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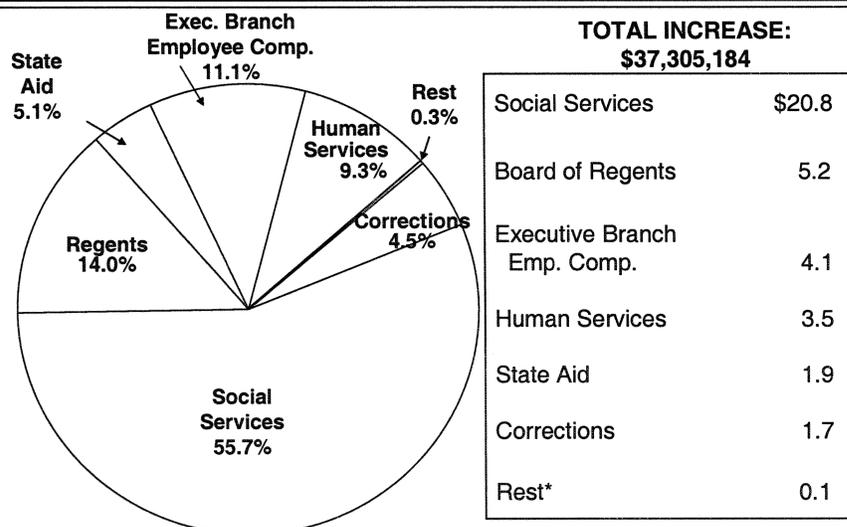
# SUMMARY OVERVIEW

Governor Rounds is recommending a budget for FY2006 totaling \$3,065,813,617, and 13,895.7 FTE. This represents an increase of \$139,514,709, and 359.2 FTE over FY2005. For FY2006, the Governor is proposing a general fund budget of \$1,016,905,924, which is an increase of \$31.5 million over the FY2005 budget. The proposed FY2006 general fund budget (excluding Sale Leaseback and CRP Programs) is distributed as follows:

- \$352.1 million, or 35.1% for Aid to Schools;
- \$320.3 million, or 31.9% for Health, Human and Social Services;
- \$154.8 million, or 15.4% for Higher Education;
- \$ 68.5 million, or 6.8% for Corrections;
- \$ 48.7 million, or 4.8% for the Legislature, Unified Judicial System, Public Utilities Commission, and Elected Officials;
- \$ 15.1 million, or 1.5% for Agriculture; Environment and Natural Resources; and Game, Fish, and Parks; and,
- \$ 45.1 million, or 4.5% for the Remainder of State Government.

The graph below depicts the FY2006 recommended general fund increases, excluding special appropriations, and including salary policy.

## FY2006 General Fund Increases Excluding Special Appropriations and Including Salary Policy



# U.S. AND SOUTH DAKOTA ECONOMIC FORECASTS

## U.S. ECONOMY

### RECENT ECONOMIC ACTIVITY

*The following section briefly summarizes recent economic activity in the United States based on publications by Global Insight. Global Insight is one of the most respected economic forecasting firms in the world.*

Recent news has been mixed in terms of the performance of the U.S. economy, but the majority of the data indicates that the economy is past its midyear soft patch and is continuing to strengthen. Two of the sectors that were very influential in keeping the March 2001 to November 2001 recession relatively short and mild, the housing sector and consumer spending, continue to remain strong. Other sectors are also adding to growth, which is giving the economic expansion balanced growth and solid legs to support it.

One of the key sectors of the economy that has shown encouraging signs lately is the employment sector. In the last three months, the economy has added an average of 225,000 jobs. This is significantly more than the average 91,000 jobs added in the months of June and July, and indicates that the jobless recovery is finally old news. A major reason why the economy has been able to grow despite the lack of job growth until recently is because of outstanding gains in productivity. Between 1997 and 2001, productivity increased between 1.6% and 2.7% each year. In 2002 and 2003, productivity grew 4.3% and 4.5%, respectively. Business investment in information technologies has been credited for most of the surge in productivity in the last few years, as it has enabled businesses to increase output by working their employees more efficiently.

A major drag on the economy lately has been energy prices. Oil prices were above \$50 per barrel recently, partly because of the disruption in U.S. production from hurricane damage. As a result of the high oil prices, energy prices rose 4.2% in October. Although oil prices have fallen back below \$50 per barrel, the difference between the supply and demand for oil remains tight, so any more disruptions in supply or bad winter weather could easily drive prices back up. Other factors that are subduing the economic expansion are rising interest rates, the end of tax cuts, and strained household finances.

- Real gross domestic product (GDP) grew 3.7% in 2000, 0.8% in 2001, 1.9% in 2002, and 3.0% in 2003. So far, in the first three quarters of 2004, real GDP has grown 4.5%, 3.3%, and 3.7%.
- The Institute of Supply Management's purchasing managers' index for manufacturing was 56.8 in October. A reading below 50 usually indicates the manufacturing sector is contracting, and a reading above 50 usually indicates it is expanding. The index has been above 50 since June 2003.
- The October employment index for manufacturing was a lackluster 54.8. This was the lowest reading since January, and may indicate that a large proportion of the manufacturing jobs that were lost in the last five years will not be regained.
- The unemployment rate rose 0.1% between September and October to 5.5%. The October rate was 0.5% below the unemployment rate recorded in October 2003 (6.0%), and well below the June 2003 peak of 6.3%.
- Nonfarm business productivity increased 1.9% in the third quarter. This was the slowest growth in two years, and below the historical average gain of 2.2%. Year-over-year, productivity was up 3.1% in the third quarter. This illustrates that despite the last quarter slowdown, productivity growth has still been very strong.
- In the third quarter, compensation costs for private-sector workers increased a seasonally adjusted 0.9%. Benefit costs continued to outpace wage gains, as benefit costs increased 1.1% and wage and salary costs only grew 0.7%. The third quarter rise in benefit costs was the smallest increase since the first quarter of 2002.
- Between 1996 and 2000, personal income increased between 5.1% and 8.0% each year. In the last three years, the growth in personal income has slowed (3.5% in 2001, 1.8% in 2002, and 3.2% in 2003). In the first three quarters of 2004, personal income has increased at an annual rate of 5.0%, 6.0%, and 3.0%.
- Consumer spending increased 0.6% in September, while the saving rate fell to 0.2%. September's saving rate was the lowest on record, with the exception of the post-September 11th fall to -0.2%.

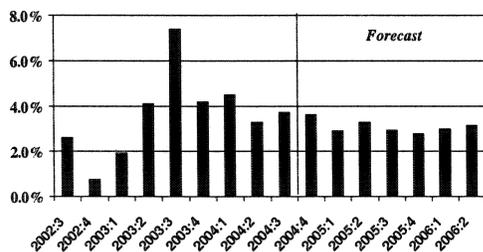
- After seven consecutive record-high months, construction spending was basically unchanged in September. Nonresidential private construction and public construction both rose during the month, increasing 0.2% and 0.3%, respectively. Residential private construction fell 0.2% in September.
- Housing starts were 1.601 million units in 2001, 1.710 million units in 2002, and 1.853 million units in 2003. At an annual rate, in the first three quarters of 2004, housing starts were 1.943 million units, 1.920 million units, and 1.968 million units, respectively.
- After leaving the federal funds target rate at 1.0% for a year, the Federal Reserve has raised the rate four times in 2004 by 25 basis points. The rate is now at 2.0%.

### NATIONAL FORECAST HIGHLIGHTS

*This section summarizes Global Insight's forecast as of November 2004 for various categories of the U.S. economy.*

**GDP:** The economic expansion appears to have taken hold in the U.S., and many of the recent economic indicators point towards further strengthening in the economy. In the third quarter of this year, GDP grew 3.7%, after growing 4.5% in the first quarter and 3.3% in the second quarter. GDP is expected to grow at more modest rates in the next few quarters due to high oil prices and expected slower growth in consumer spending. In addition, due to a softening housing market, private construction spending is projected to be a modest drag on growth in GDP through 2006. In the fourth quarter of this year, GDP is forecasted to rise 3.6%. For the four quarters in 2005, Global Insight is projecting GDP growth of 2.9%, 3.3%, 2.9%, and 2.8%. For 2006, GDP is forecasted to increase 3.0% in the first quarter and 3.1% in the second quarter.

Global Insight's Baseline Forecast of GDP



On an annual basis, GDP grew 4.4% in 1999, 3.7% in 2000, 0.8% in 2001, 1.9% in 2002, and 3.0% in

2003. Global insight's latest forecast shows GDP increasing 4.4% in 2004, and then decelerating in 2005 and 2006 to 3.2% and 3.0%, respectively.

**CONSUMERS:** Consumers were a driving force in the economy during the last expansion and during the recession in 2001. Consumers have continued to play a key role in the current expansion. Real consumer spending rose 2.5% in 2001, 3.1% in 2002, and 3.3% in 2003. So far in 2004, real consumption has increased 4.1%, 1.6%, and 4.6% in each of the three quarters. In the fourth quarter, real consumer spending growth is projected to slow to 2.4% due to high energy prices and a slowdown in light-vehicle sales. However, since employment appears to be strengthening, retailers should see a good holiday season. Nominal retail sales this year are forecasted to match last year's growth of 6.7%.

It is Global Insight's view that the consumer can no longer be the main driver of economic growth. This belief is not only based on the poor state of household balance sheets, but also because of the high energy prices that are essentially draining consumers' income. In addition, although rising employment and wage gains will support future consumer spending, the end of federal tax cuts, rising interest rates, and a cooling housing market will hold back consumption. In 2004, consumer spending is projected to rise 3.6%. In 2005 and 2006, real consumption growth is projected to slow to 2.8% and 3.0%, respectively.

The personal saving rate fell from 1.2% in the second quarter of 2004 to 0.4% in the third quarter. The third quarter rate was the lowest level in the history of the series, which dates back to 1947. The saving rate will likely remain low until energy prices go down since consumers are trying to keep their same living standards despite the higher prices. As energy prices fall and interest rates rise, the saving rate should increase. This is because rising interest rates will discourage borrowing, especially for spending on homes and vehicles, and encourage households to save. The saving rate is projected to be 1.0% in 2004, 0.6% in 2005, and 0.9% in 2006.

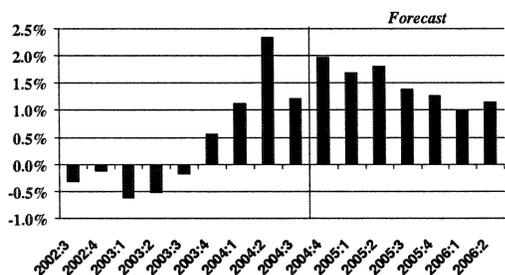
**EMPLOYMENT:** The latest employment report showed 337,000 jobs were added to the U.S. economy in October. This exceeded most expectations, which were around 175,000. The economy has now added an average of 225,000 jobs over the last three months, after adding an average of only 91,000 in June and July. Although some of the jobs added in October were due to rebuilding and repair from the hurricanes that hit the South (which means a temporary rather than permanent source of job growth), employment does appear to be strengthening. The recent employment gains are a sign that businesses are becoming more confident in the sustainability of the expansion, and also that

gains in productivity are diminishing. It is believed that employers are finally finding it more difficult to increase output simply by pushing their existing staff harder and/or making them more efficient. Productivity growth slowed to 1.9% in the third quarter, after increasing 3.9% in the second quarter. For the year, productivity is expected to increase 4.1%. In 2005 and 2006, productivity is projected to grow 2.2% both years, which is a much slower rate than the last few years. Productivity increased 2.6% in 2001, 4.3% in 2002, and 4.5% in 2003.

The unemployment rate peaked in June 2003 at 6.3%. In October, the rate was 5.5%. On an annual basis, the unemployment rate was 4.8% in 2001, 5.8% in 2002, and 6.0% in 2003. In 2004 and 2005, the unemployment rate is projected to fall to 5.5% and 5.4%, respectively. In 2006, the unemployment rate is projected to rise 0.1% to 5.5%.

After growing 1.2% in the third quarter of 2004, payroll employment is projected to grow 2.0% in the fourth quarter of this year, and 1.7%, 1.8%, 1.4%, and 1.3% in the four quarters of 2005. In the first two quarters of 2006, payroll employment is projected to grow 1.0% and 1.1%, respectively.

**Global Insight's Baseline Forecast  
of Payroll Employment**



On an annual basis, payroll employment in the U.S. grew 2.4% in 1999, 2.2% in 2000, 0.0% in 2001, -1.1% in 2002, and -0.3% in 2003. Payroll employment is forecasted to increase 1.0% in 2004, 1.7% in 2005, and 1.2% in 2006.

**HOUSING:** The housing sector continues to post robust numbers. New home sales in September were an annualized 1.21 million units, which was only 3% off May's monthly record. Existing home sales in September were also at a strong 6.75 million-unit pace, which was only 2.5% below the June peak. A major reason why the housing market continues to remain so strong is because of low mortgage rates. In October, the mortgage rate was 5.72%, which was down from June's 6.29% rate. Mortgage rates are projected to begin rising again, however, which will dampen the housing market. Global Insight's forecast shows the 30-year fixed

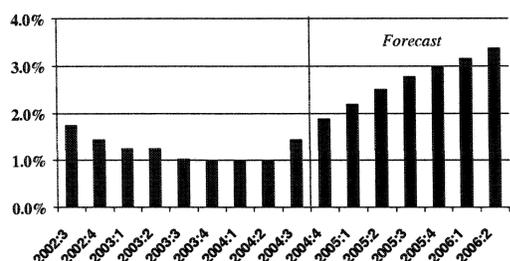
mortgage rate increasing from 5.89% in 2004 to 6.17% in 2005 and 6.57% in 2006. Housing starts are projected to be 1.941 million units in 2004, and then soften to 1.832 million units in 2005 and 1.692 million units in 2006. In 2001, 2002, and 2003, housing starts were 1.601, 1.710, and 1.853 million units, respectively.

**INFLATION:** Even though inflation has risen over the last twelve months, Global Insight's forecast shows relatively moderate inflation in the near term, and lower rates of inflation in 2005 than in 2004 for both the consumer price index and the producer price index for finished goods. There are three main reasons for this forecast. First, wage pressures generally remain stable, and employment costs do not show tightening in labor markets. Secondly, oil prices are projected to drop throughout 2005, which means that energy-induced costs pressures will slowly diminish next year. The final key factor driving the forecast for relatively low inflation is the expected continuing inability of retailers to raise prices.

The CPI increased 2.8% in 2001, 1.6% in 2002, and 2.3% in 2003. The CPI is forecasted to increase 2.7% in 2004, 2.2% in 2005, and 1.3% in 2006. The core CPI increased 2.7% in 2001, 2.3% in 2002, and 1.5% in 2003. It is projected to increase 1.7% in 2004, 2.2% in 2005, and 2.0% in 2006. The producer price index for finished goods increased 2.0% in 2001, fell 1.3% in 2002, and rose 3.2% in 2003. It is expected to rise 3.5% in 2004 and 2.3% in 2005. In 2006, it is projected to fall 0.7%.

**MONETARY AND FISCAL POLICY:** Monetary policy was very aggressive during the economic downturn, as the Federal Reserve cut the federal funds target rate eleven times in 2001 and once in both 2002 and 2003. In June of this year, the Federal Reserve shifted gears and raised the rate by 25 basis points. Since then, the Federal Reserve has raised the rate three more times by the same amount. These actions have taken the federal funds target rate from 1.0% to 2.0%. It is Global Insight's view that the Federal Reserve will continue to slowly raise the rate, ending 2005 at 3.0%.

## Global Insight's Baseline Forecast of the Federal Funds Rate



The federal government also appears to have been successful in stimulating the economy. The tax cuts put money back into consumer's pockets, but it didn't stay there for long. Rather, the added income helped keep consumer spending strong. Federal government purchases have also invigorated the economy. After growing 3.9% in 2001, 7.5% in 2002, and 6.6% in 2003, real federal government purchases are expected to increase 4.8% in 2004, 3.4% in 2005, and 1.5% in 2006.

**INTERNATIONAL:** The U.S. trade deficit has shown some signs of moderating lately, but it is Global Insight's view that it will take time, falling oil prices, and faster growth abroad to slow the deterioration further. Primarily because of the widening current account deficit, the forecast shows continued weakening of the dollar. Since the beginning of 2002, the greenback has fallen approximately 20% against a number of currencies.

North America and Asia/Pacific are projected to continue to lead world growth. Global Insight's latest forecast shows world growth of 4.2% this year, which is the best growth since 1988. In 2005, world growth is projected to continue to be above the long-term trend growth rate of 3.1% per year, at 3.4%. Key factors that have driven the rebound in world growth have been low global real interest rates, tax cuts, an overall lessened fear of terrorism, and a decline in geopolitical concerns since the end of the Iraq war.

### **RISKS TO THE FORECAST**

Global Insight's baseline forecast assumes that the U.S. expansion is on firm ground, and that the economy will continue to strengthen. There is a 20% probability that growth will be more robust than what is projected in the baseline forecast. In Global Insight's optimistic forecast, GDP is forecasted to grow 4.4% in 2004, 3.6% in 2005, and 3.7% in 2006. There are a few key differences between the optimistic scenario and the baseline scenario. First, the optimistic scenario assumes that the information-driven technology boom continues, so total factor productivity is stronger than in the baseline forecast.

The second key assumption in the optimistic scenario is that world growth is stronger than in the baseline forecast. This strengthens U.S. manufacturing and boosts exports. Other assumptions in the optimistic scenario are that oil prices are lower and construction is stronger than in the baseline forecast, both of which also boost overall economic growth.

Global Insight's pessimistic scenario has a 20% probability of occurring, and projects slower growth than what is in the baseline forecast. It is based on the assumptions of higher inflation, higher oil prices, higher interest rates, slower world growth, and a widening federal deficit relative to the baseline forecast. Although the economy is not projected to fall into a recession in the pessimistic alternative, it does fail to perform at its potential. In the pessimistic scenario, GDP is forecasted to grow 4.4% in 2004, 2.9% in 2005, and 2.1% in 2006.

## **SOUTH DAKOTA ECONOMY**

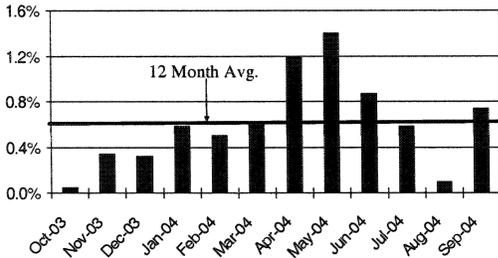
### **RECENT ECONOMIC ACTIVITY**

*This section briefly summarizes recent economic activity in South Dakota. A prime indicator of a state's economic health is the growth rate of nonfarm employment, considered by most economists as the most timely and comprehensive measure of the performance of a state's economy.*

The U.S. economy was in a recession from March 2001 to November 2001. In terms of nonfarm employment, the South Dakota economy experienced a slowdown before the national economy. U.S. nonfarm employment growth was 2.4% in 1999 and 2.2% in 2000. Nonfarm employment growth in South Dakota was 2.8% in 1999 and only 1.2% in 2000. However, South Dakota did not experience the severity of job losses that occurred nationally during the recession, or what occurred during the jobless recovery. In 2001, U.S. nonfarm employment growth was flat (0.0%), and in 2002 and 2003, nonfarm employment fell 1.1% and 0.3%, respectively. In South Dakota, nonfarm employment grew 0.2% in 2001, fell 0.3% in 2002, and grew 0.3% in 2003. So, based on nonfarm employment, South Dakota led the U.S. into and out of the last recession.

Jobs continue to be added in South Dakota, although much like the U.S., the rate at which they have been added has been relatively slow. In the last twelve months (October 2003 to September 2004), nonfarm employment in South Dakota has grown 0.61% over the same period a year ago.

## Recent Trends in Nonfarm Employment



- Sectors that experienced strong growth in the last twelve months were construction (2.7%); trade, transportation, and utilities (1.2%); financial activities (0.8%); and, educational and health services (0.7%). The manufacturing sector, which was hit especially hard by the national recession, has grown 0.5% in the last twelve months.
- The unemployment rate in South Dakota was the fourth lowest in the U.S. in September, at 3.4%. This was 2.0% below the national rate, and 0.3% lower than the unemployment rate at this time last year.
- During the month of September, average weekly earnings of manufacturing production workers were down 3.9% from September 2003. Average hourly earnings were up 0.8% over September 2003, and average weekly hours decreased 4.7% over the same period.
- In the third quarter of 2004, nonfarm employment in South Dakota grew 0.5% over the same period in 2003. Sectors that had strong growth during this time period were wholesale trade (4.3%); finance and insurance (1.5%); manufacturing (1.2%); construction (1.0%); and, retail trade (1.0%). The leisure and hospitality sector fell 3.7% in the last quarter.
- Personal income in the second quarter of 2004 grew 1.6% from the first quarter of 2004 in South Dakota. This growth was above average, as growth for the U.S. in the second quarter was 1.5%.
- During the latest 12-month period (October 2003 through September 2004), the number of titles issued for new noncommercial vehicles was 38,214, an increase of 1,254 (3.4%) vehicles titled over the prior 12-month period.

