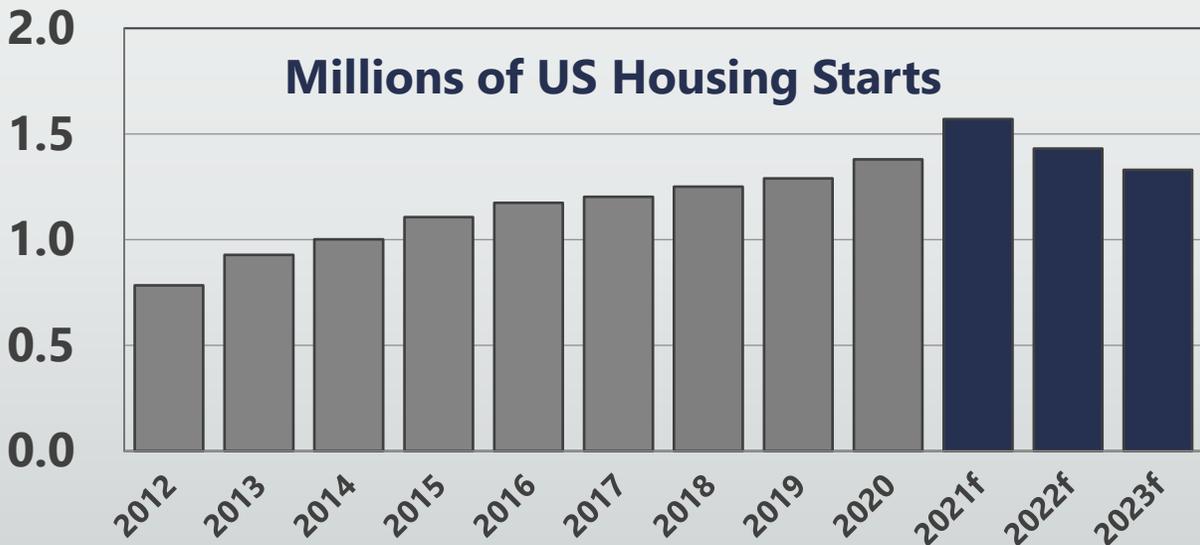
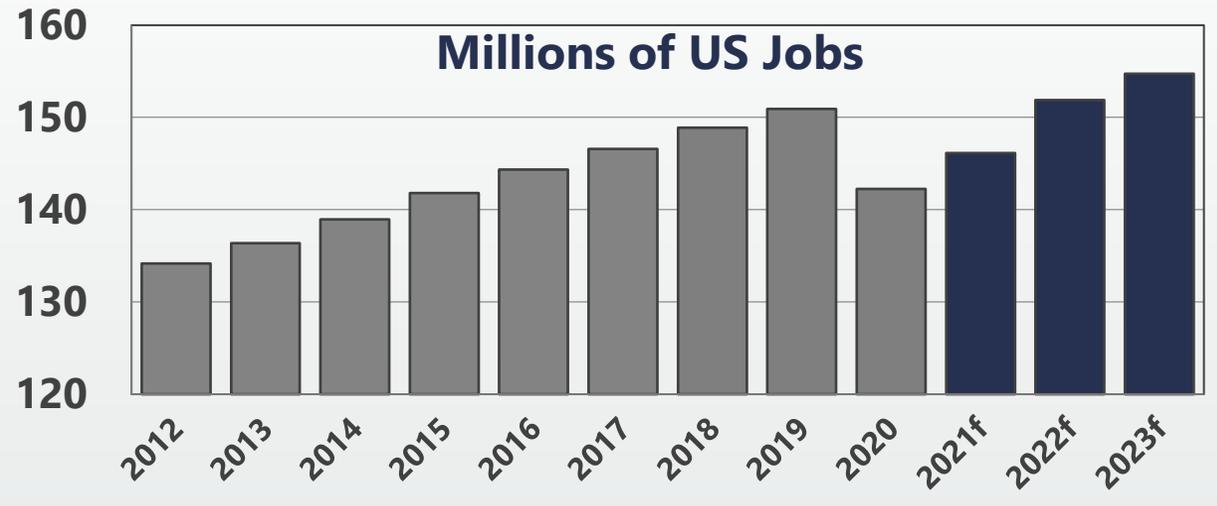
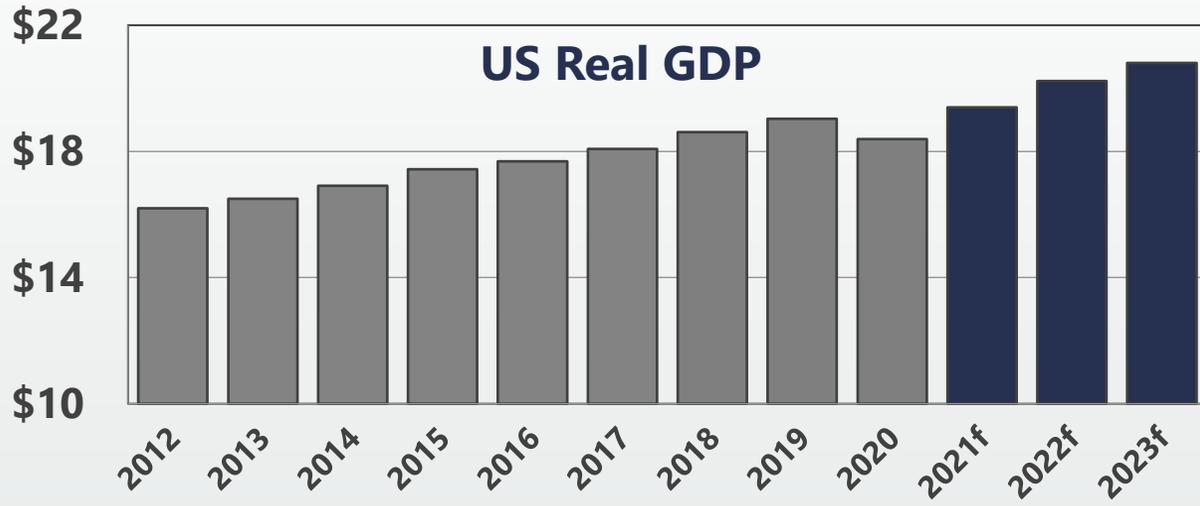
- **August:** Agencies submit budget request to BFM
- **September – October:** Analysts review requests for assigned agencies and make recommendations to the Commissioner
- **November:** BFM gives statewide recommendation to the Governor and her staff
- **December:** Governor presents her recommendations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