- The total number of residential building permits issued during the past 12 months (October 2003 through September 2004) was 3,876, up 420 (12.2%) from the prior 12-month period. The value of building permits issued was \$530.52 million for the past 12 months, an increase of \$84.23 million (18.9%) from the prior 12-month period.

### **COUNCIL OF ECONOMIC ADVISORS**

*The Council of Economic Advisors, which has been in existence since 1991, consists of economics professors and business people from South Dakota. The purpose of the council is to assist in the development of the best possible forecast of South Dakota's economy. This section summarizes the council's view of South Dakota's economy.*

**TOURISM:** Overall, 2003 was a good year for tourism in the state. Visitor spending totaled \$698 million, which was a \$35 million increase from 2002. The Glacial Lakes and Prairies Region experienced the largest increase in visitor spending in 2003 over 2002, at 8.6%. Spending in the Black Hills, Badlands, Lakes Region, and the Southeast Region increased 5.6% and 5.3%, respectively. Visitor spending in the Great Lakes Region was basically the same in 2003 as it was in 2002. It is believed that the low level of the Missouri River dampened visitor spending in this area of the state. Visitation at Mount Rushmore National Memorial was up in 2003 compared to 2002 (2,998,015 versus 2,922,002), as was visitation at the Lewis and Clark Recreation area (1,105,725 in 2003 versus 1,070,190 in 2002). Visitation at the Corn Palace from Memorial Day to Labor Day, however, was down in 2003 compared to 2002 (276,235 versus 294,922). The strong tourism year in 2003 was likely due to the strengthening economy and the September 11<sup>th</sup> attacks, as automobile vacations still took the place of some air travel and many Americans wanted to take patriotic vacations.

Tourism in the state has remained strong so far this year, and is projected to remain robust in the next few years based on steps laid out in the Governor's 2010 Initiative to grow the South Dakota visitor industry. Tourism should also see strong growth in the next few years due to rising incomes, continued demand for travel, and a growing retiree population.

**AGRICULTURE:** Soil moisture conditions have improved in the state, which has helped the agricultural economy. According to the National Agricultural Statistics Service, at the end of October 80% of the topsoil moisture was rated adequate to surplus, and 66% of the subsoil moisture was rated adequate to surplus. This was dramatically better than what was recorded last year at this time. At the end of October 2003, only 24% of the topsoil

moisture was rated adequate to surplus, and 18% of the subsoil moisture was rated adequate to surplus.

Last year, 2003, was a better year for many farmers and ranchers in the state compared to 2002. Overall, crop production and yields rebounded from their 2002 drought reduced levels, and ranchers began rebuilding or stopped cutting their herds. Strong prices were also a key factor in the rebound of the agricultural sector in 2003.

The production levels look good for South Dakota in 2004. According to the National Agricultural Statistics Service, wheat, oats, and barley all had record setting yields this year. Corn production is projected to be a record 520.7 million bushels, which is 22% above last year's level. Corn yield is forecasted to be up 16 bushels from last year, at a record high 127 bushels per acre. Soybean production is expected to be up 20% from last year, at 139.06 million bushels. Soybean yields are projected to be 34 bushels per acre, which is 6.5 more bushels per acre than last year. On the livestock side, as of July 1, the total number of cattle and calves in South Dakota was virtually unchanged from last year, and the state's September 1 inventory of all hogs and pigs was down 6% from 2003.

The council's outlook for the agricultural economy is optimistic due to relatively high prices and good production levels. However, rising input costs and high land values will dampen the effects of the higher prices and production.

**WAGE RATES:** The unemployment rate in South Dakota in September was 3.4%. This was 2.0% below the U.S. unemployment rate, and the fourth lowest rate in the nation. A low unemployment rate is a sign of a tight labor market, which puts pressure on businesses to increase wage rates to keep and gain employees. In addition, it is expected that productivity will remain strong in the state. This should translate into wage gains for workers as they get compensated for their increased productivity. Overall, wages are expected to continue to rise in South Dakota, and the gains in wage rates should contribute to economic growth in the state.

**CONSTRUCTION:** Construction activity was robust in South Dakota in 2003, and has continued to be strong so far in 2004. Much of the strength in the construction sector has been attributable to the housing market. The total number of building permits issued for family houses in South Dakota was 3,481 in 2003, up 345 over the total number of permits issued in 2002. The value of building permits issued continued to remain strong as well, up \$79.55 million in 2003 from 2002. From January to September, the total number of building permits issued for family houses in South Dakota was 3,109, up 395 over the total number of permits issued

during the same time period in 2003. The value of building permits issued continues to remain exceptionally strong as well, up \$76.47 million in the last nine months compared to the same period in 2003. It is the council's view that the housing market will continue to post relatively strong numbers due to attractive mortgage rates, strong demand for homes, and improved economic conditions. In addition, commercial and contract road construction is expected to give construction activity a boost in the next few years.

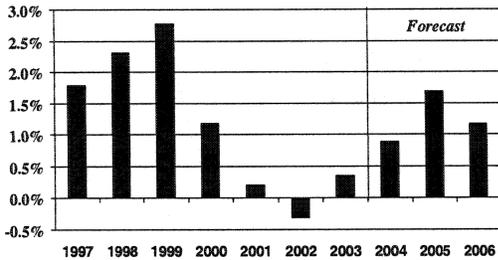
### **SOUTH DAKOTA FORECAST HIGHLIGHTS**

*Global Insight's forecast of the national economy and the input of the Council of Economic Advisors were incorporated into the forecast of South Dakota's economy. This section summarizes various categories of the latest forecast for the South Dakota economy.*

**EMPLOYMENT:** South Dakota has several advantages over other states that account for its ability to post strong gains in employment. Some of these advantages include a pro-business environment, a central geographic location, an advanced technology base, a low cost of doing business, and a high quality of life.

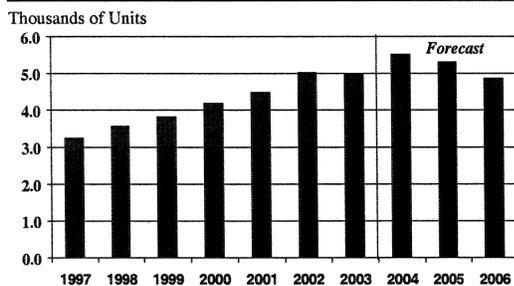
Between 1990 and 1995, nonfarm employment in South Dakota grew at an average annual rate of 3.5%, which was significantly higher than the national average annual growth rate of 1.4% during this period. The majority of additional jobs in South Dakota during this time period occurred in the manufacturing, construction, and service sectors. In 1996 and 1997, growth in nonfarm employment slowed to 1.5% and 1.8%, respectively. In 1998, nonfarm employment growth rebounded back to 2.3%, and in 1999 nonfarm employment rose 2.8%. The construction and service sectors experienced strong gains during these years. In 2000, growth slowed again to 1.2%, and then slowed further in 2001 to just 0.2%. Nonfarm employment fell 0.3% in 2002 and rose 0.3% in 2003. For 2004, 2005, and 2006, nonfarm employment is projected to grow 0.9%, 1.7%, and 1.2%. Sectors in service-providing industries, particularly health services, leisure and hospitality, and wholesale and retail trade, are expected to see strong growth in these years.

## Growth in Nonfarm Employment



**HOUSING:** Favorable interest rates and changing demographics in the state have contributed to a strong housing sector in recent years. Between 1991 and 1994, the number of housing starts increased from 2,539 to 4,378 units. In 1995, 1996, and 1997, the level of housing starts decreased from year-to-year. However, between 1998 and 2002, housing starts once again increased each year. Last year, 2003, housing starts were slightly below their 2002 level. In 2001 there were 4,479 housing starts, in 2002 there were 5,015 housing starts, and in 2003 there were 4,997 housing starts. Considering the softness of the South Dakota economy in these years, the strong number of housing starts was a positive anomaly. Housing starts have continued to remain strong in 2004 and are expected to be higher this year than in 2003. However, housing starts are projected to soften in 2005 and 2006 due to rising mortgage rates. Mortgage rates are expected to still remain attractive, though. This, together with demand and strengthening in the job market, should keep the housing market relatively strong.

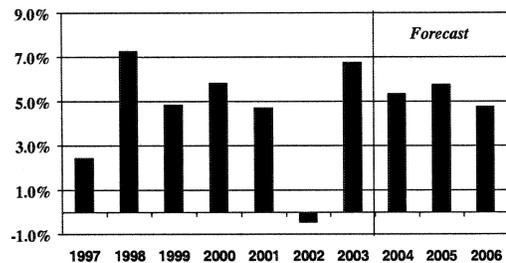
## Housing Starts



**INCOME:** Between 1990 and 2000, the average annual growth rate in total personal income in South Dakota was the same as the U.S. average during the same time period (5.6%). However, due to the recession and decline in nonfarm employment, income growth slowed both in South Dakota and in the U.S. Total personal income in South Dakota grew 4.7% in 2001 and fell 0.5% in 2002. The drop in 2002 was not only due to the fall in nonfarm

employment, but also from the negative impact the drought had on farm income. In 2003, total personal income rebounded significantly, growing 6.8% due to rising nonfarm employment, disaster payments to farmers, and higher crop and livestock prices. In 2004, 2005, and 2006, total personal income growth is projected to remain relatively strong. Growth is forecasted to be 5.3% in 2004, 5.8% in 2005, and 4.8% in 2006. The strong gains in income are expected due to rising employment, a tight labor market, and employers compensating employees for increased productivity.

## Growth in Total Personal Income



Nonfarm income rose 5.0% in 1997, 6.8% in 1998, 5.6% in 1999, 6.6% in 2000, 5.8% in 2001, 2.9% in 2002, and 3.0% in 2003. Growth rates for 2004, 2005, and 2006 are projected to be 5.3%, 5.4%, and 4.9%, respectively.

### RISKS TO THE FORECAST

The current forecast assumes that the South Dakota economy is going to continue to strengthen. The Council of Economic Advisors sees a couple of key risks to this forecast. First, growth in the South Dakota economy will likely be hampered if the national economy does not grow as strong as it is projected to. The second key risk the council sees to the continued strengthening of the South Dakota economy is oil prices. If energy prices remain high longer or move higher than is anticipated, it will have a negative impact on the forecast for South Dakota. If either of these risks occur, they will probably soften expected nonfarm employment growth. And, if nonfarm employment rises less than is projected, it will likely have a negative impact on income growth, consumer confidence, and projected consumer spending in the economy.

# STATE OF THE STATES

Fiscal 2005 offers a muted but welcomed sigh of relief from the fiscal plight that has plagued most states during the past three years. Amid a slowly recovering economy, many states realized slight revenue gains in fiscal 2004. As a result, many states have been able to increase spending and fewer have been forced to cut their already enacted budgets, and the cuts that did occur were smaller than in previous years. Overall, revenues are exceeding projections, expenditure growth is more in line with historical levels, and state balances continue to remain below adequate levels.

## SPENDING

State expenditures have begun to increase slightly but remain below the 27 year average. In fiscal 2004, general fund spending increased by 3 percent above fiscal 2003 levels. Based on fiscal 2005 appropriations, spending will increase by 4.6 percent over prior year levels. Expenditures include one-time spending from surplus funds, transfers into budget stabilization funds and other reserve funds, and payments to local governments to reduce property taxes.

Medicaid spending continues to hound state budgets. States estimate fiscal 2005 growth rates of 12.1 percent in state funds and 3.9 percent in federal funds. The large discrepancy between the rates of growth is a result of the temporary Federal Medical Assistance Percentage (FMAP) increase as part of the state fiscal relief package.

According to the most recent edition of *NASBO's State Expenditure Report*, estimated fiscal 2004 state spending from all sources is estimated to be nearly \$1.2 trillion, with the general fund representing 43 percent of the total. The components of total state spending are: elementary and secondary education, 21.5 percent; Medicaid, 21.9 percent; higher education, 10.5 percent; transportation, 7.9 percent; corrections, 3.4 percent; public assistance, 2.1 percent; and all other expenditures, 32.6 percent. In comparison, components of state spending within the general fund specifically are elementary and secondary education, 35.2 percent; Medicaid, 16.5 percent; higher education, 11.5 percent; corrections, 7 percent; public assistance, 2.3 percent; transportation, 0.7 percent; and all other expenditures, 26.8 percent. Elementary and secondary education has dominated state spending since fiscal 1993, while Medicaid has been the second largest and fastest growing component of state spending—both from state general funds and from all spending sources.

## STATE REVENUE ACTIONS

After several years of failing to meet growth expectations, revenue collections in fiscal 2004 narrowly exceeded budgeted estimates in nearly every state. In fiscal 2005, 22 states enacted tax and fee changes totaling a net increase of \$3.4 billion. In addition, they enacted other measures that enhance general fund revenue but that do not affect taxpayer liability totaling \$3.4 billion.

In fiscal 2005, the largest tax and fee increases occurred in cigarette and tobacco taxes (\$733.5 million), sales taxes (\$726.2 million), and other taxes (\$707.7 million).

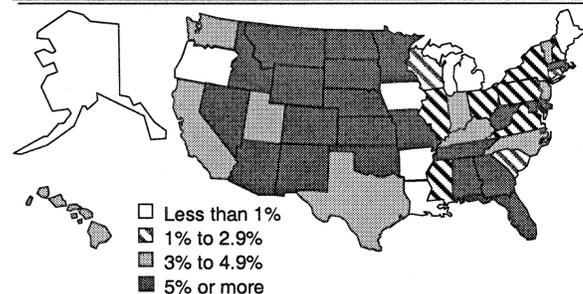
Thirty-five states reported that revenues exceeded budgeted amounts in fiscal 2004—a significant improvement from prior years. Ten states reported revenues to be on target and five states reported revenue estimates below original projections.

Collections of sales, personal income, and corporate income taxes are projected to increase by 7.1 percent over prior year tax collections in fiscal 2005.

## STATE YEAR-END BALANCES

Year-end balances—which include both ending balances and the balances in budget stabilization funds, unless noted otherwise—play a critical role in providing states with necessary resources to deal with unforeseen fiscal downturns. Total balances in the years covered in this report remain below what are generally considered an adequate financial cushion. Total balances were \$16.4 billion or 3.2 percent of expenditures in fiscal 2003, \$25.3 billion or 4.8 percent of expenditures in fiscal 2004, and \$18.6 billion or 3.4 percent of expenditures in fiscal 2005.

FY2004 Total Year-End Balance as a Percentage of Expenditures



## **MEDICAID TRENDS**

For governors' proposed fiscal 2005 budgets, states estimated Medicaid growth rates of 12.1 percent in state funds and 3.9 percent in federal funds. The large variance in rates of growth for the federal and state shares are attributable to the temporary increase of 2.95 percent in the FMAP that was in effect from April 2003 through June 2004 as part of state fiscal relief.

Even with extensive cost containment and fiscal relief, Medicaid expenditures have exceeded the amount that had been originally budgeted for the program. Twenty-three states experienced Medicaid shortfalls in fiscal 2003 and 18 states anticipated shortfalls in fiscal 2004. The shortfalls as a percentage of the total Medicaid program in fiscal 2003 ranged from less than 1 percent to 16.4 percent of the program costs, averaging 4.6 percent. The combined amount of the shortfalls in fiscal 2003 and fiscal 2004 totaled nearly \$7 billion.

States have been able to maintain a growth rate below private insurance levels due to the cost containment efforts used by all 50 states. For instance, every state implemented at least one new Medicaid cost containment strategy in fiscal 2004 according to the Kaiser Commission on Medicaid and the Uninsured. During the past four years, states have taken aggressive actions to control Medicaid costs. Even so, 39 states faced increased pressure and 12 states faced constant pressure to control Medicaid costs, the Kaiser report said.

States are faced with the same cost pressures affecting private insurance, such as double-digit increases in prescription drug costs and rising medical services. Enrollment increases also played a major role in the growth of Medicaid spending. Enrollment increased 5.2 percent in fiscal 2004 and an additional 4.7 percent estimated in fiscal 2005, according to the Kaiser Commission on Medicaid and the Uninsured.

In addition to cost containment measures to limit spending, about one-half of the states planned to generate additional revenues for Medicaid. Most of the measures to raise additional resources involve fees or taxes placed on health care providers. Other measures include reallocating tobacco settlement funds and increasing cigarette taxes.

The Jobs and Growth Tax Relief Reconciliation Act 2003, which included state fiscal relief, helped states by providing a temporary increase in the federal Medicaid matching rate, which provided \$10 billion in fiscal relief to states during fiscal 2003 and fiscal 2004. The funds were used in a variety of

ways to assist in Medicaid programs. About three-fourths of the states used the funds to avoid, minimize, or postpone Medicaid cost containment measures and/or to resolve a shortfall in the Medicaid budget. The remainder of states held the funds in reserve, have yet to make a decision on some or all of the funds, or increased programs.

States continue to feel pressure in funding Medicaid. The extensive cost containment efforts of states combined with the state fiscal relief provided by the federal government largely helped states avoid further cuts to Medicaid services in fiscal 2004. However, long run projections of Medicaid spending growth by both the Congressional Budget Office and the Office of Management and Budget range from 8 to 9 percent. Even after state budgets begin to recover fully, Medicaid cost increases will far outstrip the growth in state revenues into the future.

# REVENUE ESTIMATES

## SUMMARY

Total general fund receipts for FY2005 are forecasted at \$986.5 million. Ongoing revenue sources comprise \$955.2 million of the total, and one-time revenue sources are \$31.4 million of the total. The ongoing estimate for FY2005 is an increase of \$103.7 million from actual FY2004 ongoing receipts. The majority of the increase is from the Property Tax Reduction Fund, as ongoing receipts transferred from this fund (49.5% of video lottery net machine income and 60% of the revenue from the 4% tax on the gross receipts of telecommunications services) are projected to increase \$70.3 million. Most of this increase is because in FY2004 \$66.3 million was not transferred from the Property Tax Reduction Fund to the general fund due to the federal fiscal relief provided to South Dakota. Other projected significant sources of growth between FY2004 and FY2005 are the sales and use tax (+\$28.1M), the contractor's excise tax (+\$3.6M), the insurance company tax (+\$2.3M), the bank franchise tax (+\$1.5M), and licenses, permits, and fees (+\$1.5M). Sources that are expected to see significant decreases in collections between FY2004 and FY2005 are the inheritance and estate tax (-\$2.9M) and charges for goods and services (-\$1.4M).

The revised ongoing estimate for FY2005 is \$2.5 million more than the estimate adopted during the 2004 legislative session. Major revisions upward are from the bank franchise tax (+\$2.8M), the sales and use tax (+\$2.1M), the Property Tax Reduction Fund (+\$1.5M), and the inheritance and estate tax (+\$1.1M). The most significant downward revisions are from the insurance company tax (-\$4.1M) and investment income and interest (-\$1.2M).

Total general fund receipts are projected to be \$1,016.9 million in FY2006. Ongoing revenues are forecasted to be \$999.8 million, and one-time receipts are expected to be \$17.1 million. The forecast for ongoing receipts in FY2006 is an increase of \$44.6 million, or 4.67%, from the revised FY2005 projection of ongoing receipts. The most significant source of growth is expected from the sales and use tax (+\$31.5M). Other projected significant sources of ongoing revenue growth are from the contractor's excise tax (+\$3.8M), the insurance company tax (+\$3.6M), and the Property Tax Reduction Fund (+\$3.1M). The major decrease in collections is expected to be from the inheritance and estate tax (-\$2.5M).

## CURRENT REVENUE FORECAST (Dollars in Millions)

	<u>FY2005</u>	<u>FY2006</u>
Sales and Use Tax	536.3	567.8
Contractor's Excise Tax	62.9	66.8
Bank Franchise Tax	36.8	37.8
Insurance Company Tax	53.7	57.2
Inheritance and Estate Tax	5.5	3.0
Property Tax Reduction Fund	114.6	117.7
Other Ongoing Revenues	145.4	149.5
One-Time Receipts	7.6	0.0
Property Tax Reserves	22.5	17.1
Obligated Cash Carried Forward	<u>1.2</u>	<u>0.0</u>
<b>Total Revenue</b>	<b><u>986.5</u></b>	<b><u>1,016.9</u></b>

## SALES AND USE TAX

Collections from the sales and use tax are the single-largest revenue source for the state's general fund, and account for approximately 56% of ongoing general fund revenues. Between FY1980 and FY2004, the sales and use tax grew from \$140.6 million to \$508.2 million, which was an average annual increase of 5.50%. In FY2002 and FY2003, the growth of sales tax collections slowed to 1.24% and 3.93%, respectively, due to the recession and the slow recovery of the economy from the recession. In FY2004, growth in the sales and use tax was strong due to the strengthening economy and pent-up demand.

In FY2004, the sales and use tax grew \$32.3 million, or 6.78%, over FY2003. Through the first four months of FY2005, sales tax collections were \$187.4 million, which was an increase of 4.57% from the first four months in FY2004. For the revised FY2005 estimate, the sales and use tax is forecasted at \$536.3 million, which is an increase of \$28.1 million, or 5.52%, over FY2004. For FY2006, the sales and use tax is forecasted at \$567.8 million, which is an increase of \$31.5 million, or 5.87%, over the revised FY2005 estimate.

## CONTRACTOR'S EXCISE TAX

Collections from the contractor's excise tax account for approximately 7% of ongoing general fund revenues. The healthy growth in construction activity has had a direct impact on the growth in contractor's excise tax collections. Between CY1988 and CY2003, the number of housing starts in South Dakota increased from 1,979 units to 4,997 units. This expansion in activity contributed to the increase in contractor's excise tax collections from \$16.2 million in FY1988 to \$59.4 million in FY2004. Due to the continuation of relatively low mortgage rates, the housing market has remained robust in 2004. From

January to September, building permits issued were 395 more than the same nine months in 2003.

Collections from the contractor's excise tax were \$59.4 million in FY2004, which was an increase of 5.77% from FY2003. Through the first four months of FY2005, contractor's excise tax collections were \$24.6 million, which was an increase of 3.67% from the first four months of FY2004. Contractor's excise tax collections for FY2005 are forecasted at \$62.9 million, which is an increase of 6.01% over actual FY2004 collections. FY2006 collections are forecasted at \$66.8 million, which is an increase of 6.07% over the revised FY2005 estimate.

### **BANK FRANCHISE TAX**

Collections from the bank franchise tax account for approximately 4% of ongoing general fund revenues. The bank franchise tax is one of the few general fund revenue sources that is impacted more by the national economy than by the South Dakota economy. This is due to the fact that approximately 90% of the bank franchise tax collections deposited in the general fund are generated by bank card institutions. During the late 1980's, collections grew as the national economy experienced strong growth and the usage of credit cards increased. As the national economy slowed in the early 1990's, bank franchise tax collections decreased. In the mid 1990's, as the economy gained momentum and credit card usage and consumer debt increased, bank franchise tax collections increased. Collections decreased in the early part of this decade due to the national recession, but have increased the last two fiscal years because of the strengthening economy.

Collections from the bank franchise tax were \$35.3 million in FY2004, which was an increase of 6.20% from FY2003. Through the first four months of FY2005, collections were up 6.03%, or \$1.0 million, over the same period last year. FY2005 collections are projected to be \$36.8 million, which is \$1.5 million more than actual FY2004 collections. Collections are expected to increase in FY2006 to \$37.8 million, which is \$1.0 million higher than the revised FY2005 estimate.

### **INSURANCE COMPANY TAX**

Collections from the insurance company tax account for approximately 6% of ongoing general fund revenues. Between FY1985 and FY2004, insurance company tax collections grew from \$17.2 million to \$51.4 million, which was an average annual increase of 5.93%.

In FY2004, insurance company tax collections were \$51.4 million, which was an increase of \$1.6 million, or 3.13%, over FY2003 collections. During the first four months of FY2005, insurance company tax collections were \$18.1 million, which was a decrease of 6.13% over the same period in FY2004. For FY2005, insurance company tax collections are forecasted at \$53.7 million, which is an increase of 4.42% over actual FY2004 collections. For FY2006, insurance company tax collections are forecasted to grow 6.66% over the revised FY2005 estimate to \$57.2 million.

### **INHERITANCE AND ESTATE TAX**

Included in this category is the state's share of the inheritance tax and the estate tax. Collections from these taxes used to account for around 3% of ongoing general fund revenues; however, collections now account for less than 1% of ongoing general fund revenues. The decline in collections from this revenue source is from two factors. First, in November of 2000, the voters of South Dakota passed Constitutional Amendment C, which repealed the state inheritance tax on July 1, 2001. Second, the credit for state estate taxes is being phased out by federal law.

Collections peaked at \$31.4 million in FY2001, fell to \$21.1 million in FY2002, and increased to \$24.5 million in FY2003. The increase in collections between FY2002 and FY2003 was due to the settlement of a large estate from when the inheritance tax was still in effect. In FY2004, collections dropped \$16.1 million from FY2003 to \$8.4 million. For FY2005 and FY2006, collections are expected to continue to decrease to \$5.5 million and \$3.0 million, respectively.

### **PROPERTY TAX REDUCTION FUND**

The Property Tax Reduction Fund (PTRF) has traditionally been the source from which the state has funded property tax relief, and transfers to the general fund from the PTRF account for approximately 12% of ongoing general fund revenues. In 1996, the legislature directed that all receipts from video lottery be transferred into the PTRF and checks were written from the fund to the counties to fund the first Property Tax Credit Program. When the new state aid formula went into effect in January 1997, property tax relief was then paid out of the general fund through state aid to education. The legislature then directed that dollars in the PTRF be transferred to the state general fund for property tax relief. A bill was also passed that any general fund surplus at the end of a fiscal year

be transferred back to the PTRF, after the transfer to the Budget Reserve Fund has been made.

HB 1104, passed by the 2003 legislature, imposed a tax of 4% on the gross receipts of telecommunication services, beginning in FY2004. Sixty percent of the revenue collected from this tax is deposited in the PTRF. Included in the FY2005 and FY2006 PTRF estimates are \$4.8 million and \$5.2 million, respectively, from this tax. Video lottery receipts to the PTRF in FY2005 and FY2006 are projected to be \$109.7 million and \$112.5 million, respectively.

### **OTHER ONGOING REVENUES**

Collections from other ongoing revenue sources account for approximately 15% of ongoing general fund revenues. Receipts included in this category come from the Alcohol Beverage Tax; the Alcohol Beverage 2% Wholesale Tax; the Cigarette Tax; Licenses, Permits, and Fees; Investment Income and Interest; Charges for Goods and Services; Net Transfers In; transfers from the Dakota Cement Trust Fund; Severance Taxes; Lottery; Sale-Leaseback; and, the Conservation Reserve Program. For FY2005, collections from other ongoing revenues are projected to be \$145.4 million. For FY2006, collections are forecasted to increase \$4.1 million to \$149.5 million.

### **ONE-TIME RECEIPTS**

In FY2005, collections from one-time receipts are projected to be \$7.6 million. Included in this amount is a one-time transfer of \$3.0 million from the video lottery operating fund to the general fund to help balance the projected budget shortfall in FY2005. Also included is South Dakota's share of a global settlement with various large brokerage firms that settled securities violations in regards to securities analyst's conflicts of interests, which is \$4.6 million. There are no projected one-time receipts for FY2006.

### **PROPERTY TAX RESERVES**

SB 225, passed during the 1996 legislative session, gave the Commissioner of the Bureau of Finance and Management the authority to transfer monies available from the Property Tax Reduction Fund to the general fund to provide property tax relief through State Aid to Education. In FY2005 and FY2006, it is projected that \$22.5 million and \$17.1 million, respectively, will need to be transferred from the Property Tax Reserves to the general fund to balance the budgets.

### **OBLIGATED CASH CARRIED FORWARD**

This is the amount of prior year cash carried forward to meet obligations that existed at the end of the previous year. Included in the FY2005 receipts is \$1.2 million that was carried forward from FY2004 and transferred to the Budget Reserve Fund.

# BUDGET RESERVE

House Bill 1287, passed by the 1991 South Dakota Legislature, created the Budget Reserve Fund. The purpose of its creation was to place resources into a reserve that would only be used to address emergency situations without having to raise taxes or cut spending. In FY1992, \$20.0 million was transferred from the general fund to the Budget Reserve Fund. For each year thereafter, the maximum level of funds in the reserve was set at 5% of the general funds appropriated the prior year in the General Appropriations Act, with the funding coming from any unobligated cash remaining in the general fund at the end of a fiscal year. House Bill

1195, passed by the 2002 South Dakota Legislature, changed the maximum level of funds in the reserve to 10% of the general fund appropriations from the General Appropriations Act for the prior fiscal year. The use of funds within the reserve requires an act passed by the South Dakota Legislature. The ending cash balance for FY2006 does not assume that surplus funds will be available. To the extent there is a surplus in FY2005, the ending balance in the Budget Reserve Fund will be adjusted accordingly.

## BUDGET RESERVE FUND CONDITION STATEMENT

	Actual FY2003	Actual FY2004	Estimated FY2005	Estimated FY2006
Beginning Balance	\$ 33,146,391	\$ 39,324,961	\$ 40,680,675	\$ 41,862,883
Calculations for Maximum Balance in the Fund:				
General Bill Appropriation for Prior Year	\$ 850,885,481	\$ 875,000,575	\$ 851,277,150	\$ 971,027,618
Budget Reserve Fund Percentage	10%	10%	10%	10%
Maximum Amount in the Fund	<u>\$ 85,088,548</u>	<u>\$ 87,500,058</u>	<u>\$ 85,127,715</u>	<u>\$ 97,102,762</u>
Maximum Transferable Amount	<u>\$ 51,942,157</u>	<u>\$ 48,175,097</u>	<u>\$ 44,447,040</u>	<u>\$ 55,239,879</u>
Amount of General Funds Available				
End of Prior Year	\$ 6,178,570	\$ 1,355,714	\$ 1,182,209	\$ 0
Transferred in from General Fund	<u>\$ 6,178,570</u>	<u>\$ 1,355,714</u>	<u>\$ 1,182,209</u>	<u>\$ 0</u>
<b>Ending Balance</b>	<b><u>\$ 39,324,961</u></b>	<b><u>\$ 40,680,675</u></b>	<b><u>\$ 41,862,883</u></b>	<b><u>\$ 41,862,883</u></b>

**COMPARISON BETWEEN LEGISLATIVE AND  
REVISED ESTIMATE FOR FY2005**

	<u>Legislative Adopted</u>	<u>Revised FY2005</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>CONTINUING RECEIPTS</b>				
Sales and Use Tax	\$ 534,212,126	\$ 536,302,112	\$ 2,089,986	0.39
Contractor's Excise Tax	63,412,127	62,945,057	(467,070)	(0.74)
Alcohol Beverage Tax	8,424,784	8,719,576	294,792	3.50
Alcohol Beverage 2% Wholesale Tax	918,485	978,959	60,474	6.58
Cigarette Tax	26,483,407	27,172,257	688,850	2.60
Bank Franchise Tax	33,998,511	36,773,778	2,775,267	8.16
Insurance Company Tax	57,815,630	53,669,268	(4,146,362)	(7.17)
Inheritance and Estate Tax	4,387,500	5,522,256	1,134,756	25.86
Licenses, Permits, and Fees	32,810,854	32,019,451	(791,403)	(2.41)
Investment Income and Interest	13,018,658	11,848,032	(1,170,626)	(8.99)
Charges for Goods and Services	9,713,981	9,118,878	(595,103)	(6.13)
Net Transfers In	23,845,961	23,917,690	71,729	0.30
Dakota Cement Trust	12,000,000	12,633,125	633,125	5.28
Severance Taxes	861,194	1,164,193	302,999	35.18
Unexpended Carryovers	0	0	0	0.00
Lottery	4,730,000	4,830,024	100,024	2.11
Property Tax Reduction Fund	113,071,159	114,578,834	1,507,675	1.33
Sale-Leaseback	11,835,491	11,835,491	0	0.00
CRP Program	1,156,755	1,156,755	0	0.00
<b>SUBTOTAL (CONTINUING RECEIPTS)</b>	<u>\$ 952,696,623</u>	<u>\$ 955,185,736</u>	<u>\$ 2,489,113</u>	<u>0.26</u>
<b>ONE-TIME RECEIPTS</b>				
Securities Global Settlement	\$ 4,625,000	\$ 4,625,000	\$ 0	0.00
Transfer from Video Lottery Fund	3,000,000	3,000,000	0	0.00
Transfer from Property Tax Reserves	19,387,590	22,547,536	3,159,946	16.30
Obligated Cash Carried Forward	0	1,182,209	1,182,209	100.00
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<u>\$ 27,012,590</u>	<u>\$ 31,354,745</u>	<u>\$ 4,342,155</u>	<u>16.07</u>
<b>GRAND TOTAL</b>	<u>\$ 979,709,213</u>	<u>\$ 986,540,481</u>	<u>\$ 6,831,268</u>	<u>0.70</u>

**COMPARISON BETWEEN FY2004 AND FY2005  
REVENUE COLLECTIONS**

	Actual FY2004	Revised FY2005	Dollar Change	Percent Change
<b>CONTINUING RECEIPTS</b>				
Sales and Use Tax	\$ 508,241,448	\$ 536,302,112	\$ 28,060,664	5.52
Contractor's Excise Tax	59,378,041	62,945,057	3,567,016	6.01
Alcohol Beverage Tax	8,489,478	8,719,576	230,098	2.71
Alcohol Beverage 2% Wholesale Tax	949,263	978,959	29,696	3.13
Cigarette Tax	27,633,238	27,172,257	(460,981)	(1.67)
Bank Franchise Tax	35,255,228	36,773,778	1,518,550	4.31
Insurance Company Tax	51,397,593	53,669,268	2,271,675	4.42
Inheritance and Estate Tax	8,386,341	5,522,256	(2,864,085)	(34.15)
Licenses, Permits, and Fees	30,519,626	32,019,451	1,499,825	4.91
Investment Income and Interest	11,066,377	11,848,032	781,655	7.06
Charges for Goods and Services	10,487,849	9,118,878	(1,368,971)	(13.05)
Net Transfers In	23,444,113	23,917,690	473,577	2.02
Dakota Cement Trust	12,000,000	12,633,125	633,125	5.28
Severance Taxes	1,182,749	1,164,193	(18,556)	(1.57)
Unexpended Carryovers	403,142	0	(403,142)	(100.00)
Lottery	4,756,834	4,830,024	73,190	1.54
Sale-Leaseback	12,478,191	11,835,491	(642,700)	(5.15)
CRP Program	1,152,786	1,156,755	3,969	0.34
<b>SUBTOTAL (CONTINUING RECEIPTS)</b>	<b>\$ 807,222,296</b>	<b>\$ 840,606,902</b>	<b>\$ 33,384,606</b>	<b>4.14</b>
<b>CONTINUING RECEIPTS FROM PROPERTY TAX REDUCTION FUND</b>				
Video Lottery	\$ 107,068,905	\$ 109,745,628	\$ 2,676,723	2.50
Telecommunications Tax	3,561,404	4,833,206	1,271,802	35.71
Reduction due to Federal Fiscal Relief	(66,319,308)	0	66,319,308	100.00
<b>SUBTOTAL (RECEIPTS FROM PTRF)</b>	<b>\$ 44,311,001</b>	<b>\$ 114,578,834</b>	<b>\$ 70,267,833</b>	<b>158.58</b>
<b>ONE-TIME RECEIPTS</b>				
Acceleration of Interest Earnings	\$ 7,837,373	\$ 0	\$ (7,837,373)	(100.00)
Transfer from Petroleum Release Fund	15,000,000	0	(15,000,000)	(100.00)
Securities Global Settlement	0	4,625,000	4,625,000	100.00
Transfer from Video Lottery Fund	0	3,000,000	3,000,000	100.00
Transfer from Property Tax Reserves	15,974,511	22,547,536	6,573,025	41.15
Obligated Cash Carried Forward	1,355,714	1,182,209	(173,505)	(12.80)
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<b>\$ 40,167,598</b>	<b>\$ 31,354,745</b>	<b>\$ (8,812,853)</b>	<b>(21.94)</b>
<b>GRAND TOTAL</b>	<b>\$ 891,700,895</b>	<b>\$ 986,540,481</b>	<b>\$ 94,839,586</b>	<b>10.64</b>

## COMPARISON BETWEEN FY2005 AND FY2006 REVENUE COLLECTIONS

	Revised FY2005	Projected FY2006	Dollar Change	Percent Change
<b>CONTINUING RECEIPTS</b>				
Sales and Use Tax	\$ 536,302,112	\$ 567,793,306	\$ 31,491,194	5.87
Contractor's Excise Tax	62,945,057	66,765,216	3,820,159	6.07
Alcohol Beverage Tax	8,719,576	8,811,685	92,109	1.06
Alcohol Beverage 2% Wholesale Tax	978,959	1,035,968	57,009	5.82
Cigarette Tax	27,172,257	26,818,353	(353,904)	(1.30)
Bank Franchise Tax	36,773,778	37,773,778	1,000,000	2.72
Insurance Company Tax	53,669,268	57,245,760	3,576,492	6.66
Inheritance and Estate Tax	5,522,256	3,000,000	(2,522,256)	(45.67)
Licenses, Permits, and Fees	32,019,451	33,424,752	1,405,301	4.39
Investment Income and Interest	11,848,032	14,160,000	2,311,968	19.51
Charges for Goods and Services	9,118,878	9,508,871	389,993	4.28
Net Transfers In	23,917,690	24,930,438	1,012,748	4.23
Dakota Cement Trust	12,633,125	12,530,000	(103,125)	(0.82)
Severance Taxes	1,164,193	969,879	(194,314)	(16.69)
Unexpended Carryovers	0	0	0	0.00
Lottery	4,830,024	4,932,025	102,001	2.11
Property Tax Reduction Fund	114,578,834	117,709,131	3,130,297	2.73
Sale-Leaseback	11,835,491	11,175,075	(660,416)	(5.58)
CRP Program	1,156,755	1,179,058	22,303	1.93
<b>SUBTOTAL (CONTINUING RECEIPTS)</b>	<b>\$ 955,185,736</b>	<b>\$ 999,763,295</b>	<b>\$ 44,577,559</b>	<b>4.67</b>
<b>ONE-TIME RECEIPTS</b>				
Securities Global Settlement	\$ 4,625,000	\$ 0	\$ (4,625,000)	(100.00)
Transfer from Video Lottery Fund	3,000,000	0	(3,000,000)	(100.00)
Transfer from Property Tax Reserves	22,547,536	17,142,629	(5,404,907)	(23.97)
Obligated Cash Carried Forward	1,182,209	0	(1,182,209)	(100.00)
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<b>\$ 31,354,745</b>	<b>\$ 17,142,629</b>	<b>\$ (14,212,116)</b>	<b>(45.33)</b>
 <b>GRAND TOTAL</b>	 <b>\$ 986,540,481</b>	 <b>\$1,016,905,924</b>	 <b>\$ 30,365,443</b>	 <b>3.08</b>

## GENERAL FUND RECEIPTS

	Actual FY2003	Actual FY2004	Revised FY2005	Projected FY2006
<b>CONTINUING RECEIPTS</b>				
Sales and Use Tax	\$ 475,956,210	\$ 508,241,448	\$ 536,302,112	\$ 567,793,306
Contractor's Excise Tax	56,136,750	59,378,041	62,945,057	66,765,216
Alcohol Beverage Tax	7,606,230	8,489,478	8,719,576	8,811,685
Alcohol Beverage 2% Wholesale Tax	792,354	949,263	978,959	1,035,968
Cigarette Tax	21,660,817	27,633,238	27,172,257	26,818,353
Bank Franchise Tax	33,196,009	35,255,228	36,773,778	37,773,778
Insurance Company Tax	49,838,203	51,397,593	53,669,268	57,245,760
Inheritance and Estate Tax	24,502,910	8,386,341	5,522,256	3,000,000
Licenses, Permits, and Fees	29,855,195	30,519,626	32,019,451	33,424,752
Investment Income and Interest	14,954,285	11,066,377	11,848,032	14,160,000
Charges for Goods and Services	8,570,862	10,487,849	9,118,878	9,508,871
Net Transfers In	12,296,414	23,444,113	23,917,690	24,930,438
Dakota Cement Trust	12,000,000	12,000,000	12,633,125	12,530,000
Severance Taxes	2,032,459	1,182,749	1,164,193	969,879
Unexpended Carryovers	1,925,731	403,142	0	0
Lottery	4,004,199	4,756,834	4,830,024	4,932,025
Property Tax Reduction Fund	104,890,557	44,311,001	114,578,834	117,709,131
Sale-Leaseback	13,100,000	12,478,191	11,835,491	11,175,075
CRP Program	1,325,291	1,152,786	1,156,755	1,179,058
<b>SUBTOTAL (CONTINUING RECEIPTS)</b>	<b>\$ 874,644,477</b>	<b>\$ 851,533,297</b>	<b>\$ 955,185,736</b>	<b>\$ 999,763,295</b>
<b>ONE-TIME RECEIPTS</b>				
Acceleration of Interest Earnings	\$ 0	\$ 7,837,373	\$ 0	\$ 0
Transfer from Petroleum Release Fund	0	15,000,000	0	0
Securities Global Settlement	0	0	4,625,000	0
Transfer from Video Lottery Fund	0	0	3,000,000	0
Transfer from Property Tax Reserves	10,474,011	15,974,511	22,547,536	17,142,629
Obligated Cash Carried Forward	6,178,570	1,355,714	1,182,209	0
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<b>\$ 16,652,581</b>	<b>\$ 40,167,598</b>	<b>\$ 31,354,745</b>	<b>\$ 17,142,629</b>
 <b>GRAND TOTAL</b>	 <b>\$ 891,297,058</b>	 <b>\$ 891,700,895</b>	 <b>\$ 986,540,481</b>	 <b>\$ 1,016,905,924</b>

# RECOMMENDED EXPENDITURES

## OVERVIEW

Governor Rounds' FY2006 budget reflects a continuing commitment to three key segments: helping those who can not take care of themselves, the very young and the very old; protecting society from those who would do us harm; and providing a quality education for our children.