ECONOMIC OUTLOOK

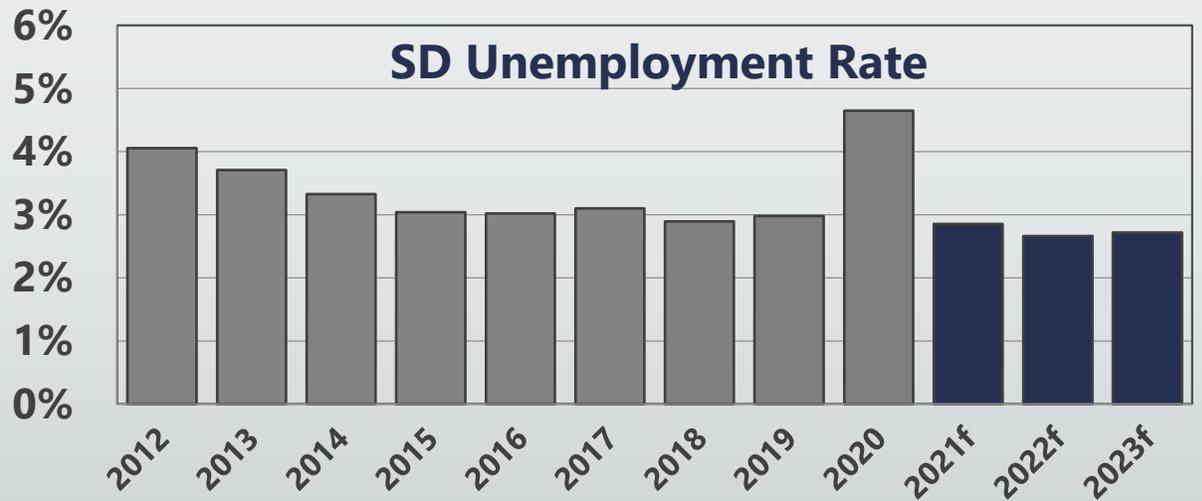
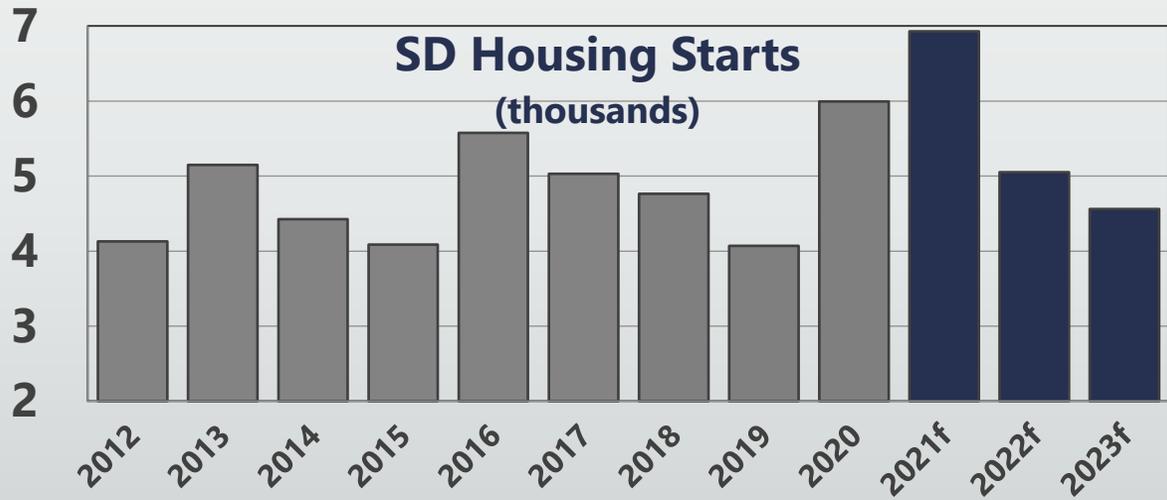