The Governor is recommending a 2.0% inflationary increase in the per student allocation for state aid to general education and for state aid to special education. This brings the per-student allocation for state aid to general education to \$4,168.29 for FY2006, an increase of \$81.73 over the FY2005 base rate of \$4,086.56. In addition, due to declining enrollments, the Governor is recommending to add an additional \$2,190,603 in general funds be added to state aid to be distributed through the formula. This brings the per-student allocation for state aid to general education to \$4,191.30 for FY2006, which is a \$23.01 increase above the statutory increase, or a \$104.74 increase over the FY2005 per student allocation. Furthermore, the Governor is recommending that an additional \$13.96 per student be added to the formula to bring the total per student allocation up to \$4,205.26, for a total increase of \$118.70 or a 2.9% increase over the FY2005 per student allocation. The Governor is also recommending that \$3,006,960 in Education Enhancement Trust Fund earnings be allocated to Education Enhancement. This money is available for the entire education community, and the legislature will be asked to allocate based on need.

The Departments of Social Services, Human Services, and Health are responsible for the majority of the programs that deal with helping those who can not take care of themselves, the very young and the very old. The combined increase for these three agencies is \$65.8 million, of which \$23.5 million are general funds. This increase accounts for 63% of the total general fund increase of \$37.3 million. The money paid to medical services in South Dakota is budgeted to increase by 11.1% over FY2005 levels. Due to increases in personal income in South Dakota, the Federal Medical Assistance Percentage (FMAP) rate will increase by 0.63% in FY2006. An increase of \$3.6 million will be needed to cover this rate increase.

Social Services will see an increase of \$20.8 million in general funds and \$39.7 million in federal fund

expenditure authority. A \$16.6 million increase is recommended in Medical Services. Four major components drive this budget: 1) the FMAP rate, which will increase this program's general fund budget by \$1.9 million; 2) the provider inflation policy (1.4%) which is creating an increase of \$6.7 million in general funds and a federal fund increase of \$12.9 million; 3) increasing costs of medical coverage for those eligible for the Medicaid Program (90,325 individuals estimated in FY2006) which will cost an additional \$3.8 million of general funds; and 4) rising caseloads.

The Human Services budget is increasing by \$3.5 million in general funds and \$2.2 million in federal fund expenditure authority. An increase of \$697,434 in general funds is needed to reflect the FMAP change.

The budget for the Department of Health is increasing due to federal grants. General funds are being reduced by \$750,000 to reflect the one-time appropriation that was added to the Tobacco Prevention program in FY2005. An increase of \$372,523 in other fund expenditure authority is included for the Department's Correctional Health Program.

To address the safety of our State's citizens, a corrections system is required to incarcerate people convicted of crimes. The FY2006 budget specifically addresses the Department of Corrections and the state's increasing prison population. The general fund budget for Corrections will increase by \$1.6 million in general funds and 38.3 additional FTE will be added to cover the needs of new facilities opening in FY2006.

To address one of our state's greatest obligations, keeping our citizens safe, the Governor created the Department of Public Safety in FY2003. The FY2006 budget for Public Safety will include \$3.6 million in general funds, \$29.2 million in federal fund expenditure authority, and \$22.2 million in other fund expenditure authority.

Public safety is also addressed by the budget for the Unified Judicial System. This budget is increasing by \$1,850,252, which includes an increase of \$1,329,514 in general funds, \$60,510 in federal fund expenditure authority, \$460,228 other fund expenditure authority, and an increase of 17.7 FTE.

The Governor is recommending the continuation of the PACE program started by former Governor George S. Mickelson. This will include a 2.5% adjustment to job worth and a 3% salary policy for state employees.

<u>Description</u>	<u>Inc/(Dec)</u>	<u>FTE</u>
Executive Branch	\$ 96,796,483	111.3
UJS and Elected	8,115,977	25.4
State Aid	1,919,767	
Technical Institutes	(33,034)	
Special/Contin. Approp.	11,423,122	
Board of Regents	<u>36,223,048</u>	<u>222.5</u>
	\$154,445,363	359.2

The Executive Branch, which is under direct control of the Governor, has the following funding changes for FY2006:

General Funds	\$28,283,575
Federal Funds	\$64,363,263
Other Funds	\$41,353,794
FTE	111.3

## **FY2006 RECOMMENDATION SUMMARY**

### **STATE AID, HIGHER EDUCATION, EDUCATION**

The budgets included in this category include State Aid to Education, Higher Education, and the Department of Education. The portion of this budget comprises \$46.2 million of the \$143.0 million in total fund increases for FY2006. On the general fund side, education accounts for \$6.2 of the \$37.3 million increase. In terms of the total budget, the education category is 32.9% of the total funds and 51.0% of the general funds, which amounts to \$1,004.7 million in total funding for education.

### **STATE AID**

The Governor is recommending a total of \$349,637,593 in general funds for aid to schools for the FY2006 budget. This includes state aid to K-12 education, postsecondary vocational education institutes, funding of stipends for the National Board of Certified Teachers (NBCT), and technology in the schools. For FY2006, the Governor is also recommending to continue carving out a budget for Education Enhancement Trust Fund Earnings.

For FY2006, the Governor is recommending a general fund increase of \$5,965,951 for state aid to K-12 education. Of this amount, a \$5,465,951 general fund increase to state aid to general education is recommended, bringing the total state effort to \$284,885,144. This is based on a budgeted adjusted average daily membership (ADM) figure for FY2006 of 126,099. The Governor is recommending that part of the increase be offset by carrying over left over FY2005 state aid to general education dollars in the amount of \$5,053,144, bringing the FY2006 budget request to \$279,832,000. The adjusted ADM for FY2005 has been revised to 126,809, which brings the estimated state expenditure to \$274,366,049 of a budgeted \$279,419,193. The original estimate for adjusted ADM for FY2005 was 127,183. According to state statute, the Governor is recommending a 2.0% inflationary increase in the per student allocation for state aid to general education and for state aid to special education. This brings the per-student allocation for state aid to general education to \$4,168.29 for FY2006, an increase of \$81.73 over the FY2005 base rate of \$4,086.56. In addition, due to declining enrollments, the Governor is recommending to add an additional \$2,190,603 in general funds be added to state aid to be distributed through the formula. This number is calculated by taking the difference between the revised adjusted ADM for FY2005 and the

budgeted adjusted ADM for FY2006 and multiplying it by the FY2005 per pupil allocation and dividing the amount among the budgeted FY2006 adjusted ADM. Furthermore, the Governor is recommending that an additional \$13.96 per student be added to the formula to bring the total per student allocation up to \$4,205.26, or a 2.9% increase over the FY2005 per student allocation. The Governor is also recommending that \$3,006,960 in education enhancement trust fund earnings be allocated to Education Enhancement. This money is available for the entire education community and the legislature will be asked to allocate based on need.

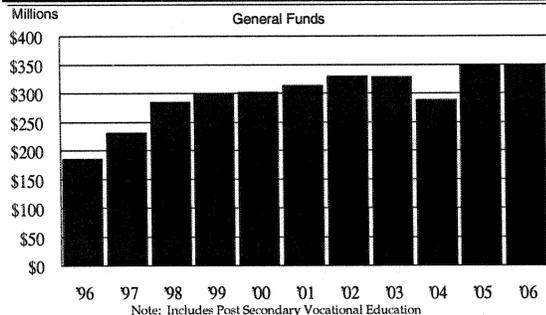
A \$500,000 increase in general funds is recommended in the special education formula for FY2006. This increase is due in part to SDCL 13-37-16.2, which requires that the special education levy be adjusted when valuations grow faster than local need. The budgeted amount will increase to \$43,106,875 for FY2006. The formula for FY2006 is based on an estimated ADM figure of 132,800, with an inflationary increase of 2.0% to the per student allocation. The ADM figure is not adjusted for any type of small school factor, but includes children who are in private and home schools.

The FY2006 recommendation for funding to provide stipends to National Board Certified Teachers and to reimburse the fees associated with taking the exam will remain at \$90,000 in general funds.

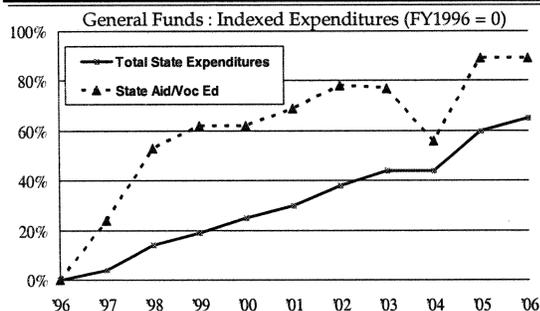
A decrease of \$2,000,000 in general funds is recommended for technology in the schools. Anticipated revenues from the E-rate program will be used to replace these dollars. The current level of funding of \$8,191,325 in general funds is used to support ongoing costs of the technology infrastructure.

The Governor is recommending an increase of \$423,926 over the FY2005 Governor's recommended budget for the postsecondary technical institutes. This increase is based on a 2.0% adjustment similar to the K-12 statutory increase. This brings the total level of funding to \$16,960,433 for FY2006. One-time funds from the Education Enhancement Trust Fund in the amount of \$456,960 were removed from the budget.

## State Aid to Schools



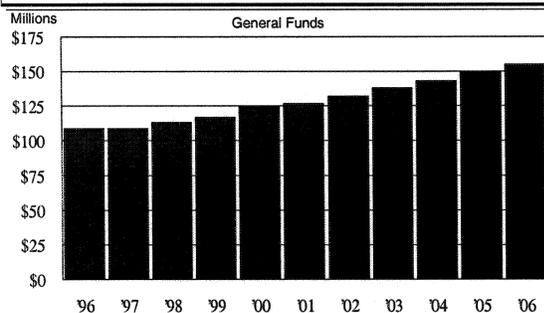
## State Aid to Schools



## BOARD OF REGENTS

The budget for the Board of Regents provides funding for the six state universities (Black Hills State University, Dakota State University, Northern State University, South Dakota School of Mines and Technology, South Dakota State University, and the University of South Dakota). The state's two special schools, South Dakota School for the Deaf and South Dakota School for the Blind and Visually Impaired, are also included in the regent system.

## Board of Regents



The Regents budget contains a net increase of \$36,223,048 in total funds and 222.5 FTE over the FY2005 budget. The increase consists of \$5,237,974 in general funds, \$10,933,389 in federal

fund expenditure authority, and \$20,051,685 in other fund expenditure authority. The total FY2006 recommended budget for the Board of Regents consists of \$154,810,954 in general funds, \$98,607,449 in federal fund expenditure authority, and \$240,605,876 in other fund expenditure authority, for a total FY2006 budget of \$494,024,279 and 5,282.4 FTE.

The FY2006 recommendation includes the addition of \$647,329 in general funds to cover the rising costs of utilities on the campuses, \$145,858 in other fund expenditure authority and 2.0 FTE to pay for on-going costs associated with the West River Consortium, \$200,000 in general funds associated with the agreement between the Board of Regents and Lake Area Technical Institute for the delivery of courses at Lake Area Technical Institute, and \$691 in general funds for the Animal Disease Research and Diagnostic Lab lease payment.

In continuation of the 2010 Initiative, the Governor is recommending 15.5 FTE and \$1,685,240 in general funds for the addition of three new Ph.D. programs and to supplement the Graduate Research Assistant (GRA) program. Of this recommendation, 5.0 FTE and \$1,088,164 in general funds are to provide for the three new Ph.D. programs. The new programs will support the Governor's 2010 Research Goals. The remaining 10.5 FTE and \$597,076 in general funds will purchase graduate assistant research time for 21 GRA's working half-time (10.5 FTE) in support of the new Ph.D. programs.

The Board of Regents continues to grow in federal grant and contract activity. A total of 205.0 FTE, \$9,850,942 in federal fund expenditure authority, and \$16,683,240 in other fund expenditure authority is added to the FY2006 budget are related to federal grant and contract activity. These FTE will be distributed among five campuses: BHSU (13.2 FTE), SDSM&T (5.0 FTE), SDSU (85.0 FTE), AES (10.0 FTE), NSU (3.3 FTE), USD (48.5 FTE), and the USD School of Medicine (40.0 FTE). The growth in FTE is attributed to residential life and student support staffing increases, Title IX compliance, growth in student support credit hours, increased student employees on campuses, and other increases in grant and contract activity.

Another priority in the Governor's recommendation is the adjustment to job worth and salary policy. An increase of \$504,095 is being recommended for the movement to job worth, of which \$300,449 are general funds. The Governor is also recommending an increase of \$7,906,444 for a 3% salary increase, composed of \$3,789,265 in general funds, \$1,051,209 in federal fund expenditure authority, and \$3,065,970 in other fund expenditure authority. No increases are being recommended for health insurance in FY2006.

## **EDUCATION**

The Governor's recommendation for the Department of Education, including the State Aid to Education formula, reflects an increase of \$955,305 in general funds, \$8,855,399 in federal fund expenditure authority, and \$151,477 in other fund expenditure authority, for a total increase of \$9,962,181 and 2.0 FTE. The recommended increase for State Aid is \$1,919,767 in general funds and the increase in aid to Postsecondary Vocational Education is \$423,926. One-time funds from the Education Enhancement Trust fund in the amount of \$456,960 were removed from the budget for aid to Postsecondary Vocational Education. The total recommended budget for FY2006 is \$359,492,508 in general funds, \$147,785,206 in federal fund expenditure authority, \$3,380,329 in other fund expenditure authority, and 147.0 FTE.

### **GENERAL ADMINISTRATION**

The recommendation for FY2006 consists of a \$23,424 increase in general funds, and a \$20,229 decrease in federal fund expenditure authority. A \$20,000 increase in general funds and \$20,888 decrease in federal fund expenditure authority reflects the change in the scope of the Indian Education Coordinator position. The remaining increase is to meet increases in the mileage rate and space billings.

### **STATE AID**

The Governor is recommending a total of \$349,637,593 in general funds for aid to schools for the FY2006 budget. This includes state aid to K-12 education, postsecondary vocational education institutes, funding of stipends for the National Board of Certified Teachers (NBCT), and technology in the schools. For FY2006, the Governor is also recommending to continue carving out a budget for Education Enhancement Trust Fund Earnings. For FY2006, the Governor is recommending a general fund increase of \$5,965,951 for state aid to K-12 education. Of this amount, a \$5,465,951 general fund increase to state aid to general education is recommended, bringing the total state effort to \$284,885,144. This is based on a budgeted adjusted average daily membership (ADM) figure for FY2006 of 126,099. The Governor is recommending that part of the increase be offset by carrying over left over FY2005 state aid to general education dollars in the amount of \$5,053,144, bringing the FY2006 budget request to \$279,832,000. The adjusted ADM for FY2005 has been revised to 126,809, which brings the estimated state expenditure to \$274,366,049 of a budgeted \$279,419,193. The original estimate for adjusted ADM for FY2005 was 127,183. According to state statute, the Governor is recommending a

2.0% inflationary increase in the per student allocation for state aid to general education and for state aid to special education. This brings the per-student allocation for state aid to general education to \$4,168.29 for FY2006, an increase of \$81.73 over the FY2005 base rate of \$4,086.56. In addition, due to declining enrollments, the Governor is recommending to add an additional \$2,190,603 in general funds be added to state aid to be distributed through the formula. This number is calculated by taking the difference between the revised adjusted ADM for FY2005 and the budgeted adjusted ADM for FY2006 and multiplying it by the FY2005 per pupil allocation and dividing the amount among the budgeted FY2006 adjusted ADM. Furthermore, the Governor is recommending that an additional \$13.96 per student be added to the formula to bring the total per student allocation up to \$4,205.26, or a 2.9% increase over the FY2005 per student allocation. The Governor is also recommending that \$3,006,960 in education enhancement trust fund earnings be allocated to Education Enhancement. This money is available for the entire education community and the legislature will be asked to allocate based on need.

A \$500,000 increase in general funds is recommended in the special education formula for FY2006. This increase is due in part to SDCL 13-37-16.2, which requires that the special education levy be adjusted when valuations grow faster than local need. The budgeted amount will increase to \$43,106,875 for FY2006. The formula for FY2006 is based on an estimated ADM figure of 132,800, with an inflationary increase of 2.0% to the per student allocation. The ADM figure is not adjusted for any type of small school factor, but includes children who are in private and home schools.

The FY2006 recommendation for funding to provide stipends to National Board Certified Teachers and to reimburse the fees associated with taking the exam will remain at \$90,000 in general funds.

A decrease of \$2,000,000 in general funds is recommended for technology in the schools. Anticipated revenues from the E-rate program will be used to replace these dollars. The current level of funding of \$8,191,325 in general funds is used to support ongoing costs of the technology infrastructure.

The Governor is recommending an increase of \$423,926 over the FY2005 Governor's recommended budget for the postsecondary technical institutes. This increase is based on a 2.0% adjustment similar to the K-12 statutory increase. This brings the total level of funding to \$16,960,433 for FY2006. One-time funds from the Education Enhancement Trust Fund in the amount of \$456,960 were removed from the budget.

**CAREER AND TECHNICAL EDUCATION**

The Governor's recommended budget for this program is a decrease in general funds of \$499,142 and an increase in federal fund expenditure authority of \$50,746 and 1.0 FTE. \$50,131 in federal fund expenditure authority and 1.0 FTE are for a new Health Occupation Program Representative to work with the hospitals, school districts, Department of Labor, and Department of Health in the implementation of the Health Occupations for Today and Tomorrow (HOTT) program. A decrease of \$500,000 in general funds comes from the removal of the one-time funding for grants to school districts to develop Career and Technical Education programs that can be replicated by other districts. The remaining increase is to meet increases in the mileage rate and space billings.

**EDUCATION SERVICES AND RESOURCES**

The recommendation for this program includes a decrease of \$459,814 in general funds, an increase of \$8,823,675 in federal fund expenditure authority, an increase of \$151,477 in other fund expenditure authority, and 1.0 FTE. Federal fund expenditure authority increases in the amount of \$224,896 and 1.0 FTE is recommended for the Reading First Grant received by the Department of Education. \$1,300,000 in federal fund expenditure authority is recommended for Child and Adult Nutrition Services (CANS) flow through dollars. Also in CANS, \$650,000 in federal fund expenditure authority and \$150,000 in other fund expenditure authority is recommended for the continuation of the CANS computer project. In addition, \$35,000 in general funds are recommended to cover the increase in monitoring required by the Child Nutrition and WIC Reauthorization Act of 2004. The remaining increase is to meet increases in the mileage rate and space billings.

\$500,000 in general funds was moved from the SDREADS program to provide on-going support for the new Education Service Agencies (ESA). \$500,000 was appropriated for FY2005 from the Education Enhancement Trust Fund for support of the ESA's; however this is one-time funding.

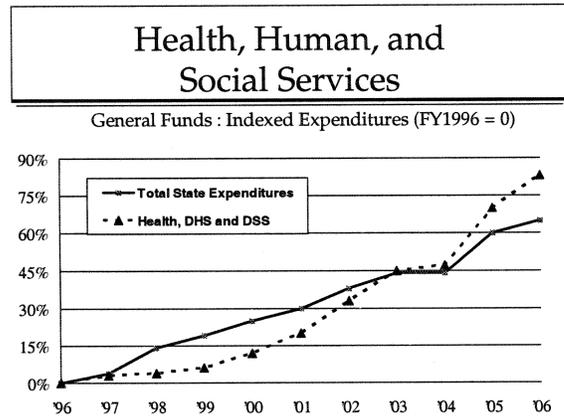
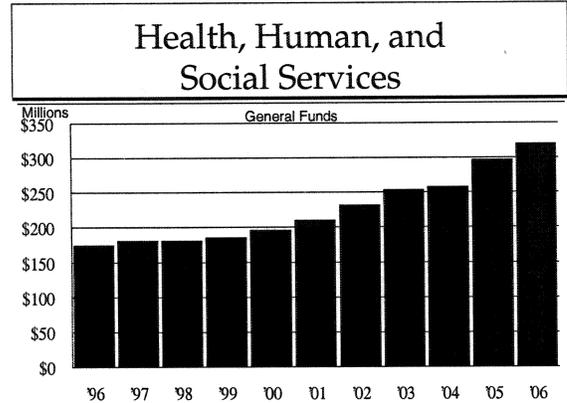
**STATE LIBRARY**

The recommendation for the State Library includes an increase of \$4,104 in general funds and \$1,207 in federal fund expenditure authority to meet increases in the mileage rate and space billings.

**HEALTH, HUMAN, AND SOCIAL SERVICES**

This portion of the budget comprises \$65.8 million of the \$143.0 million in total fund increases for

FY2006. On the general fund side, Health, Human, and Social Services account for \$23.5 million of the \$37.3 million increase. In terms of the total state budget, this category is 32.1% of the total funds and 31.0% of the general funds, which amounts to \$979.4 million in total funding.



**HEALTH**

The FY2006 Governor's recommended budget for Health, including the informational budgets for boards and commissions, includes a decrease of \$750,000 in general funds, increases of \$949,314 in federal fund expenditure authority and of \$257,637 in other fund expenditure authority, for a total increase of \$456,951, and 5.0 FTE. The total FY2006 budget is \$8,027,069 in general funds, \$29,748,330 in federal fund expenditure authority, and \$22,028,229 in other fund expenditure authority, for a total of \$59,803,628, with 382.0 FTE.

**ADMINISTRATION**

The Governor is recommending no change to this division. The total FY2006 budget for Administration is \$1,363,420 in general funds, \$973,700 in federal fund expenditure authority, and \$860,194 in other fund expenditure authority, with 32.5 FTE.

### **FAMILY PRACTICE RESIDENCY**

This program contains no change from FY2005. The total FY2006 budget consists of \$895,000 in general funds.

### **HEALTH SYSTEMS DEVELOPMENT AND REGULATION**

The Governor recommends no change to this division. The total FY2006 budget is \$2,008,275 in general funds, \$9,691,253 in federal fund expenditure authority, and \$45,555 in other fund expenditure authority, with 63.5 FTE.

### **HEALTH AND MEDICAL SERVICES**

The Governor recommends an increase of \$736,814 in federal fund expenditure authority. Of this increase, \$436,814 is for a State Nutrition and Physical Activity Grant to assist in prevention of obesity and other chronic diseases and \$300,000 is for the Ryan White Grant. This grant is used to purchase prescription drugs for eligible HIV/AIDS patients. The total FY2006 budget for this division is \$3,053,374 in general funds, \$16,026,379 in federal fund expenditure authority, \$2,415,657 in other fund expenditure authority, with 179.0 FTE.

### **LABORATORY SERVICES**

The Governor recommends no change to this division. The total FY2006 budget for this division is \$1,970,976 in federal fund expenditure authority, \$3,074,039 in other fund expenditure authority, and 29.0 FTE.

### **CORRECTIONAL HEALTH**

This program has a recommended increase of \$372,523 in other fund expenditure authority and 5.0 FTE. The 5.0 FTE increase is a result of savings identified by reducing temporary nursing staff and overtime. This increase of FTE will save the Correctional Health program \$109,833 in other fund expenditure authority. An increase of \$482,356 in other fund expenditure authority is needed due to higher costs for outsourced medical services and prescription drugs. The total FY2006 budget for this division is \$13,492,261 in other fund expenditure authority and 76.0 FTE.

### **TOBACCO PREVENTION**

From the direction provided by the Appropriations Committee the Department of Health created a separate general bill center to track tobacco prevention expenditures. During the 2004 Legislative Session, SB195, amendment 195he passed and the Department of Health received \$750,000 in general funds from the Education Enhancement Trust Fund for the use of tobacco

prevention. This was a one-time appropriation; therefore, the Governor is recommending a \$750,000 general fund decrease in this program for FY2006. The Governor is also recommending an increase of \$212,500 in federal fund expenditure authority and a decrease of \$277,000 in other fund expenditure authority. A new federal grant will be available for the expansion of telephone based counseling services for the tobacco program. The American Legacy Foundation and Intergovernmental Transfer funds are no longer available, so the authority is no longer needed. The total FY2006 budget for this division is \$707,000 in general funds, \$1,086,022 in federal fund expenditure authority and 2.0 FTE.

### **PROFESSIONAL AND OCCUPATIONAL LICENSING - INFORMATIONAL**

This division is comprised of the informational budgets of the professional and occupational licensing boards. There are ten boards, including Board of Chiropractic Examiners, Board of Dentistry, Board of Hearing Aid Dispensers, Board of Funeral Service, Board of Medical & Osteopathic Examiners, Board of Nursing, Board of Nursing Home Administrators, Board of Optometry, Board of Pharmacy, and Board of Podiatry Examiners, with a total recommended budget for FY2006 of \$2,140,523, which is a total increase of \$162,114 in other fund expenditure authority.

## **HUMAN SERVICES**

The Governor is recommending increases of \$3,474,078 in general funds, \$2,218,490 in federal fund expenditure authority, and \$174,602 in other fund expenditure authority, for a total increase of \$5,867,170. The Governor is also recommending an additional 2.5 FTE. The recommendation includes an increase of \$697,434 in general funds and a corresponding decrease in federal fund expenditure authority due to the change in the Federal Medical Assistance Percentage (FMAP) for Title XIX programs. For FY2006, a total budget of \$197,580,477 is recommended, consisting of \$85,234,170 in general funds, \$108,206,104 in federal fund expenditure authority, and \$4,140,203 in other fund expenditure authority, with 1,232.7 FTE.

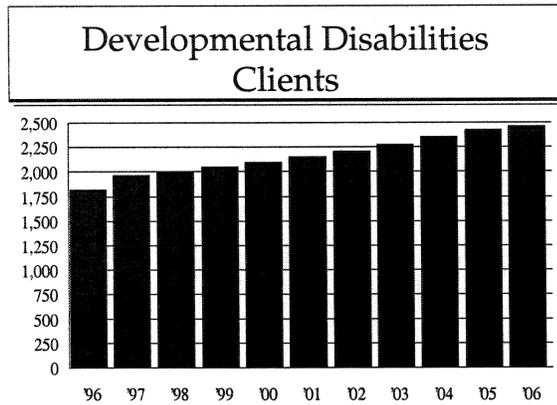
### **SECRETARIAT**

The Governor's recommendation includes an increase in general funds of \$6,321 and an increase of \$3,669 in federal fund expenditure authority, for a total increase of \$9,990.

### **DEVELOPMENTAL DISABILITIES**

The recommendation for the Division of Developmental Disabilities is an increase in general funds of \$1,569,511 and an increase in federal fund

expenditure authority of \$1,527,830, for a total increase of \$3,097,341. An increase of \$363,239 in general funds and \$671,925 in federal fund expenditure authority, for a total of \$1,035,164 is recommended for a 1.4% inflation policy. The Governor's recommendation also includes \$775,260 in general funds and \$1,228,507 in federal fund expenditure authority to address consumer expansion for individuals with developmental disabilities.



**SDDC--REDFIELD**

The Governor's recommendation includes increases of \$444,210 in general funds, \$350,080 in federal fund expenditure authority, and a decrease of \$16,728 in other fund expenditure authority, for a total increase of \$777,562. The increases at SDDC are reflective of food services, prescription drugs, and utility increases.

**ALCOHOL AND DRUG ABUSE**

The Governor recommends an increase of \$133,825 in general funds, a decrease of \$466,592 in federal fund expenditure authority, and an increase of \$268,710 in other fund expenditure authority, for a total decrease of \$64,057 in this division. An increase of \$71,885 in general funds and \$47,679 in federal fund expenditure authority, for a total of \$119,564, is recommended for a 1.4% inflation policy.

**REHABILITATION SERVICES**

The Governor's recommended budget for Rehabilitation Services includes an increase of \$63,479 in general funds, an increase of \$351,865 in federal fund expenditure authority, and an increase of \$4,403 in other fund expenditure authority, for a net increase of \$419,747. An increase of \$24,013 in general funds, \$21,936 in federal fund expenditure authority, and \$4,403 in other fund expenditure authority, for a total of \$50,352 is recommended for a 1.4% inflation policy.

**TELECOMMUNICATION DEVICES FOR THE DEAF**

The Governor is recommending no change for Telecommunication Devices for the Deaf. The total FY2006 budget is \$1,251,680 in other fund expenditure authority.

**BOARD OF COUNSELOR EXAMINERS - INFORMATIONAL**

The Governor is recommending an increase of \$3,090 in other fund expenditure authority. The total FY2006 budget is \$66,205 in other fund expenditure authority.

**BOARD OF PSYCHOLOGY EXAMINERS - INFORMATIONAL**

The Governor is recommending an increase of \$12,305 in other fund expenditure authority. The total FY2006 budget is \$67,841 in other fund expenditure authority.

**BOARD OF SOCIAL WORK EXAMINERS - INFORMATIONAL**

The Governor is recommending an increase of \$31,122 in other fund expenditure authority. The total FY2006 budget is \$87,763 in other fund expenditure authority.

**CERTIFICATION BOARD for ALCOHOL & DRUG PROFESSIONALS- INFORMATIONAL**

The Governor is recommending an increase of \$3,893 in other fund expenditure authority. The total FY2006 budget is \$91,011 in other fund expenditure authority and 1.3 FTE.

**SERVICES TO THE BLIND AND VISUALLY IMPAIRED**

The Governor is recommending a decrease of \$1,091 in general funds, an increase of \$8,034 in federal fund expenditure authority, and an increase of \$60,919 in other fund expenditure authority, for a total increase of \$67,862 in the Division of Services to the Blind and Visually Impaired.

**HUMAN SERVICES CENTER**

The Governor recommends an increase of \$699,789 in general funds, an increase of \$222,355 in federal fund expenditure authority, and an increase of \$30,024 in other fund expenditure authority for a total increase of \$952,168, and 2.5 FTE in this division. An increase of \$129,789 and 2.5 FTE is recommended for Nurses in Adolescent Services. Other increases in this division are

related to food services, utilities, and personal services.

### **COMMUNITY MENTAL HEALTH**

The Governor's recommendation for Community Mental Health reflects an increase of \$558,034 in general funds, an increase of \$221,249 in federal fund expenditure authority, and a decrease of \$223,136 in other fund expenditure authority, for a net increase of \$556,147. Additional funding is recommended for Mental Health waiting lists, at a total cost of \$293,793 in general funds and \$200,959 in federal fund expenditure authority. An increase of \$146,773 in general funds and \$109,769 in federal fund expenditure authority, for a total increase of \$256,542, is recommended for a 1.4% inflation policy.

### **SOCIAL SERVICES**

The Governor's recommended budget for the Department of Social Services is \$219,261,893 in general funds, \$495,120,364 in federal fund expenditure authority, and \$7,588,595 in other fund expenditure authority, for a total FY2006 budget of \$721,970,852 and 997.5 FTE. This recommendation includes an increase of \$20,767,953 in general funds, \$39,729,147 in federal fund expenditure authority and a \$991,012 decrease in other fund expenditure authority.

### **SECRETARIAT**

The Secretariat's budget is recommended to increase by \$77,378 in general funds, increase by \$1,331,220 in federal fund expenditure authority, and decrease by \$9,503 in other fund expenditure authority, for a total increase of \$1,399,095 and 3.0 FTE. The major adjustment to this budget includes an increase of federal authority to be used for a feasibility study for the replacement of the Medicaid Management Information System. The 3.0 FTE will be Recoveries and Fraud Investigations staff and are recommended for cost containment and fraud prevention.

### **PROGRAM MANAGEMENT**

The Governor's recommendation for this program is an increase of \$294,548 in general funds, an increase \$288,877 in federal fund expenditure authority, and a decrease of \$149,981 in other fund expenditure authority, for a total increase of \$433,444. The major increase will be used for electronic distribution of food stamp benefits, due to rising caseloads.

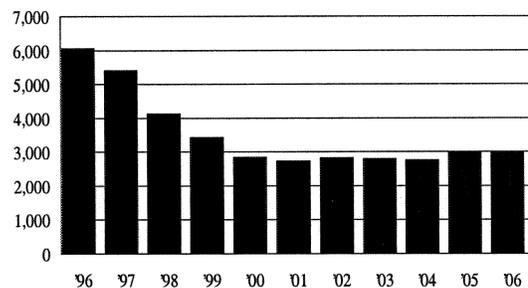
### **ENERGY ASSISTANCE AND WEATHERIZATION**

The Governor recommends a \$1,669,815 increase in federal fund expenditure authority, primarily due to higher energy costs and increased case load.

### **ECONOMIC ASSISTANCE**

The Governor's recommended budget for Economic Assistance includes a decrease of \$415,764 in general funds and a \$1,829,069 increase in federal fund expenditure authority, for a total increase of \$1,413,305 and 13.0 FTE. A major change in this budget; in addition to the increased case loads in Auxiliary Placement, is the increased utilization of federal funding. The recommendation includes an increase of \$169,594 in general funds \$181,174 in federal fund expenditure authority, and 13.0 FTE. These FTE will be for Eligibility and Food Stamp Caseworkers due to rising case loads.

TANF Case Load in South Dakota

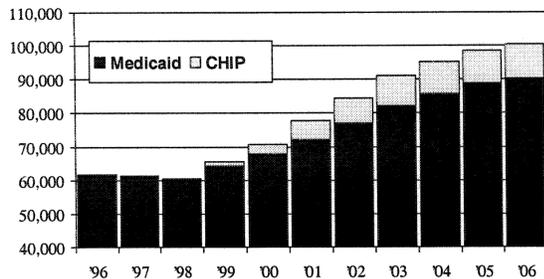


### **MEDICAL SERVICES**

The recommended budget for Medical Services includes increases of \$16,757,449 in general funds, \$30,999,225 in federal fund expenditure authority, and \$287,500 in other fund authority, for a total increase of \$48,044,174 and 3.0 FTE. The FY2006 recommended budget is \$118,600,447 in general funds, \$281,038,283 in federal fund expenditure authority, and \$1,087,500 in other fund expenditure authority, for a total budget of \$400,726,230 and 36.0 FTE. There are four major components driving the recommendation in this budget: 1) this budget is impacted by the Federal Medical Assistance Percentage (FMAP), which increased general funding in this program by \$1,882,432 with an offsetting decrease in federal fund expenditure authority; 2) the provider inflation policy includes 1.4% increases of \$6,709,226 in general funds and \$12,928,297 in federal fund expenditure authority; 3) an increase of \$3,756,979 in general funds and \$7,080,107 in federal fund expenditure authority is recommended, due to increased cost of medical coverage for an estimated 90,325 individuals who are anticipated to be eligible for medical coverage through the Medicaid Program. 4) the

recommendation includes 3.0 FTE due to the rising caseloads and increase claims processing. Approximately \$14.5 million is due to a deficit in the FY2005 budget base.

### Medical Assistance Case Loads in South Dakota



#### **OFFICE OF CHILD SUPPORT ENFORCEMENT**

The Governor's recommended budget includes increases of \$449,445 in general funds, \$23,820 in federal funds authority, and a decrease of \$500,785 in other fund expenditure authority, for a total decrease of \$27,520 and an increase of 1.0 FTE. The major change in this program includes an increase of \$433,464 in general fund expenditure authority and a \$433,464 decrease in other fund expenditure authority due to federal formula changes in child support incentive awards at the national level. The budget also includes an increase of 1.0 FTE to provide additional cost saving through management of the direct deposit and electronic payment card processes.

#### **ADULT SERVICES AND AGING**

A total increase of \$2,554,579 is recommended by the Governor for FY2006, consisting of an increase of \$2,570,226 in general funds and \$129,439 in federal fund expenditure authority, and a decrease of \$145,086 in other fund expenditure authority. The total FY2006 budget for this division is \$167,962,572 and 100.5 FTE. This budget includes an increase of \$348,241 in general funds and \$655,624 in federal fund expenditure authority for expanding the number of clients served by assisted living. The budget was also impacted by the Federal Medical Assistance Percentage (FMAP), which increased general funding in this program by \$879,928 with an offsetting decrease in federal fund expenditure authority. The recommendation also includes increases of \$1,230,775 in general funds and \$2,189,078 in federal fund expenditure authority for a 1.4% provider inflation policy.

#### **CHILD PROTECTION SERVICES**

The Governor's recommendation includes increases of \$524,363 in general funds and

\$892,799 in federal fund expenditure authority, as well as a decrease of \$129,690 in other fund expenditure authority. The recommendation includes an increase of \$88,455 in general funds and \$138,600 in federal fund expenditure authority for an increase of 5 Social Workers to provide services to families with children at risk of abuse and neglect. This budget also includes an increase in the number of children being served in out of home placements providing treatment, such as psychiatric facilities, group and residential treatment and specialized treatment foster care. The total recommended increase is \$242,334 in general funds, \$616,630 in federal fund expenditure authority, and a \$26,457 decrease in other fund expenditure authority.

#### **CHILD CARE SERVICES**

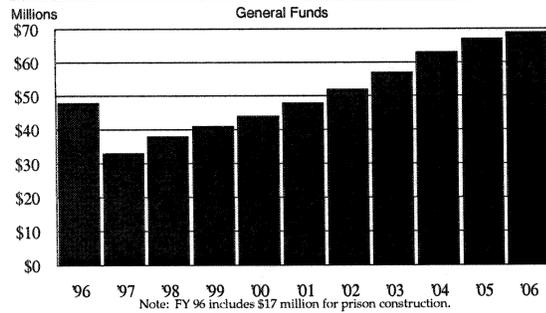
The recommended budget for Child Care Services includes increases of \$510,308 in general funds, \$2,564,883 in federal fund expenditure authority, and a decrease of \$602,847 in other fund expenditure authority, for a total increase of \$2,472,344. The major adjustment includes a recommendation for an increase of \$160,410 in general funds and \$1,586,514 in federal fund expenditure authority, for an increase of 133 child care assistance cases. The budget also includes an increase of \$504,250 in federal fund expenditure authority due to the implementation of a quality improvement rating system for child care providers.

### **CORRECTIONS**

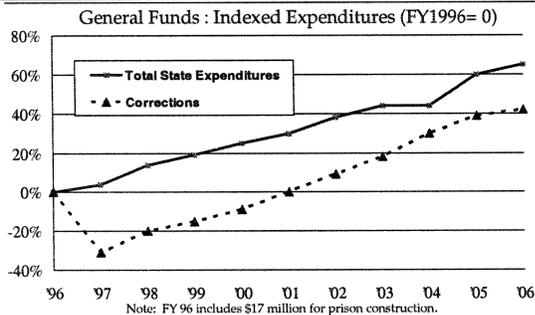
The Governor's recommendation for the Department of Corrections includes an increase of \$1,676,138 in general funds, an increase of \$851,649 in federal fund expenditure authority, and a decrease of \$323,026 in other fund expenditure authority, for a net increase of \$2,204,761. The Governor is also recommending an increase of 36.3 FTE, for a total FTE count of 871.8.

The Average Daily Count (ADC) of adult inmates is projected to reach 3,336 in FY2006. This represents an increase of 245 inmates over the actual FY2004 ADC of 3,091 inmates, or a 9.3% increase over two years. The average daily population of juveniles in institutional settings within the Department of Corrections is projected at 218 for FY2006. This is an increase from the actual count of 209 in FY2004.

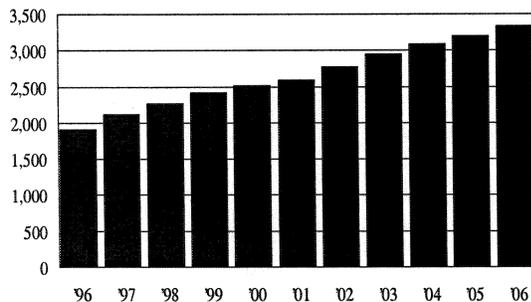
## Corrections



## Corrections



## Average Daily Population of Adult Inmates



### ADMINISTRATION

The Governor is recommending a general fund increase of \$384,994, a decrease of \$3,933 in federal fund expenditure authority, a decrease of \$11,740 in other fund expenditure authority, and an increase of 2.0 FTE. Most of the general fund increases are tied to the addition of 2.0 FTE and for increased costs of the Inmate Medical and Mental Health Services agreement with the Department of Health and the Department of Human Services. The total recommended budget in Administration includes \$15,689,863 in general funds, \$1,864,192 in federal fund expenditure authority, and \$130,000 in other fund expenditure authority, with 29.5 FTE.

### MIKE DURFEE STATE PRISON

The recommendation for the Mike Durfee State Prison (MDSP) includes an increase of \$967,466 in general funds, a decrease of \$37,500 in federal fund expenditure authority, and an increase of \$8,044 in other fund expenditure authority, for a total increase of \$938,010. The number of employees will increase by 29.0 FTE, all of which will be working in the new 400 bed barracks that is currently being built. Some of the decreases in operating expenses are associated with the renegotiation of the food services contract. The overall budget for MDSP is \$11,000,010 in general funds, \$90,876 in federal fund expenditure authority, \$306,082 in other fund expenditure authority and 182.5 FTE.

### STATE PENITENTIARY

The recommendation for the South Dakota State Penitentiary (SDSP) includes increases of \$4,333 in general funds and \$17,200 in federal fund expenditure authority for a total increase of \$21,533. The number of employees will increase by 8.3 FTE, all of whom are due to the construction of Unit D. Some of the decreases in operating expenses are associated with the renegotiation of the food services contract. The overall budget for SDSP is \$15,317,655 in general funds, \$439,948 in federal fund expenditure authority, \$408,377 in other fund expenditure authority and 268.3 FTE.

### WOMEN'S PRISON

The budget for the Women's Prison is recommended to decrease by \$58,269 in general funds, increase by \$98,185 in federal fund expenditure authority, and increase by \$40,394 in other fund expenditure authority, for a total increase of \$80,310. The main decrease in general funds is directly related to the number of federal borders that the Women's Prison can house and the renegotiation of the food services contract.

### PHEASANTLAND INDUSTRIES

The recommendation for Pheasantland Industries is a decrease of \$34,253 in other fund expenditure authority and a decrease of 1.0 FTE. This will bring the total budget to \$2,858,302 in other fund expenditure authority and 13.0 FTE.

### COMMUNITY SERVICES

Community Services is recommended to increase by \$60,355 in general funds and decrease by \$483,057 in other fund expenditure authority. Some of the decreases in operating expenses are associated with the renegotiation of the food services contract and some decreases due to the need for fewer private work release beds.

**PAROLE SERVICES**

The recommendation for Parole Services is an increase of \$153,757 in general funds, an increase of \$37,586 in other fund expenditure authority, and an increase of 4.0 FTE. These 4.0 FTE will be parole agents. The increases are for funding the additional FTE and additional travel costs.