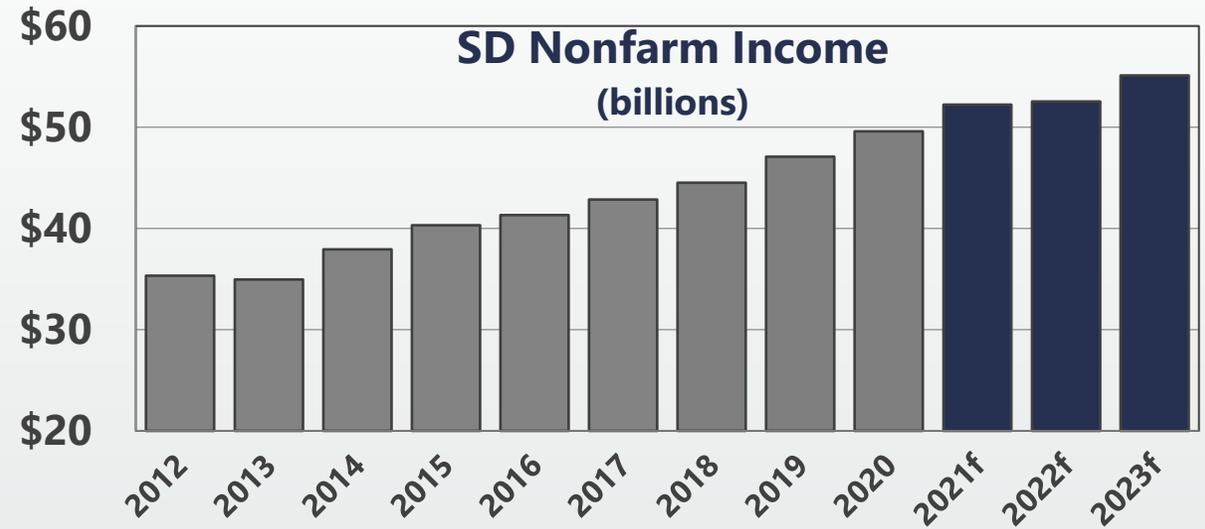
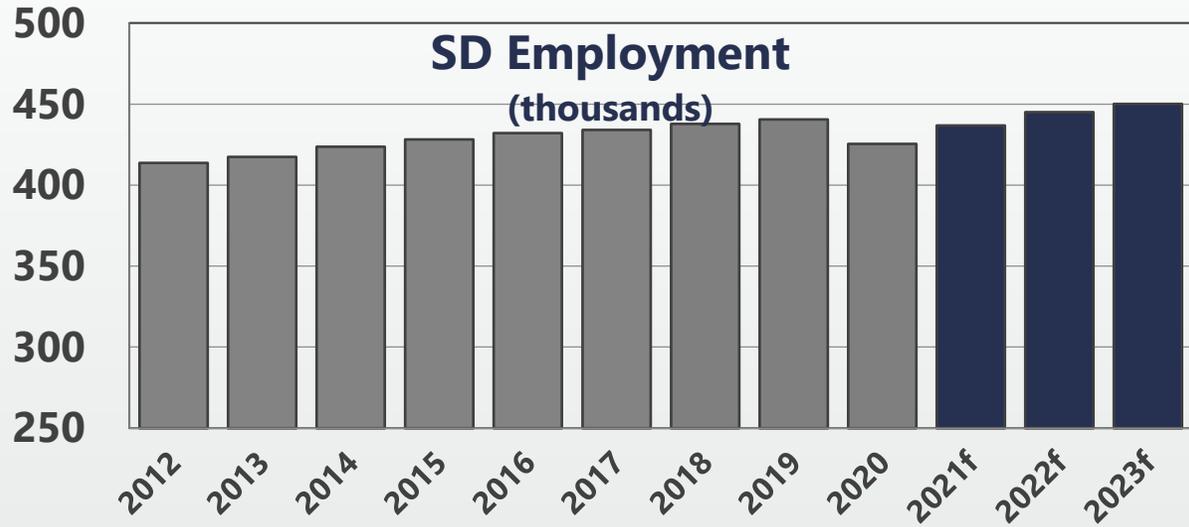
Economic Assumptions