**JUVENILE COMMUNITY CORRECTIONS**

Juvenile Community Corrections is recommended to decrease by \$110,468 in general funds and increase by \$839,794 in federal fund expenditure authority, for a total increase of \$729,326. Operating expenses will decrease by \$450,577 in general funds and increase by \$1,025,326 in federal fund expenditure authority. The change is reflective of reducing the number of Foster Care beds, the reduction of the Juvenile Accountability Incentive Block Grant, and Placement Services providers becoming JCAHO (Joint Commission on Accreditation of Healthcare Organizations) accredited.

**YOUTH CHALLENGE CENTER/LIVING CENTER**

The Governor recommends no change at the Youth Challenge Center/Living Center (YCC/LC). The total budget for YCC/LC is \$1,638,471 in general funds, \$222,173 in federal fund expenditure authority, \$14,942 in other fund expenditure authority, and 41.0 FTE.

**PATRICK HENRY BRADY ACADEMY**

The Governor recommends no change at the Patrick Henry Brady Academy. The total budget for the Patrick Henry Brady Academy is \$1,797,475 in general funds, \$14,280 in other fund expenditure authority, and 36.0 FTE.

**STATE TREATMENT AND REHABILITATION (STAR) ACADEMY**

The State Treatment and Rehabilitation (STAR) Academy contains the budget for food service, physical plant, medical, education, and administration for the Custer juvenile programs. The budget for FY2006 is recommended to increase by \$273,970 in general funds, decrease by \$62,097 in federal fund expenditure authority, and increase by \$120,000 in other fund expenditure authority for a total increase of \$331,873. The main increase is due to the renegotiation of the food services contract.

**QUEST/EXCEL**

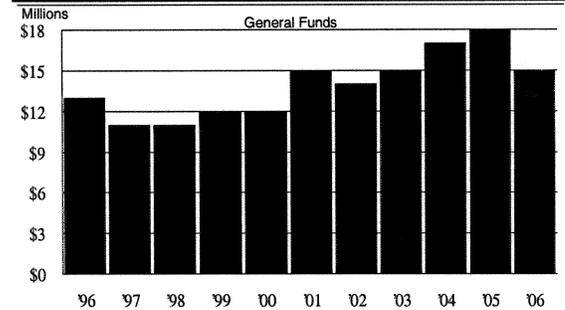
The Governor recommends no change at Quest/ExCel. The total budget for Quest/ExCel is \$280,954 in general funds, \$1,038,640 in federal

fund expenditure authority, \$12,650 in other fund expenditure authority, and 27.0 FTE.

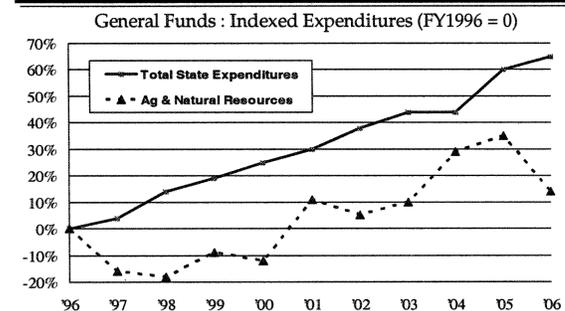
**AGRICULTURE; ENVIRONMENT AND NATURAL RESOURCES; AND, GAME, FISH, AND PARKS**

This portion of the budget represents \$5.3 of the \$143.0 million in total fund increases for FY2006. The total general funds appropriated to Agriculture; Natural Resources; and, Game, Fish, and Parks are recommended to increase by \$17,441, federal and other fund expenditure authority are recommended to increase by a total of \$5,271,856. In comparison to the total state budget, this category is 3.3% of the total funds and 1.6% of the general funds, which amounts to \$100.8 million in total funding.

Agriculture, Natural Resources and Game, Fish, and Parks



Agriculture, Natural Resources and Game, Fish, and Parks



**AGRICULTURE**

The Governor's FY2006 recommended budget for the Department of Agriculture is \$25,771,154, consisting of \$5,699,888 in general funds, \$6,195,451 in federal fund expenditure authority, \$13,875,815 in other fund expenditure authority, and a total of 197.5 FTE. This constitutes a \$1,622,393 increase in Agriculture's overall budget, and a 10.0 increase in FTE.

## **OFFICE OF THE SECRETARY**

The Governor is recommending a general fund decrease of \$3,000 for the Secretary's budget. The Office of the Secretary's total budget is \$665,471 and consists of \$584,278 in general funds, \$47,534 in federal fund expenditure authority, and \$33,659 in other fund expenditure authority, with 7.5 FTE.

## **AGRICULTURAL SERVICES**

The recommended budget for Agricultural Services in FY2006 is \$3,857,176 and 34.0 FTE. This reflects an increase of \$150,379 in general funds, an increase of \$89,168 in federal fund expenditure authority, an increase of \$119,660 in other fund expenditure authority, and a decrease of 1.0 FTE. The general fund increase is recommended in the Rodent Control Program and will be used for the treatment of prairie dog infestations.

## **AGRICULTURAL DEVELOPMENT**

The Governor is recommending no change for the Division of Agricultural Development. The total recommended FY2006 budget of \$1,315,143 consists of \$138,373 in general funds, \$295,209 in federal fund expenditure authority, \$881,561 in other fund expenditure authority, and 9.0 FTE.

## **RESOURCE CONSERVATION AND FORESTRY**

The recommended budget for the Division of Resource Conservation and Forestry includes an increase of \$25,280 in general funds, an increase of \$30,408 in federal fund expenditure authority, a decrease of \$228,986 in other fund expenditure authority, and an increase of 1.0 FTE. The increase of \$25,280 in general funds and 1.0 FTE reflects the addition of a Forest Pest Technician that will sample and test Black Hills forest acres for infestations of mountain pine beetles and pine engraver beetles. The recommended decrease of \$228,986 in other fund expenditure authority reflects excess authority that is no longer needed. During the 2004 Legislative Session, general funds were added to the division's budget to replace other funds and allow for increased grants to conservation districts. The total recommended budget for the Division of Resource Conservation and Forestry is \$2,977,743 and 20.0 FTE.

## **FIRE SUPPRESSION**

The recommended budget for the Division of Fire Suppression includes a decrease of \$165,921 in general funds, an increase of \$361,307 in federal fund expenditure authority, an increase of \$3,122 in other fund expenditure authority, and an increase of 8.0 FTE. The general fund decrease represents a funding switch for the Division's Black Hat

handcrew. Federal funding for forest fuels mitigation has now been re-instated. The recommended increase of \$361,307 in federal fund expenditure authority and 8.0 FTE represents the addition of a second Black Hat handcrew. The total recommended budget for the Division of Fire Suppression is \$2,925,795 and 50.9 FTE.

## **STATE FAIR**

The recommended budget for the State Fair is \$2,075,772. The State Fair's budget is comprised of \$260,000 in general funds, \$1,815,772 in other fund expenditure authority and 19.5 FTE. There is no change recommended for the State Fair.

## **ANIMAL INDUSTRY BOARD**

The recommended budget for the Animal Industry Board includes an increase of \$487,113 in federal fund expenditure authority, a decrease of \$32,887 in other fund expenditure authority, and an increase of 2.0 FTE. An increase of \$260,000 and 2.0 FTE is recommended to develop and implement a practical multi-species system that will be compatible with the National Animal Identification System. The funding will also provide for tracking of animals through livestock auction markets, video auctions, order buyers, and in public grazing land where livestock are commingled. This program is consistent with the National Program for a universal animal ID system as well as with the South Dakota Governor's Certified Beef Marketing Initiative. The total budget for the Animal Industry Board is \$3,522,662 and 43.9 FTE.

## **GAME, FISH, AND PARKS**

The FY2006 recommended budget for the Department of Game, Fish, and Parks totals \$58,793,220, including \$4,784,828 in general funds, \$13,596,884 in federal fund expenditure authority, \$40,411,508 in other fund expenditure authority, and a total of 572.6 FTE. This budget reflects an overall increase of \$3,666,904 and 12.3 FTE.

## **CONSERVATION RESERVE ENHANCEMENT PROGRAM**

The Governor is recommending an increase of \$22,303 in general funds in the Conservation Reserve Enhancement budget. The recommended total for FY2006 is \$1,179,058 in general funds. These funds are dedicated for the retirement of bonds issued to lease land from farmers and ranchers in the Conservation Reserve Program.

## **ADMINISTRATION**

The Governor recommends an increase of \$400 in general funds and a decrease in other fund

expenditure authority in the amount of \$500. The overall budget for this program consists of \$352,081 in general funds and \$2,898,552 in other fund expenditure authority, with 27.1 FTE.

#### **WILDLIFE – INFORMATIONAL**

The recommendation for the Division of Wildlife includes an increase of \$781,264 in federal fund expenditure authority, an increase of \$1,829,948 in other fund expenditure authority, and an increase of 12.3 FTE. Included in the recommendation is a \$557,098 increase in other fund expenditure authority and an increase of 12.3 FTE. This expansion of staff will allow for the delivery of needed and requested services for private land habitat and access programs, assist in the completion of the Title VI land transfer, and allow for expanded Conservation Officer communications. An additional \$1,000,000 in other fund expenditure authority is recommended to expand and enhance public hunting access by leasing additional high quality private lands with potential for long-term habitat developments. Also included in the recommendation is an increase of \$740,272 in federal fund expenditure authority for increased support of the Animal Damage Control program and expansion of research conducted at SDSU for continued monitoring and surveillance of wildlife diseases. The total recommended budget for the Division of Wildlife is \$31,437,243 and 293.3 FTE.

The Development and Improvement Program is recommended to increase by \$327,285, with a total budget of \$90,000 in federal fund expenditure authority and \$1,042,285 in other fund expenditure authority.

#### **STATE PARKS AND RECREATION**

The Division of State Parks and Recreation's recommended FY2006 budget includes \$3,051,514 in general funds, \$1,679,463 in federal fund expenditure authority, and \$9,554,799 in other fund expenditure authority for a total budget of \$14,285,776 and 241.8 FTE. Included in the recommendation is a \$12,000 general fund reduction to reflect a decrease in Custer State Park's bond payment and a \$107,483 increase in other fund expenditure authority.

The Division of State Parks and Recreation's Development and Improvement Program has a recommended increase of \$397,077 in federal fund expenditure authority and an increase of \$313,994 in other fund expenditure authority. Included within this recommendation is an increase of \$524,100 for development related to the acquisition of Spearfish Canyon properties containing Roughlock Falls, Spearfish Falls, and Savoy Dam.

#### **SNOWMOBILE TRAILS – INFORMATIONAL**

Recommended changes within the Snowmobile Trails Program include an increase of \$64,800 in federal fund expenditure authority and a decrease of \$165,150 in other fund expenditure authority. The total recommended budget for the Snowmobile Trails Program is \$130,800 in federal fund expenditure authority, \$840,557 in other fund expenditure authority, and 9.1 FTE.

### **ENVIRONMENT AND NATURAL RESOURCES**

The Governor recommends no change for FY2006. The Governor's recommended budget for the Department of Environment and Natural Resources totals \$16,210,742, and consists of \$5,799,543 in general funds, \$5,320,077 in federal fund expenditure authority, \$5,091,122 in other fund expenditure authority, and 173.5 FTE.

#### **FINANCIAL AND TECHNICAL ASSISTANCE**

The Governor recommends no change in Financial and Technical Assistance. The budget consists of \$4,373,859 in total funds and 58.0 FTE.

#### **ENVIRONMENTAL SERVICES**

The Governor recommends no change in Environmental Services. The budget consists of \$9,321,883 in total funds and 115.5 FTE.

#### **REGULATED RESPONSE FUND – INFORMATIONAL**

The Governor is recommending no change in the Regulated Response Fund budget. This budget is informational and continuously appropriated with \$1,750,000 in other fund expenditure authority.

#### **LIVESTOCK CLEANUP FUND – INFORMATIONAL**

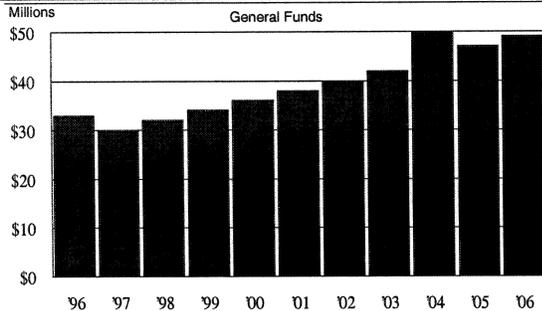
The Governor is recommending no change in the Livestock Cleanup Fund budget. This budget is informational and continuously appropriated with \$765,000 in other fund expenditure authority.

### **LEGISLATURE, UNIFIED JUDICIAL SYSTEM, PUBLIC UTILITIES COMMISSION, AND ELECTED OFFICIALS**

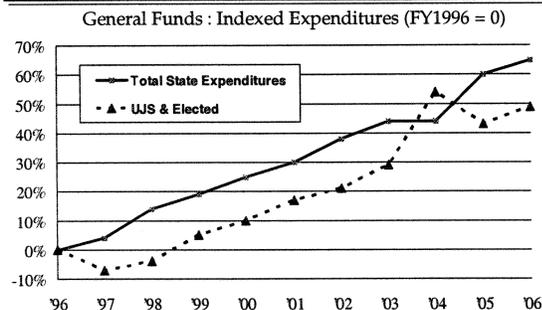
The Governor's recommendation for the FY2006 budget for this sector (excluding special appropriations) totals \$80,901,411, of which

\$48,655,602 is general funds, \$11,647,293 is federal fund authority, and \$20,598,516 is other fund expenditure authority. This reflects an increase of \$1,896,902 in general funds, an increase of \$5,214,375 in federal fund authority, and an increase of \$1,004,700 in other fund expenditure authority, for a total of \$8,115,977 which is 5.7% of the total FY2006 budget. The recommendation also includes an increase of 25.4 FTE, for a total of 841.2 FTE.

### UJS, Legislature and Elected Officials



### UJS, Legislature and Elected Officials



## LEGISLATURE

The FY2006 recommended budget for the South Dakota Legislature is \$7,180,639 in general funds, \$35,000 in other fund expenditure authority, and 72.2 FTE. Changes to the budget include a decrease of \$60,807 in travel due to a 35-day session, a decrease of \$30,093 in personal services due to a 35-day session, and an increase of \$4,437 for various operating expenses. The Governor is also recommending an increase of 1.0 FTE and \$39,998 in personal services and \$26,295 in operating expenses for Legislative Audit. Additionally, salary policy adds \$118,211 in general funds for employee compensation. The net change for the South Dakota Legislature is an increase of \$98,041 in general funds.

## SECRETARY OF STATE

The Governor's recommendation for the Secretary of State's FY2006 budget is \$902,179 in general funds, \$5,019,002 in federal fund expenditure authority, and \$272,500 in other fund expenditure authority, with 15.3 FTE. This budget recommendation includes a \$5,019,002 increase in federal fund expenditure authority and a decrease of \$974 in other fund expenditure authority. The large increase in federal funds is due to the need to purchase an electronic voting machine per polling location throughout South Dakota as regulated by the Help America Vote Act.

## SCHOOL AND PUBLIC LANDS

The Governor's recommendation for the FY2006 School and Public Lands' budget is \$503,519 in general funds and \$225,000 in other fund expenditure authority, for a total budget of \$728,519, with 7.0 FTE. This budget includes an increase of \$1,300 in general funds for longevity and \$5,000 in general funds for travel.

## STATE AUDITOR

The Governor's recommended budget includes an increase of \$24,484 in general funds and a reduction of 0.3 FTE. Included in the increase is \$10,775 for personal services, \$5,447 for travel, \$7,466 for contractual services, \$2,000 for supplies and materials, and a reduction of \$1,204 in capital assets. The total FY2006 recommended budget includes \$1,029,130 in general funds and 17.0 FTE.

## STATE TREASURER

The Governor's recommended budget includes an increase of \$2,369 in general funds, \$437,125 in other fund expenditure authority, and 2.0 FTE. The total FY2006 recommended budget consists of \$472,972 in general funds, \$8,422,759 in other fund expenditure authority, and 36.5 FTE.

## TREASURY MANAGEMENT

The Governor recommends an increase of \$2,369 in general funds in Treasury Management for travel and personal services. The recommended FY2006 budget consists of \$472,972 in general funds and 5.5 FTE.

## UNCLAIMED PROPERTY - INFORMATIONAL

The Governor's recommendation for this informational budget is an increase of 2.0 FTE and \$83,655 in other fund expenditure authority. The

2.0 additional FTE will audit entities within South Dakota for unclaimed property, and the additional authority is to cover expenses associated with the new FTE.

### **INVESTMENT COUNCIL**

The Governor recommends an increase of \$353,470 in other fund expenditure authority for the Investment Council. Included in this increase is \$309,996 in personal services since the salary budget is slated to increase 8.5% and \$43,474 to cover operating expenses. The total recommended FY2006 budget is \$5,974,869 in other fund expenditure authority and 26.0 FTE.

### **PUBLIC UTILITIES COMMISSION**

The Governor recommends an increase of \$264,000 in federal fund expenditure authority, an increase of \$99,145 in other fund expenditure authority, and an increase of 2.0 FTE for the Public Utilities Commission. The total FY2006 recommended budget is \$553,726 in general funds, \$344,207 in federal fund expenditure authority, and \$2,884,009 in other fund expenditure authority, with 30.7 FTE.

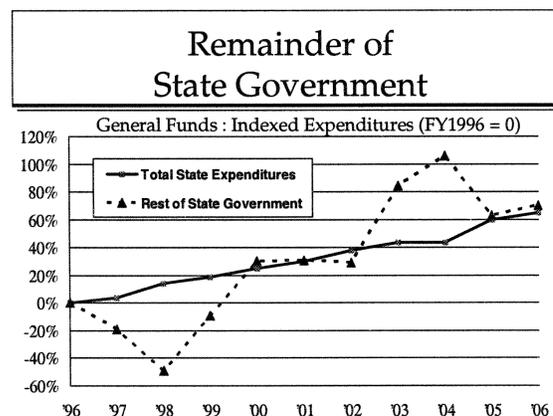
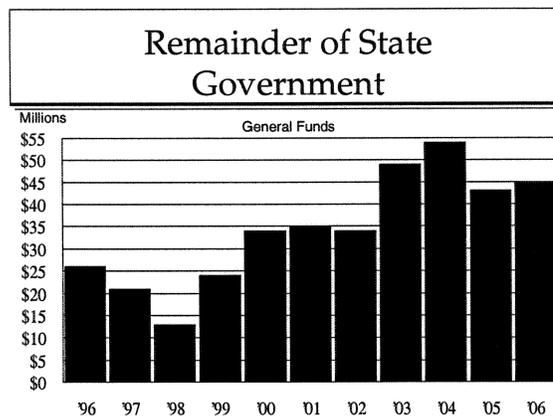
### **UNIFIED JUDICIAL SYSTEM**

The Governor's FY2006 recommendation for the Unified Judicial System includes an increase of \$1,329,514 in general funds, an increase of \$60,510 in federal fund expenditure authority, and an increase of \$460,228 in other fund expenditure authority, for a total increase of \$1,850,252. This recommendation also contains 17.7 additional FTE. Expansion in personal services amounts to \$1,676,864 of which \$789,419 is for the 17.7 new FTE. Movement to job worth accounts for \$184,120 and salary policy adds another \$700,552. The total FY2006 recommended budget totals \$34,680,670 and consists of \$28,872,540 in general funds, \$546,613 in federal fund expenditure authority, \$5,261,517 in other fund expenditure authority, and 496.5 FTE.

The operating side of the Unified Judicial System's budget is increasing by \$93,927 in general funds, and by \$79,461 in other fund expenditure authority. Capital assets, such as computer hardware and office equipment account for a portion of the increase along with miscellaneous increases in travel, contractual services and supplies. Judicial training has experienced an increase in the number of employees receiving in- and out-of-state training, which has resulted in an increase of \$70,784 in other fund expenditure authority.

## **REMAINDER OF STATE GOVERNMENT**

The budgets included in this category include the Departments of Executive Management, Military and Veterans' Affairs, Revenue and Regulation, Tourism and State Development, Transportation, Labor, and Public Safety. This portion of the budget comprises \$15.4 million of the \$143.0 million in total fund increases for FY2006. On the general fund side, this category accounts for \$4.0 million of the \$37.3 million increase. In terms of the total state budget, this group has 26.2% of the total funds and 4.8% of the general funds, which amounts to \$799.4 million in total funding.



### **PUBLIC SAFETY**

The Department of Public Safety has a total budget of \$54,971,782, including \$3,565,726 in general funds, \$29,247,529 in federal fund expenditure authority, \$22,158,527 in other fund expenditure authority, and 407.5 FTE.

### **ADMINISTRATION**

The Governor is recommending no change in Administration. Administration's budget totals \$560,040, including \$39,194 in general funds, \$520,846 in other fund expenditure authority, and 6.0 FTE.

## **ENFORCEMENT**

This Division of Enforcement includes the Highway Patrol, Accident Records, Highway Safety, and State Radio. Approximately 67% of the total FY2006 recommended budget of \$21,748,560 is for salary and benefits. The total FY2006 recommendation consists of \$1,674,244 in general funds, \$3,321,430 in federal fund expenditure authority, and \$16,752,886 in other fund expenditure authority, with 281.0 FTE.

Included in the recommendation is a general fund increase of \$44,884 for the position reclassification of State Radio dispatchers. An increase of \$227,134 in other fund expenditure authority and 5.0 FTE is recommended to reflect the movement of Capitol Security out of the Bureau of Administration and into the Department of Public Safety.

## **EMERGENCY SERVICES**

The Division of Emergency Services includes Emergency Management, Emergency Medical Services, and the State Fire Marshal. There are no changes recommended for the Emergency Services Division. The total recommended budget for the Emergency Services Division is \$4,534,357, including \$1,371,764 in general funds, \$2,936,073 in federal fund expenditure authority, \$226,520 in other fund expenditure authority, and 29.5 FTE.

## **INSPECTION AND LICENSING**

This division includes Weights and Measures, Driver Licensing, and Inspections. The recommendation includes an increase of \$31,500 in general funds, an increase of \$300,000 in federal fund expenditure authority, and an increase of \$52,000 in other fund expenditure authority. The total recommended FY2006 budget includes \$480,524 in general funds, \$300,000 in federal fund expenditure authority, \$4,658,275 in other fund expenditure authority, and 88.0 FTE. Three hundred thousand of federal fund expenditure authority will be used to expand automated driver license testing.

## **HOMELAND SECURITY**

Included in the FY2006 budget recommendation is the reorganization of the State Homeland Security office. This reorganization moves Homeland Security out of the Emergency Services Division and establishes the Homeland Security office as a separate division within the Department of Public Safety. There is no change recommended for Homeland Security. The total budget for Homeland Security is \$22,690,026 in federal fund expenditure authority and 3.0 FTE.

## **EXECUTIVE MANAGEMENT**

The Governor's recommendation for the Department of Executive Management includes an increase of \$3,522,696 in general funds, \$3,627,751 in federal fund expenditure authority and an increase of \$5,007,969 in other fund expenditure authority, for a net increase of \$12,158,416. The Governor is also recommending an increase of 0.5 FTE, for a total FTE count of 654.8. The total FY2006 budget includes \$29,370,769 in general funds, \$7,144,366 in federal fund expenditure authority, \$85,404,496 in other fund expenditure authority, for a total of \$121,919,658, with 654.8 FTE.

The Governor's state employee compensation package accounts for a bulk of the increase within the executive branch. The compensation package is loaded into a pool of funds within the Bureau of Personnel. The Executive Branch then distributes the pool to each agency after session when the salary policy amount is finalized. For the FY2006 budget, the Governor is recommending a 3% across-the-board salary package which includes \$3,219,473 in general funds, \$2,785,699 in federal fund expenditure authority, and \$3,999,901 in other fund expenditure authority. The recommendation for 2.5% movement to job worth is \$915,284 in general funds, \$871,482 in federal fund expenditure authority, and \$940,434 in other fund expenditure authority. The total increase for the compensation package is \$12,732,273.

## **GUBERNATORIAL DIVISION**

The Governor is recommending no change in this division. The total FY2006 budget for the Gubernatorial Division is \$2,811,891 in general funds, \$239,658 in federal fund expenditure authority, and \$5,000 in other fund expenditure authority, for a total FY2006 recommended budget of \$3,056,549, and 23.0 FTE.

## **BUREAU OF FINANCE AND MANAGEMENT**

The Governor recommends a general fund decrease of \$619,278 attributable to the original Bureau of Finance and Management (BFM) sale/leaseback agreement schedule. The Governor is also recommending decreases of \$13,919 in general funds, \$25,629 in other funds and 1.5 FTE. A reduction of \$55,000 in other fund expenditure authority is also recommended due to efficiencies found in using electronic forms rather than paper forms. The total recommended FY2006 budget for BFM is \$11,192,741 in general funds, and \$5,087,857 in other fund expenditure authority, for a total FY2006 recommended budget of \$16,280,598, and 25.0 FTE.

## **BUREAU OF ADMINISTRATION**

The Governor recommends a decrease of \$29,242 in general funds, a decrease of \$32,627 in other fund expenditure authority and a decrease of 5.0 FTE. This budget recommendation includes decreases of \$12,881 and \$46,361 in general funds based on the sale/leaseback payment schedules, increases of \$242,555 in other fund expenditure authority in central services for the new Emergency Operations Center building, and \$30,000 in general funds for increased electricity and heating costs for the Governor's Residence. The Governor is also recommending the movement of Capital Security from the Bureau of Administration to the Department of Public Safety, a reduction of 5.0 FTE and \$227,134 in other fund expenditure authority can be found in Administration's budget. There will be a corresponding increase in the Department of Public Safety's budget for the same amount. The total recommended budget for this division is \$5,126,279 in general funds, \$500,000 in federal fund expenditure authority, and \$28,829,136 in other fund expenditure authority, for a total FY2006 budget of \$34,455,415, and 173.0 FTE.

## **BUREAU OF INFORMATION AND TELECOMMUNICATIONS**

The recommendation of the Governor is an increase of \$50,580 in general funds, an increase of \$137,366 in other fund expenditure authority, and an increase of 5.0 FTE. The major adjustment in this division is the increase of 5.0 FTE, two are for the Development Division, and three are for the State Radio Engineer Division. The total recommended FY2006 budget for the Bureau of Information and Telecommunications is \$5,206,939 in general funds, \$2,247,527 in federal fund expenditure authority, and \$35,877,417 in other fund expenditure authority, for a total FY2006 recommended budget of \$43,331,883, and 363.3 FTE.

## **BUREAU OF PERSONNEL**

The Governor's recommendation for the Bureau of Personnel includes a decrease of \$202 in general funds, a decrease of \$29,430 in federal fund expenditure authority, an increase of \$43,524 in other fund expenditure authority, and an increase of 2.0 FTE, for a total increase of \$13,892. The major adjustment in this division is the increase of 2.0 FTE and \$105,000 in other fund expenditure authority. The total FY2006 budget consists of \$898,189 in general funds, \$500,000 in federal fund expenditure authority, and \$10,664,751 in other fund expenditure authority, for a total of \$12,062,940, and 70.5 FTE. The remainder of the FY2006 recommendation for the Bureau of Personnel reflects the reduction in funds and

authority remaining after the FY2005 employee compensation packages were distributed.

## **MILITARY AND VETERANS' AFFAIRS**

The Governor's recommendation for the Department of Military and Veterans' Affairs (MVA) contains an overall budget decrease of \$19,700,614. The FY2006 budget consists of an increase of \$291,048 in general funds, a decrease of \$20,742,000 in federal fund expenditure authority, an increase of \$750,338 in other fund expenditure authority, and an increase of 8.7 FTE. The total recommended FY2006 budget for MVA is \$5,373,563 in general funds, \$15,543,554 in federal fund expenditure authority, and \$4,123,438 in other fund expenditure authority, for a total of \$25,040,555, with 193.6 FTE.

## **OFFICE OF THE ADJUTANT GENERAL**

The Governor's recommendation for the Office of the Adjutant General includes an increase of \$22,000 in general funds for personal services and travel. The total FY2006 budget for this division is \$627,116 in general funds, \$11,300 in federal fund expenditure authority, and \$23,738 in other fund expenditure authority, with 4.3 FTE.

## **ARMY AND AIR GUARD**

The Governor's recommendation for the Guard is an increase of \$130,177 in general funds, a decrease of \$21,229,500 in federal fund expenditure authority, and an increase of \$50,000 in other fund expenditure authority. This entire increase is recommended in the Army Guard. The Air Guard has no recommended changes. The recommendation includes a \$50,000 increase in general funds, \$100,000 increase in federal fund expenditure authority, and \$50,000 increase in other fund expenditure authority for National Guard Armory facilities M&R. The state share for M&R of the armories has increased this year in the Master Cooperative Agreement which is rewritten every fiscal year. In addition to the M&R, the utilities at the armories have increased; therefore, the Governor recommends an increase of \$70,500 in general funds and \$70,500 in other fund expenditure authority. The completion of federally funded construction projects at Camp Rapid and Fort Meade reflect the recommended reduction of \$21,400,000 in federal fund expenditure authority. The total FY2006 recommended budget for the Army Guard is \$13,170,912, and 48.6 FTE. The total FY2006 recommendation for the Air Guard is \$3,700,452, and 41.0 FTE.

## **VETERANS' BENEFITS AND SERVICES**

The Governor is recommending no change in this division. The total FY2006 budget is \$1,011,406 in general funds and \$215,195 in federal fund expenditure authority, for a total of \$1,226,604 and 18.0 FTE.

### **STATE VETERANS' HOME**

The Governor's recommendation for the State Veterans' Home includes an increase of \$138,871 in general funds, an increase of \$487,500 in federal fund expenditure authority, an increase of \$700,338 in other fund expenditure authority, and an increase of 8.7 FTE. The State Veterans' Home received a federal grant this year to do building renovations, this accounts for the \$487,500 increase in federal fund expenditure authority and \$262,500 increase in other fund expenditure authority. The increase in FTE includes 7.7 FTE in direct nursing care staff and 1.0 FTE in building maintenance staff. Other various increases are for medical service contracts, travel, and the food service contract. The total recommended FY2006 budget is \$1,827,228 in general funds, \$487,500 in federal fund expenditure authority, and \$4,049,518 in other fund expenditure authority, with 81.7 FTE.

## **REVENUE AND REGULATION**

The Governor's recommended budget for the Department of Revenue and Regulation totals \$55,674,902, consisting of \$986,989 in general funds, \$11,998 in federal fund expenditure authority, \$54,675,915 in other fund expenditure authority, and 311.1 FTE. The Governor is recommending an increase of \$104,529 in general funds, no change in federal fund expenditure authority, and an increase of \$2,513,161 in other fund expenditure authority. The Governor is also recommending an additional 3.0 FTE.

### **SECRETARIAT**

The Governor's recommendation includes an increase of \$1,500 in general funds and \$26,500 in other fund expenditure authority. The \$1,500 increase in general funds and \$20,000 of the increase in other fund expenditure authority is to adequately budget for personal services costs in the Division of Secretariat. The remainder of the increase in other fund expenditure authority is to cover expenses for legal reference materials.

### **BUSINESS TAX**

The Governor's recommendation includes an increase of \$40,000 in other fund expenditure authority to adequately budget for personal services costs. The Governor is also recommending an

increase of \$38,031 in other fund expenditure authority for increasing printing costs, rising postage costs, and increasing costs associated with the taxpayer assistance line in the Division.

### **MOTOR VEHICLES**

The Governor's recommendation includes an increase of \$2,351,581 in other fund expenditure authority. Included in the increase is \$1,581 for continuation of the longevity program, and \$2,350,000 for the production of the 2006 license plate issue.

### **PROPERTY AND SPECIAL TAXES**

The Governor is recommending an increase of \$103,029 in general funds and 3.0 additional FTE. Included in the recommendation is 1.0 FTE to promote and assure compliance of special taxes collected by the Property and Special Taxes Division and 2.0 FTE to work with the Attorney General's Office to assure compliance with the Tobacco Master Settlement Agreement (MSA). Of the recommended increase in general funds, \$89,197 is to cover the personal services expenses of the recommended FTEs, and \$13,832 is to cover travel expenses associated with enforcing the MSA provisions.

### **AUDITS**

The Governor is recommending an increase of \$75,000 in other fund expenditure authority. The recommended increase is to adequately budget for personal services costs in the Division of Audits.

### **BANKING**

The Governor's recommendation is an increase of \$104,754 in other fund expenditure authority. Included in the increase is \$22,754 to cover personal services costs, and \$78,000 to contract with a legal consultant with expertise in the area of banking. Also included in the recommendation is an increase of \$4,000 to cover expenses associated with the Governor's Task Force on Trust.

### **SECURITIES**

The Governor's recommendation is for an increase of \$46 in other fund expenditure authority. The increase is for continuation of the longevity program.

### **INSURANCE**

The Governor's recommendation is a net decrease of \$37,146 in other fund expenditure authority. Included in the recommendation is a decrease of

\$45,000 in personal services and an increase of \$7,854 for rising printing costs.

#### **INSURANCE FRAUD UNIT - INFORMATIONAL**

The Governor is recommending no change for this informational budget. The FY2006 recommended budget is \$290,570 in other fund expenditure authority and 4.0 FTE.

#### **PETROLEUM RELEASE COMPENSATION**

The Governor is recommending a decrease of \$68,000 in other fund expenditure authority. Included in this recommendation is a decrease of \$60,000 in personal services and \$8,000 for legal consultant costs.

#### **LOTTERY**

The Governor is recommending a decrease of \$15,000 in other fund expenditure authority. The reduction in authority is from personal services.

#### **REVENUE BOARDS AND COMMISSIONS - INFORMATIONAL**

This includes the informational budgets of the Real Estate Commission, the Abstracters Board of Examiners, and the Commission on Gaming. The Governor is recommending an increase of \$182 in other fund expenditure authority for personal services in the Real Estate Commission's budget, and a net decrease of \$2,787 in other fund expenditure authority in the Abstracters Board of Examiners' budget to reflect anticipated expenditures. The Governor is recommending no change in the Commission on Gaming's budget.

### **TOURISM AND STATE DEVELOPMENT**

The FY2006 recommended budget for Tourism and State Development, including the informational budget for South Dakota Housing Development Authority, is \$10,291,007 of general funds, \$13,535,252 in federal fund expenditure authority, and \$31,081,787 in other fund expenditure authority. The total recommended budget is \$54,908,046 and 181.6 FTE.

#### **ECONOMIC DEVELOPMENT**

The Governor is recommending no change to this division. The total recommended budget for Economic Development consists of \$3,327,454 in general funds, \$10,380,565 in federal fund expenditure authority, and \$13,033,340 in other fund expenditure authority, for a total budget of \$26,741,359 and 40.8 FTE.

#### **TOURISM**

The Tourism budget is funded by revenues generated from Deadwood Gaming, a 1% gross receipts tax on hotel rooms and other tourist activities, and the Co-op Revolving Fund. For FY2006, the Governor is recommending a \$799,143 increase in other fund expenditure authority based on a 9.77% growth in revenues. The FY2006 recommended budget consists of \$8,179,240 in other fund expenditure authority and 24.8 FTE.

#### **RESEARCH COMMERCE**

The Governor is not recommending any change in the Division of Research Commerce. The total recommended FY2006 budget for the Division of Research Commerce is \$3,523,917 in general funds and 2.0 FTE.

#### **TRIBAL GOVERNMENT RELATIONS**

The Governor is not recommending any change in the Division of Tribal Government Relations. The total recommended FY2006 budget for the Division of Tribal Government Relations is \$200,158 in general funds and 3.0 FTE.

#### **CULTURAL AFFAIRS**

The total recommended budget consists of an increase of \$34,736 in general funds and a decrease of \$15,169 in federal fund expenditure authority. The general fund increase is to cover the Bureau of Administration's space maintenance billings for the Cultural Heritage Center, the salary for an archeologist whose time can not be billed out, the bond payment and longevity. The total recommended FY2006 budget for Cultural Affairs is \$3,239,478 in general funds, \$1,473,684 in federal fund expenditure authority, and \$1,552,180 in other fund expenditure authority, for a total FY2006 recommended budget of \$6,265,342, and 47.0 FTE.

#### **SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY- INFORMATIONAL**

The Governor is recommending the Authority's informational budget request as submitted, with a decrease of \$191,993 in federal fund expenditure authority, an increase of \$487,832 in other fund expenditure authority, and an increase of 1.0 FTE for a total increase of \$295,839. The recommended budget includes personal services decrease of \$191,993 in federal fund expenditure authority and an increase of \$364,796 in other fund expenditure authority. Operating expenses are recommended to increase by \$48,875 in federal fund expenditure authority and \$123,036 in other fund expenditure authority. The total FY2006 recommended budget is \$9,998,030 including \$1,681,003 in federal fund

expenditure authority, \$8,317,027 in other fund expenditure authority, and 64.0 FTE.

## **TRANSPORTATION**

Highway construction contracts make up 69% of the Department of Transportation's \$447,971,554 budget. The \$310,481,376 Highway Construction Contract budget is informational.

The Department of Transportation's FY2006 budget contains \$487,946 in general funds, \$268,813,280 in federal fund expenditure authority, \$178,670,328 in other fund expenditure authority, and 1,075.3 FTE. The FY2006 budget reflects an increase of \$10,158,278 in federal fund expenditure authority and an increase of \$7,576,648 in other fund expenditure authority. The Governor's FY2006 recommendation for General Operations includes increases of \$2,163,805 in other fund expenditure authority for maintenance contracts, \$2,000,000 for motor vehicles and highway maintenance equipment, and \$2,892,855 for needed renovations and environmental issues. The recommendation for the Construction Contracts budget includes an increase of \$10,155,839 in federal fund expenditure authority for airport expansions and upgrades.

## **LABOR**

The Governor's recommendation for the Department of Labor is \$1,344,500 in general funds, \$35,551,626 in federal fund expenditure authority, and \$8,852,505 in other fund expenditure authority, for a total FY2006 budget of \$45,748,631 and 427.2 FTE. The primary mission of the department is to provide job training, administer unemployment insurance and workers' compensation for South Dakota employers, and to administer the South Dakota Retirement System. For reporting purposes, the budget for six professional and occupational licensing boards and the Public Utilities Commission are included in this department.

Excluding the professional and occupational licensing boards, South Dakota Retirement System and the Public Utilities Commission, the Governor is recommending no change for the Department of Labor.

## **PROFESSIONAL AND OCCUPATIONAL LICENSING**

This division is comprised of the informational budgets of the professional and occupational licensing boards. There are six boards, with a total recommended budget for FY2006 of \$2,539,016 which is a total increase of \$96,283 in other fund expenditure authority. These boards are self-

supporting through their fee systems. The boards include: Board of Accountancy, Board of Barber Examiners, Board of Cosmetology, Plumbing Commission, Board of Technical Professions, and the Electrical Commission.

## **SOUTH DAKOTA RETIREMENT SYSTEM**

The recommended budget for the South Dakota Retirement System is \$3,025,438 in other fund expenditure authority, and 31.0 FTE. The recommendation includes an increase of \$27,596 in other fund expenditure authority.

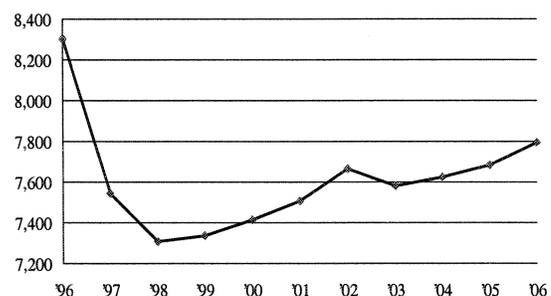
## **PUBLIC UTILITIES COMMISSION**

The Governor recommends an increase of \$264,000 in federal fund expenditure authority, an increase of \$99,145 in other fund expenditure authority, and an increase of 2.0 FTE for the Public Utilities Commission. The total FY2006 recommended budget is \$553,726 in general funds, \$344,207 in federal fund expenditure authority, and \$2,884,009 in other fund expenditure authority, with 30.7 FTE.

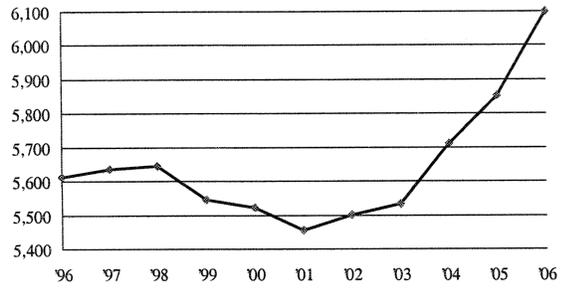
## **FTE CHANGE**

The total appropriated FTE decreased from 13,919.1 in FY1996 to a proposed level of 13,895.7 for FY2006. This is a difference of 23.4 FTE over a 10 year period. For offices outside the control of the Governor, total appropriated FTE grew from 5,613.8 in FY1996 to a recommended 6,099.6 for FY2006, or an increase of 485.8 FTE. The agencies under direct control of the Governor had total appropriated FTE of 8,305.3 in FY1996. The FY2006 budget proposal brings the FTE to a level of 7,796.1, for a reduction of 509.2 during the decade. The following charts show the FTE change between FY1996 and FY2006.

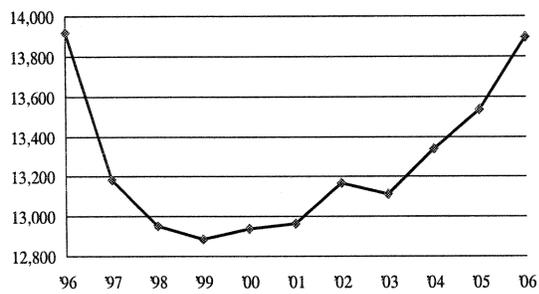
**FTE History for Offices Under Control of Governor**



### FTE History for Offices Outside Control of Governor



### FTE History All of State Government



## **SUMMARY OF REORGANIZATIONS**

### **CORRECTIONS**

A reorganization occurred in the Department of Corrections. In looking at DOC's structure, it was determined that it would be a better fit for each Minimum Unit to have its own lower level budget center under Community Services. This reorganization created the South Dakota Women's Prison Trusty Unit and the Jameson Trusty Unit. In addition, it moved the existing budgets for the Minimum Units (Yankton, Redfield, and Rapid City) from Mike Durfee State Prison and the South Dakota State Penitentiary into Community Services.