- **No economic recession included in the state or national forecast**
- **US real GDP growth forecast: 5.5% in 2021 and 4.3% in 2022**
- **SD real GDP growth forecast: 4.4% in 2021 and 2.4% in 2022**
- **Includes Infrastructure Investment and Jobs Act (IIJA)**
- **Price pressures to ease next year and into 2023**

IHS Markit US Economy Forecast

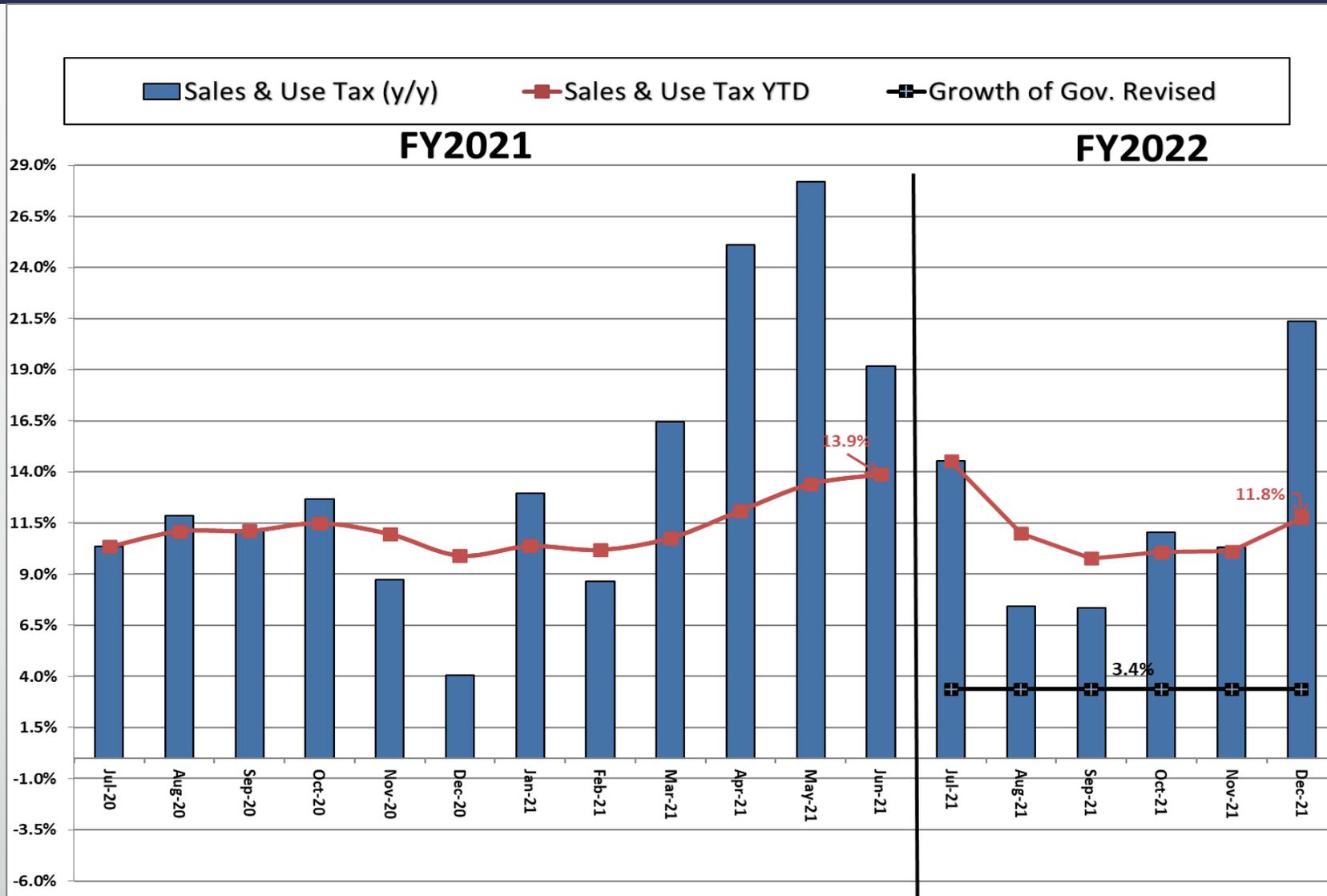


SD Economy Forecast



REVENUES

Recent Growth in Sales and Use Tax



FY2022 Adopted vs. Revised Ongoing Receipts (millions)

Source	Adopted FY2022	Revised FY2022	Change
Sales and Use Tax	\$1,157.6	\$1,250.1	+ \$92.5
Lottery	139.4	161.1	+ 21.7
Contractor's Excise Tax	141.6	147.6	+ 6.0
Insurance Company Tax	97.4	100.6	+ 3.3
Unclaimed Property	45.3	40.0	(5.3)
Licenses, Permits, and Fees	70.4	70.6	+ 0.2
Tobacco Taxes	52.5	51.1	(1.4)
Other Ongoing Receipts	<u>129.1</u>	<u>141.5</u>	<u>+12.4</u>
Total Ongoing Receipts	\$1,833.3	\$1,962.7	+ \$129.3

*Totals may not sum due to rounding

FY2022 & FY2023 Revenue Forecast

(millions)

Source	Adopted FY2022	Revised FY2022	Change	Recommended FY2023	Revised FY2022 vs. FY2023
Sales and Use Tax	\$1,157.6	\$1,250.1	+ \$92.5	\$1,255.9	+ \$5.8
Lottery	139.4	161.1	+ 21.7	164.0	+ 2.9
Contractor's Excise Tax	141.6	147.6	+ 6.0	150.2	+ 2.6
Insurance Company Tax	97.4	100.6	+ 3.3	104.2	+ 3.6
Unclaimed Property	45.3	40.0	(5.3)	40.0	0.0
Licenses, Permits, and Fees	70.4	70.6	+ 0.2	70.7	+ 0.1
Tobacco Taxes	52.5	51.1	(1.4)	50.0	(1.1)
Other Ongoing Receipts	<u>129.1</u>	<u>141.5</u>	<u>+12.4</u>	<u>140.9</u>	<u>(0.6)</u>
Total Ongoing Receipts	\$1,833.3	\$1,962.7	+ \$129.3	\$1,975.9	+ \$13.2