### **CORRECTIONS**

A reorganization occurred in the Department of Corrections. The State Training School has been turned over to a local development group. This local group recently leased the facility to a private company to operate it. Since the Department of Corrections has no plans to reopen it as a state run facility, it was determined that there was no longer a need to have the State Training School as its own budget unit. The recommendation adds a lower level center to Administration, which will become the State Training School.

### **HUMAN SERVICES**

A reorganization occurred in the Department of Human Services. The Special Treatment of Perpetrators (STOP) Program was located in the Division of Mental Health within Department of Human Services. It was determined that a more appropriate fit for this program was under the Department of Corrections.

### **PUBLIC SAFETY**

Recommended in the FY2006 budget is the reorganization of the Department of Public Safety's Office of Homeland Security. The recommended reorganization moves the Office of Homeland Security out of the Emergency Services Division and establishes the Office of Homeland Security as a Division within the Department of Public Safety. The total budget for Homeland Security is \$22,690,026 in federal fund expenditure authority and 3.0 FTE.

## SPECIAL APPROPRIATION RECOMMENDATIONS

FY 2006 SPECIAL APPROPRIATIONS	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL FUNDS
Sales Tax on Food Refund Program	\$ 5,000,000	\$ 0	\$ 2,250,000	\$ 7,250,000
Tax Refunds for the Elderly and Disabled	1,000,000	0	0	1,000,000
Cement Plant Earnings for Education Enhancement	530,000	0	0	530,000
Soil and Water Conservation Grants	0	0	600,000	600,000
<b>TOTAL FY 2006 SPECIAL APPROPRIATIONS</b>	<b><u>\$ 6,530,000</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 2,850,000</u></b>	<b><u>\$ 9,380,000</u></b>

**NOTE:** FY 2006 special appropriations become available for expenditure on July 1, 2005 and are included in the FY 2006 column of the General Fund Condition Statement.

The Governor is recommending a total special appropriation of \$6,530,000 in general funds, and \$2,850,000 in other fund expenditure authority. The following paragraphs highlight each recommended special appropriation.

- **Sales Tax on Food Refund Program:** The Governor is recommending \$5,000,000 in general funds and \$2,250,000 in other fund expenditure authority to continue the refund program established by the 2004 legislature. This program provides refunds for sales tax on food paid by households with incomes at 150% of the poverty level and below.
- **Tax Refunds for the Elderly and Disabled:** The Governor is recommending \$1,000,000 in general funds for tax refunds for elderly and disabled individuals who meet income guidelines.
- **Cement Plant Earnings for Education Enhancement:** Due to the estimated earnings from the Dakota Cement Trust fund, an estimated \$530,000 in earnings will be available to be spent for education enhancement.
- **Soil and Water Conservation Grants:** The Governor is recommending \$600,000 in other fund expenditure authority to be used to fund the conservation districts and address soil and water conservation in South Dakota.

FY 2005 EMERGENCY SPECIAL APPROPRIATIONS	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL FUNDS
Fire Suppression Fund	\$ 2,118,491	\$ 0	\$ 0	\$ 2,118,491
BOA Litigation Fund	1,280,000	0	0	1,280,000
State Fair	653,944	0	0	653,944
Cement Plant Earnings for Education Enhancement	633,125	0	0	633,125
School District Consolidation Incentives	933,364	0	0	933,364
<b>TOTAL FY 2005 EMERGENCY SPECIAL APPROPRIATIONS</b>	<b><u>\$ 5,618,924</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 5,618,924</u></b>

- **Fire Suppression Fund:** The Governor is recommending \$2,118,491 in general funds to be deposited into the Fire Suppression Fund for costs related to the suppression of wildfires in South Dakota.
- **BOA Litigation Fund:** The Governor is recommending \$1,280,000 in general funds to be deposited into the BOA Litigation Fund to fund costs related to plaintiff attorney fee awards, retention of outside counsel, or other extraordinary litigation expenses not otherwise eligible to be paid under SDCL 3-22-1.
- **State Fair:** The Governor is recommending \$653,944 in general funds to cover the operating loss and revenue shortfall of the 2004 South Dakota State Fair.
- **Cement Plant Earnings for Education Enhancement:** Due to the extra earnings from the Dakota Cement Trust fund, \$633,125 in earnings will be available to be spent for education enhancement.
- **School District Consolidation Incentives:** The Governor is recommending \$933,364 of general funds to reimburse certain school districts for consolidation incentives per SDCL 13:6:92.

**GOVERNOR ROUNDS' RECOMMENDATION FOR  
STATE EMPLOYEE COMPENSTATION**

	<u>GENERAL FUNDS</u>	<u>FEDERAL FUNDS</u>	<u>OTHER FUNDS</u>	<u>TOTAL FUNDS</u>
<b>PACE ADJUSTMENT TO JOB WORTH:</b>	\$ 1,391,394	\$ 903,624	\$ 1,120,397	\$ 3,415,415
<p>The Governor is recommending that the Performance and Compensation Equity (PACE) system established in FY1990 be continued to include 2.5% adjustments to employees who are paid under the job-worth of their pay range.</p>				
<b>ACROSS-THE-BOARD INCREASE:</b>				
<p>The Governor is recommending that all permanent state employees receive a 3% pay increase:</p>				
Executive Branch	\$ 3,219,473	\$ 2,785,699	\$ 3,999,901	\$ 10,005,073
Board of Regents	3,789,265	1,051,209	3,065,970	7,906,444
Legislative Branch	118,211	0	0	118,211
Judicial Branch	668,366	3,440	28,746	700,552
<b>Subtotal</b>	<u>\$ 7,795,315</u>	<u>\$ 3,840,348</u>	<u>\$ 7,094,617</u>	<u>\$ 18,730,280</u>
<b>GRAND TOTAL INCREASE FOR STATE EMPLOYEE COMPENSATION:</b>	<u>\$ 9,186,709</u>	<u>\$ 4,743,972</u>	<u>\$ 8,215,014</u>	<u>\$ 22,145,695</u>

**GOVERNOR'S FY2006 GENERAL FUND  
RECOMMENDATIONS**

<b>GENERAL BILL</b>	<b>FTE EXPANSION/ (REDUCTION)</b>	<b>GENERAL FUND EXPANSION/ (REDUCTION)</b>	<b>TOTAL GENERAL FUND RECOMMENDATION</b>
Administration (Excluding Sale-Leaseback)	(5.0)	30,000	\$ 3,735,098
Agriculture	10.0	6,738	5,699,888
Attorney General	3.0	436,194	6,329,006
Corrections	36.3	1,676,138	68,511,437
Education (Excluding State Aid and Postsecondary Education)	2.0	(931,428)	9,854,915
State Aid to Education		1,919,767	332,677,160
Postsecondary Vocational Education		(33,034)	16,960,433
Environment and Natural Resources	0.0	0	5,799,543
Finance and Management (Excluding Sale-Leaseback)	(1.5)	(13,919)	786,094
Game, Fish, and Parks (Excluding CRP)	12.3	(11,600)	3,605,770
Gubernatorial Division	0.0	0	2,811,891
Health	5.0	(750,000)	8,027,069
Human Services	2.5	3,474,078	85,234,170
Information and Telecommunications	5.0	50,580	5,206,939
Labor and Regulation (Includes SD Retirement System)	0.0	0	790,774
Legislature (Includes Employee Compensation)	1.0	98,041	7,180,639
Military and Veteran's Affairs	8.7	291,048	5,373,563
Personnel (does not include Employee Compensation)	2.0	(203)	898,188
Public Safety	5.0	76,384	3,565,726
Public Utilities Commission	2.0	0	553,726
Regents (Includes Employee Compensation)	222.5	5,237,974	154,810,954
Revenue	3.0	104,529	986,989
School and Public Lands	0.0	6,300	503,519
Secretary of State	0.0	0	902,179
Social Services	25.0	20,767,953	219,261,893
State Auditor	(0.3)	24,484	1,029,130
State Treasurer (Including Investment Council)	2.0	2,369	472,972
Tourism & State Development	1.0	34,736	10,291,007
Transportation	0.0	0	487,946
Unified Judicial System (Includes Employee Compensation)	17.7	1,329,514	28,872,540
Sale-Leaseback		(678,520)	11,797,828
Conservation Reserve Program		22,303	1,179,058
Executive Branch Health Insurance		0	0
Executive Branch Salary Policy		4,134,758	4,134,758
<b>TOTAL FY2005 GENERAL BILL RECOMMENDATIONS</b>	<b>359.2</b>	<b>\$ 37,305,184</b>	<b>\$ 1,008,332,802</b>
<b>BREAKDOWN</b>			
Executive Branch	111.3	28,283,575	455,228,653
Unified Judicial System and Other Constitutional Offices	25.4	1,896,902	48,655,602
State Aid	0.0	1,919,767	332,677,160
Postsecondary Vocational Education	0.0	(33,034)	16,960,433
Board of Regents	222.5	5,237,974	154,810,954
<b>TOTAL FY2005 GENERAL BILL RECOMMENDATIONS</b>	<b>359.2</b>	<b>\$ 37,305,184</b>	<b>\$ 1,008,332,802</b>

## GENERAL FUND CONDITION STATEMENT

	Actual FY2003	Actual FY2004	Revised FY2005	Projected FY2006
<b>RECEIPTS</b>				
Sales and Use Tax	\$ 475,956,210	\$ 508,241,448	\$ 536,302,112	\$ 567,793,306
Contractor's Excise Tax	56,136,750	59,378,041	62,945,057	66,765,216
Property Tax Reduction Fund	104,890,557	44,311,001	114,578,834	117,709,131
Bank Franchise Tax	33,196,009	35,255,228	36,773,778	37,773,778
Insurance Company Tax	49,838,203	51,397,593	53,669,268	57,245,760
Inheritance and Estate Tax	24,502,910	8,386,341	5,522,256	3,000,000
Other	130,123,837	144,563,645	145,394,431	149,476,104
One-Time Receipts	0	22,837,373	7,625,000	0
Transfer from Property Tax Reserves	10,474,011	15,974,511	22,547,536	17,142,629
Obligated Cash Carried Forward	6,178,570	1,355,714	1,182,209	0
<b>TOTAL RECEIPTS</b>	<b>\$ 891,297,058</b>	<b>\$ 891,700,895</b>	<b>\$ 986,540,481</b>	<b>\$ 1,016,905,924</b>
<b>EXPENDITURES</b>				
General Bill Excluding State Aid to Education	\$ 555,506,920	\$ 577,296,639	\$ 640,270,225	\$ 675,655,642
State Aid to Education	312,619,482	272,090,902	330,757,393	332,677,160
Special Appropriations	1,145,162	1,442,093	6,791,878	6,530,000
Emergency Special Appropriations	12,837,883	36,491,029	5,618,924	0
Continuing Appropriations	1,653,327	1,842,310	1,919,852	2,043,122
<b>TOTAL EXPENDITURES</b>	<b>\$ 883,762,774</b>	<b>\$ 889,162,973</b>	<b>\$ 985,358,272</b>	<b>\$ 1,016,905,924</b>
<b>TRANSFERS</b>				
Budget Reserve Fund	\$ 6,178,570	\$ 1,355,714	\$ 1,182,209	\$ 0
Property Tax Reduction Fund	0	0	0	0
<b>TOTAL TRANSFERS</b>	<b>\$ 6,178,570</b>	<b>\$ 1,355,714</b>	<b>\$ 1,182,209</b>	<b>\$ 0</b>
<b>Beginning Unobligated Cash Balance</b>	\$ 0	\$ 0	\$ 0	\$ 0
<b>Net (Receipts less Expenditures/Transfers)</b>	1,355,714	1,182,209	0	0
<b>OBLIGATIONS AGAINST CASH</b>				
Budget Reserve Fund	(1,355,714)	(1,182,209)	0	0
Property Tax Reduction Fund	0	0	0	0
<b>TOTAL OBLIGATIONS AGAINST CASH</b>	(1,355,714)	(1,182,209)	0	0
<b>Ending Unobligated Cash Balance</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

**SOURCE:** State of South Dakota Bureau of Finance and Management

**NOTE:** This document was prepared on a cash basis for budgeting purposes and reflects obligations against cash.

## TOTAL STATE GOVERNMENT BUDGET (Excluding Information Budgets)

### GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2003	ACTUAL FY 2004	BUDGETED FY 2005	REQUESTED FY 2006	GOVERNOR'S RECOMMENDED FY 2006	RECOMMENDED INC/(DEC) FY 2006
<b>FUNDING SOURCE:</b>						
General Funds	\$ 868,126,401	\$ 849,387,542	\$ 971,027,618	\$ 1,020,815,623	\$ 1,008,332,802	\$ 37,305,184
Federal Funds	780,813,970	917,417,134	950,664,770	1,028,991,877	1,025,348,623	74,683,853
Other Funds	439,081,568	442,629,592	502,517,353	540,933,548	539,328,154	36,810,801
<b>Total</b>	<b>\$ 2,088,021,939</b>	<b>\$ 2,209,434,268</b>	<b>\$ 2,424,209,741</b>	<b>\$ 2,590,741,048</b>	<b>\$ 2,573,009,579</b>	<b>\$ 148,799,838</b>
<b>EXPENDITURE DETAIL:</b>						
Personal Services	\$ 526,653,769	\$ 551,460,510	\$ 610,106,031	\$ 630,585,110	\$ 646,432,790	\$ 36,326,759
Operating Expenses	1,561,368,170	1,657,973,758	1,814,103,710	1,960,155,938	1,926,576,789	112,473,079
<b>Total</b>	<b>\$ 2,088,021,939</b>	<b>\$ 2,209,434,268</b>	<b>\$ 2,424,209,741</b>	<b>\$ 2,590,741,048</b>	<b>\$ 2,573,009,579</b>	<b>\$ 148,799,838</b>
Staffing Level FTE:	11,898.7	11,962.9	12,389.2	12,849.0	12,731.1	341.9

### SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2005	GOVERNOR'S RECOMMENDED FY 2006	RECOMMENDED INC/(DEC) FY 2006
General Funds	\$ 14,330,654	\$ 8,573,122	(\$ 5,757,532)
Federal Funds	0	0	0
Other Funds	8,580,000	2,850,000	( 5,730,000)
<b>Total</b>	<b>\$ 22,910,654</b>	<b>\$ 11,423,122</b>	<b>(\$ 11,487,532)</b>

### TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2005	GOVERNOR'S RECOMMENDED FY 2006	RECOMMENDED INC/(DEC) FY 2006
General Funds	\$ 985,358,272	\$ 1,016,905,924	\$ 31,547,652
Federal Funds	950,664,770	1,025,348,623	74,683,853
Other Funds	511,097,353	542,178,154	31,080,801
<b>Total</b>	<b>\$ 2,447,120,395</b>	<b>\$ 2,584,432,701</b>	<b>\$ 137,312,306</b>
Staffing Level FTE:	12,389.2	12,731.1	341.9

## INFORMATION BUDGETS CONTAINED IN THE GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2003	ACTUAL FY 2004	BUDGETED FY 2005	REQUESTED FY 2006	GOVERNOR'S RECOMMENDED FY 2006	RECOMMENDED INC/(DEC) FY 2006
<b>FUNDING SOURCE:</b>						
General Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Federal Funds	233,789,638	256,012,097	283,310,005	272,736,056	272,989,415	( 10,320,590 )
Other Funds	199,321,435	192,406,692	203,271,630	208,028,441	207,814,623	4,542,993
<b>Total</b>	<b>\$ 433,111,073</b>	<b>\$ 448,418,789</b>	<b>\$ 486,581,635</b>	<b>\$ 480,764,497</b>	<b>\$ 480,804,038</b>	<b>(\$ 5,777,597)</b>
<b>EXPENDITURE DETAIL:</b>						
Personal Services	\$ 58,643,919	\$ 63,428,144	\$ 69,661,898	\$ 70,724,493	\$ 70,724,034	\$ 1,062,136
Operating Expenses	374,467,154	384,990,645	416,919,737	410,040,004	410,080,004	( 6,839,733 )
<b>Total</b>	<b>\$ 433,111,073</b>	<b>\$ 448,418,789</b>	<b>\$ 486,581,635</b>	<b>\$ 480,764,497</b>	<b>\$ 480,804,038</b>	<b>(\$ 5,777,597)</b>
Staffing Level FTE:	1,112.9	1,162.6	1,147.3	1,165.6	1,164.6	17.3

### INFORMATION BUDGETS

Public Entity Pool for Liability (PEPL)  
   Administration  
 PEPL Fund Claims  
 American Dairy Association  
 Wheat Commission  
 Oilseeds Council  
 Soybean Research and Promotion  
 Brand Board  
 Corn Utilization Council  
 Division of Wildlife  
 Snowmobile Trails Program  
 Lottery Instant and On-Line Operations  
 Highway Construction Contracts  
 Petroleum Release Fund Payments  
 Commission on Gaming  
 South Dakota Housing Development Authority  
 Insurance Fraud Unit  
 Abstractors Board of Examiners  
 Board of Accountancy  
 Board of Counselor Examiners  
 Board of Barber Examiners  
 Board of Chiropractic Examiners  
 Cosmetology Commission  
 Board of Dentistry  
 Board of Technical Professions  
 Electrical Commission

Board of Hearing Aid Dispensers  
 Board of Funeral Service  
 Board of Medical and Osteopathic Examiners  
 Board of Nursing  
 Board of Nursing Home Administrators  
 Board of Examiners in Optometry  
 Board of Pharmacy  
 Plumbing Commission  
 Board of Podiatry Examiners  
 Board of Psychology  
 Real Estate Commission  
 Board of Social Work Examiners  
 Board of Veterinary Medical Examiners  
 Certification Board for Alcohol and Drug Professionals  
 Fixed Utilities  
 PUC Rate Case/Utility Investigation Fund  
 Pipeline Safety  
 One-Call Notification Board  
 Transportation Warehouse  
 Science and Technology Authority  
 Army/Air National Guard  
 Tuition and Fee Fund  
 Regulated Response Fund  
 Livestock Cleanup  
 State Bar Association  
 Unclaimed Property Fund

## TOTAL STATE GOVERNMENT BUDGET (Including Information Budgets)

### GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2003	ACTUAL FY 2004	BUDGETED FY 2005	REQUESTED FY 2006	GOVERNOR'S RECOMMENDED FY 2006	RECOMMENDED INC/(DEC) FY 2006
<b>FUNDING SOURCE:</b>						
General Funds	\$ 868,126,401	\$ 849,387,542	\$ 971,027,618	\$ 1,020,815,623	\$ 1,008,332,802	\$ 37,305,184
Federal Funds	1,014,603,608	1,173,429,231	1,233,974,775	1,301,727,933	1,298,338,038	64,363,263
Other Funds	638,403,003	635,036,285	705,788,983	748,961,989	747,142,777	41,353,794
<b>Total</b>	<b>\$ 2,521,133,012</b>	<b>\$ 2,657,853,058</b>	<b>\$ 2,910,791,376</b>	<b>\$ 3,071,505,545</b>	<b>\$ 3,053,813,617</b>	<b>\$ 143,022,241</b>
<b>EXPENDITURE DETAIL:</b>						
Personal Services	\$ 585,297,688	\$ 614,888,654	\$ 679,767,929	\$ 701,309,603	\$ 717,156,824	\$ 37,388,895
Operating Expenses	1,935,835,324	2,042,964,403	2,231,023,447	2,370,195,942	2,336,656,793	105,633,346
<b>Total</b>	<b>\$ 2,521,133,012</b>	<b>\$ 2,657,853,058</b>	<b>\$ 2,910,791,376</b>	<b>\$ 3,071,505,545</b>	<b>\$ 3,053,813,617</b>	<b>\$ 143,022,241</b>
Staffing Level FTE:	13,011.6	13,125.5	13,536.5	14,014.6	13,895.7	359.2

### SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2005	GOVERNOR'S RECOMMENDED FY 2006	RECOMMENDED INC/(DEC) FY 2006
General Funds	\$ 14,330,654	\$ 8,573,122	(\$ 5,757,532)
Federal Funds	0	0	0
Other Funds	8,580,000	2,850,000	( 5,730,000)
<b>Total</b>	<b>\$ 22,910,654</b>	<b>\$ 11,423,122</b>	<b>(\$ 11,487,532)</b>

### TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2005	GOVERNOR'S RECOMMENDED FY 2006	RECOMMENDED INC/(DEC) FY 2006
General Funds	\$ 985,358,272	\$ 1,016,905,924	\$ 31,547,652
Federal Funds	1,233,974,775	1,298,338,038	64,363,263
Other Funds	714,368,983	749,992,777	35,623,794
<b>Total</b>	<b>\$ 2,933,702,030</b>	<b>\$ 3,065,236,739</b>	<b>\$ 131,534,709</b>
Staffing Level FTE:	13,536.5	13,895.7	359.2