*Totals may not sum due to rounding

Ongoing Revenue Available

	FY2023
Current Year Revised Ongoing Revenue Growth	\$129.3M
Projected Ongoing Revenue Growth	\$13.2M
Ongoing Revenue Left on Bottom Line (FY2022)	<u>\$15.0M</u>
Total FY2023 Revenue Available	\$157.6M

*Totals may not sum due to rounding

One-Time Revenue in FY2022

	General Funds
FY2022 Revised Ongoing Revenue	\$129.3M
FY2022 Revised One-time Revenue	\$18.2M
Transfer from Budget Reserve	\$28.0M
Revenue Left on Bottom Line (FY2022)	<u>\$40.0M</u>
Total FY2022 Revenue Available	\$215.5M

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**FY2022
MID-YEAR
ADJUSTMENTS &
EMERGENCY SPECIAL
APPROPRIATIONS**

FY2022 Recommendation Detail

	General Funds
Increases to the Bottom Line	
FY2022 Revenue Available	\$215,543,686
FY2022 General Bill Expenditure Reductions (SB 60)	\$98,915,841
Decreases to the Bottom Line	
FY2022 General Bill Expenditure Increases (SB 60)	(\$33,414,790)
FY2022 Expenditure Transfers (SB 60)	(\$9,138,000)
FY2022 Emergency Special Appropriations (Various)	(\$271,843,737)
FY2022 Continuous Appropriation Adjustment (SDCL)	<u>(\$63,000)</u>
Bottom Line	\$0

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Bottom Line	\$0

FY2022 General Bill Amendments

Expenditure Reductions	General Funds
FY2022 Enhanced FMAP	\$49,228,784
CRF Public Health and Public Safety Payroll	\$39,061,505
State Aid Revision	\$8,800,000
Dual Credit Reduction	\$615,291
South Dakota Developmental Center Personal Services	\$574,353
Drug/DUI Court Treatment	\$265,583
Food Services	\$189,321
Technical Colleges Formula	<u>\$181,004</u>
Total FY2022 General Bill Amendment Reductions	\$98,915,841

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FY2022 General Bill Amendments

Expenditure Increases	General Funds
Changes in Medicaid and CHIP Eligibles	\$25,371,738
Victims Services - Grant Supplement	\$3,291,000
Correctional Healthcare	\$1,052,672
Home and Community-Based Medical Supplies	\$763,031
Wildland Fire Equipment	\$680,000
Drill Rig/Water Trucks for Geological Survey	\$675,000
Developmental Disabilities Eligibles and Utilization	\$574,353
Various Statewide Utilities	\$315,242
IT Systems and Updates	\$217,650

*List continued on next slide

FY2022 General Bill Amendments

Expenditure Increases	General Funds
Black Hills State University Ellsworth Airforce Base Contract	\$209,080
Crime Scene Response Vehicle	\$149,750
Legislative Salaries and Per Diem	\$84,224
Office of the State Auditor Operating Expenses	<u>\$31,050</u>
Total General Bill Amendment Expenditure Increases	\$33,414,790

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FY2022 General Bill Amendments

Expenditure Transfers	General Funds
Court Security Fund	\$5,000,000
IT Modernization Fund	<u>\$4,138,000</u>
Total	\$9,138,000

FY2022 Recommendation Detail

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FY2022 Emergency Special Appropriations

Emergency Specials	General Funds
Workforce Housing Infrastructure (SB 53)	\$150,000,000
Dakota State University Cyber Program Expansion (SB 54)	\$30,000,000
Rapid City Community Work Center for Women (SB 32)	\$28,012,008
Custer State Park Expansion (HB 1048)	\$9,890,640
Cultural Heritage Center Renovation (HB 1047)	\$8,881,785
Lake Area Tech Advanced Manufacturing Lab Space (HB 1031)	\$7,500,000
Richmond Dam Replacement (SB 52)	\$6,500,000
Flood Repair Projects (SB 67)	\$5,600,000
Mitchell Tech Agriculture and Diesel Power Space (HB 1032)	\$5,000,000

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FY2022 Emergency Special Appropriations

Emergency Specials	General Funds
Southeast Tech Health Sciences Simulation Equip. (SB 61)	\$4,500,000
Emergency and Disaster Fund (HB 1016)	\$2,946,882
Rapid City Firearms Range Complex (HB 1049)	\$2,500,000
Volunteer Fire Service Assistance (SB 51)	\$2,000,000
Reemployment Assistance System Upgrade (SB 31)	\$1,500,000
Extraordinary Litigation Fund (HB 1019)	\$1,500,000
Wildland Fire Suppression Fund (HB 1017)	\$1,059,318
Rural Recruitment Assistance Programs (HB 1030)	\$1,028,104
Wagner National Guard Readiness Center Addition (SB 48)	\$1,000,000

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FY2022 Emergency Special Appropriations

Emergency Specials	General Funds
State Radio Towers (SB 34)	\$750,000
Capitol Lake Master Plan (HB 1013)	\$500,000
Sioux Falls National Guard Readiness Center (SB 41)	\$500,000
Tax Refunds for the Elderly and Disabled (HB 1014)	\$450,000
National Guard Cold Storage Replacement (SB 49)	<u>\$225,000</u>
Total Emergency Special Appropriations	\$271,843,737

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Bottom Line	\$0

FY2023 EXPENSES

Ongoing Revenue Available

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FY2023 Recommended Expense Summary

	FY2023
6% Inflation for Education, Providers, State Employees	\$104,312,967
Mandatory Increases	\$48,834,523
Discretionary Changes	\$4,191,805
Continuous Appropriation	<u>\$216,190</u>
Total FY2023 General Fund Expense Summary	\$157,555,485

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FY2023 Recommended Expense Summary

6% Inflation	General Funds
State Aid to K-12 Education	\$42,597,281
Provider Inflation	\$32,243,213
State Employee Salary Policy	\$27,963,326
Technical Colleges Formula	<u>\$1,509,147</u>
Total 6% Inflation	\$104,312,967

FY2023 Recommended Expense Summary

	FY2023
6% Inflation for Education, Providers, State Employees	\$104,312,967
Mandatory Increases	\$48,834,523
Discretionary Changes	\$4,191,805
Continuous Appropriation	<u>\$216,190</u>
Total FY2023 General Fund Expense Summary	\$157,555,485

FY2023 Recommended Expense Summary

Mandatory Increases	General Funds
Changes in Eligibles, Utilization and Costs	\$18,094,618
Federal Medical Assistance Percentage (FMAP)	\$13,940,040
Mandatory Inflation	\$6,476,068
State Aid to K-12 (Expansion and Rebase)	\$4,818,019
Maintenance & Repair	\$2,358,167
Utilities	\$1,061,202
Pay Changes (Judge Pay and Legislator Salaries)	\$596,701
Various Increases/Decreases	<u>\$1,489,708</u>
Total Mandatory Increases	\$48,834,523

FY2023 Recommended Expense Summary

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6% Inflation for Education, Providers, State Employees	\$104,312,967
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Discretionary Changes	\$4,191,805
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FY2023 Recommended Expense Summary

Discretionary Changes	General Funds
DOH: EMS Telehealth, Bright Start Expansion	\$2,184,783
DOE: Tourism Promotion Tax Distribution	\$846,697
DLR: Adult Education and Literacy Rebase	\$495,420
BOR: NSU E-Learning, SDSD Harrisburg Contract	\$341,000
ATG: Medicaid Fraud System	\$10,000
Various: Personnel Increases/Decreases	\$313,905
Total Discretionary Changes	\$4,191,805

FY2023 Recommended Expense Summary

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Bottom Line

	FY2022	FY2023
Revenue Available	\$215,543,686	\$157,555,485
Mid-Year Expense Reductions	\$98,915,841	\$0
Mid-Year Expense Increases and Transfers	(\$42,552,790)	\$0
Emergency Special Appropriations	(\$271,843,737)	\$0
Ongoing Expense Adjustments	\$0	(\$157,339,295)
Continuous Appropriation Adjustments	<u>(\$63,000)</u>	<u>(\$216,190)</u>
Bottom Line	\$0	\$0

Targeted Tax and Fee Reductions

- **Eliminate domestic corporate filing fee**
- **Eliminate annual report fees**
- **Eliminate fees for:**
 - **Concealed Carry Permit**
 - **Enhanced Permit**
 - **Gold Card Permit**