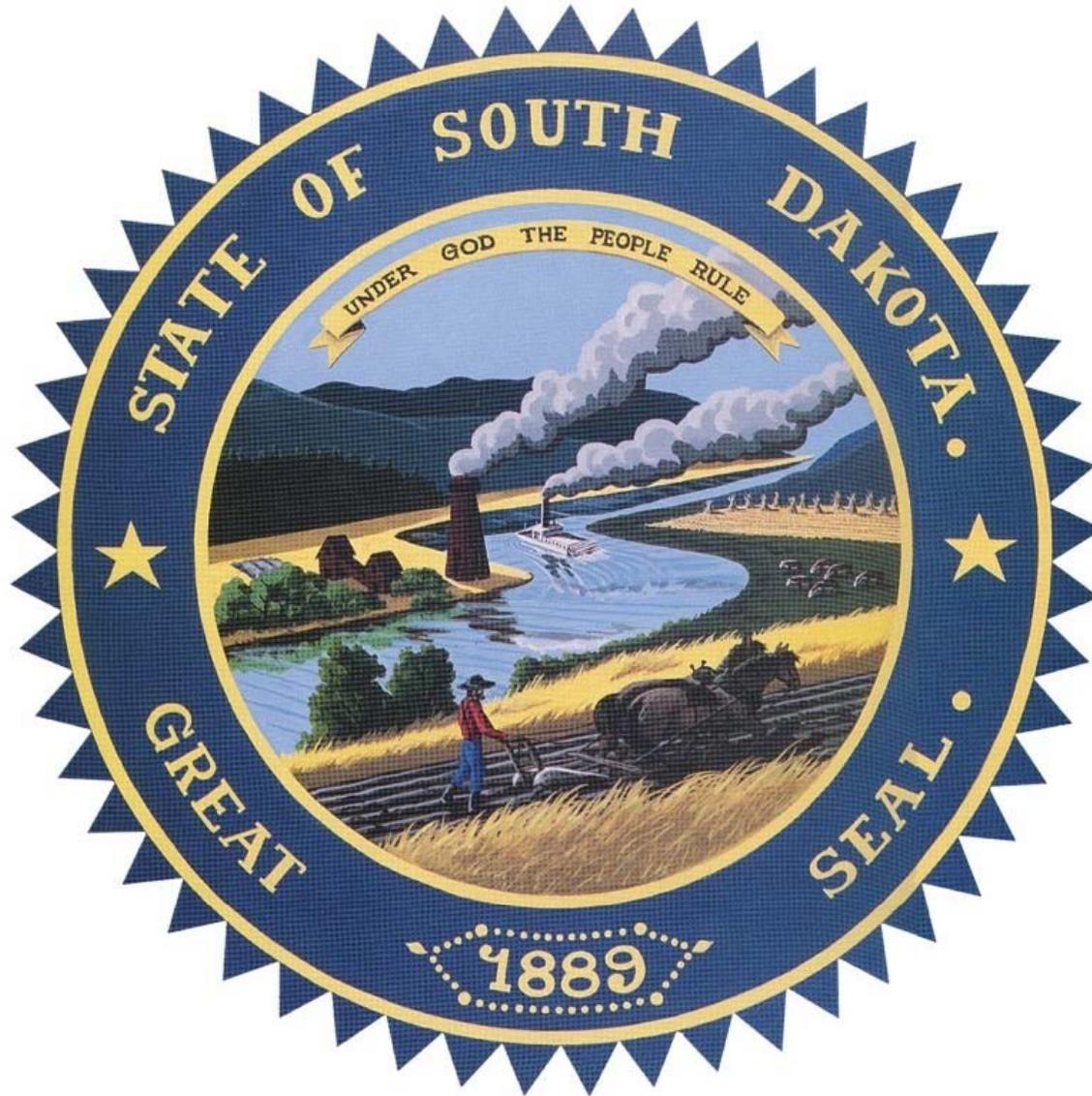


Governor Mike Rounds' FY2011 Budget Address

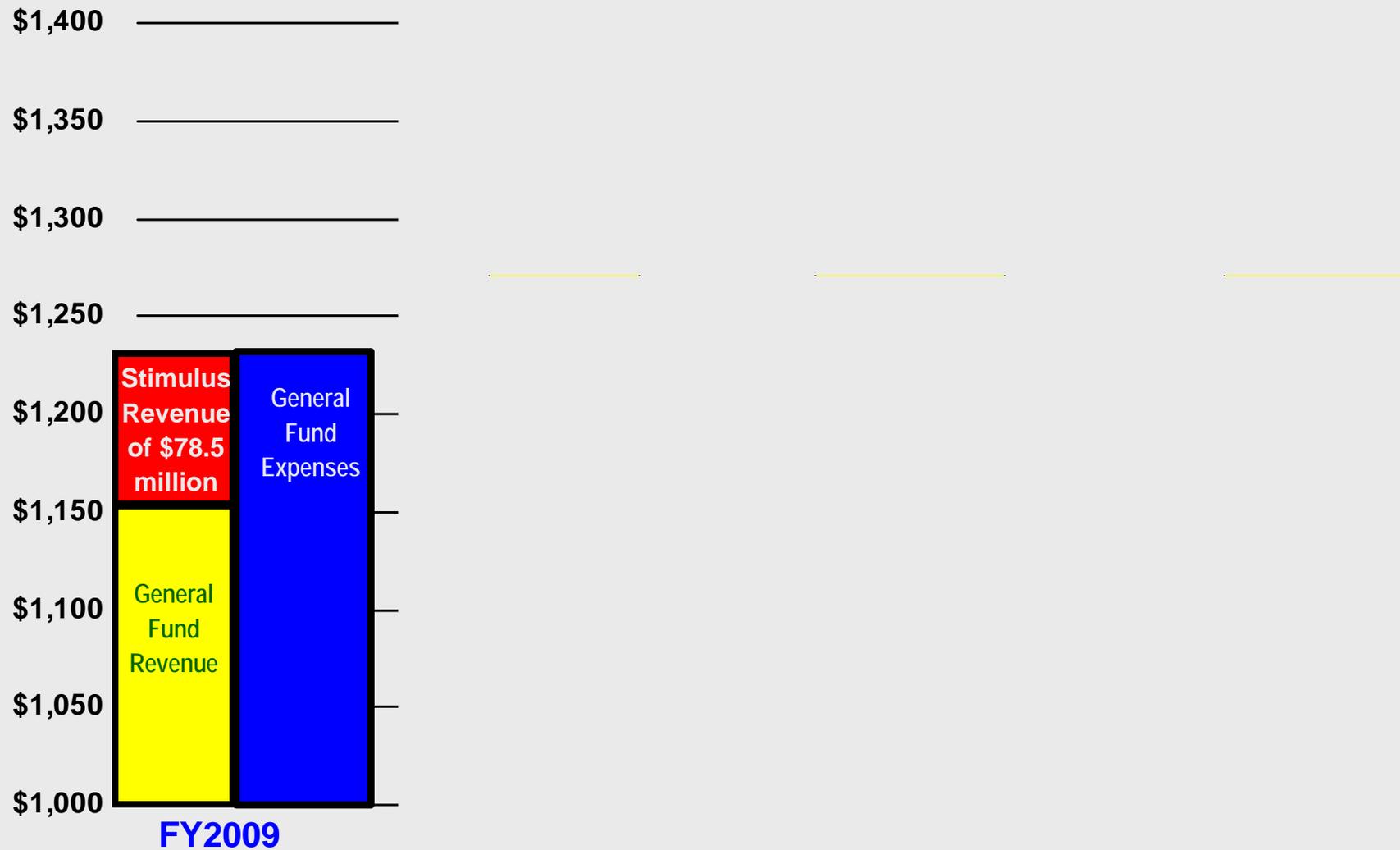


Budget Proposal Summary

- **A Very Basic Needs Budget**
- **An Unpredictable Economic Recovery**
- **Emphasis on Taking Care of People**

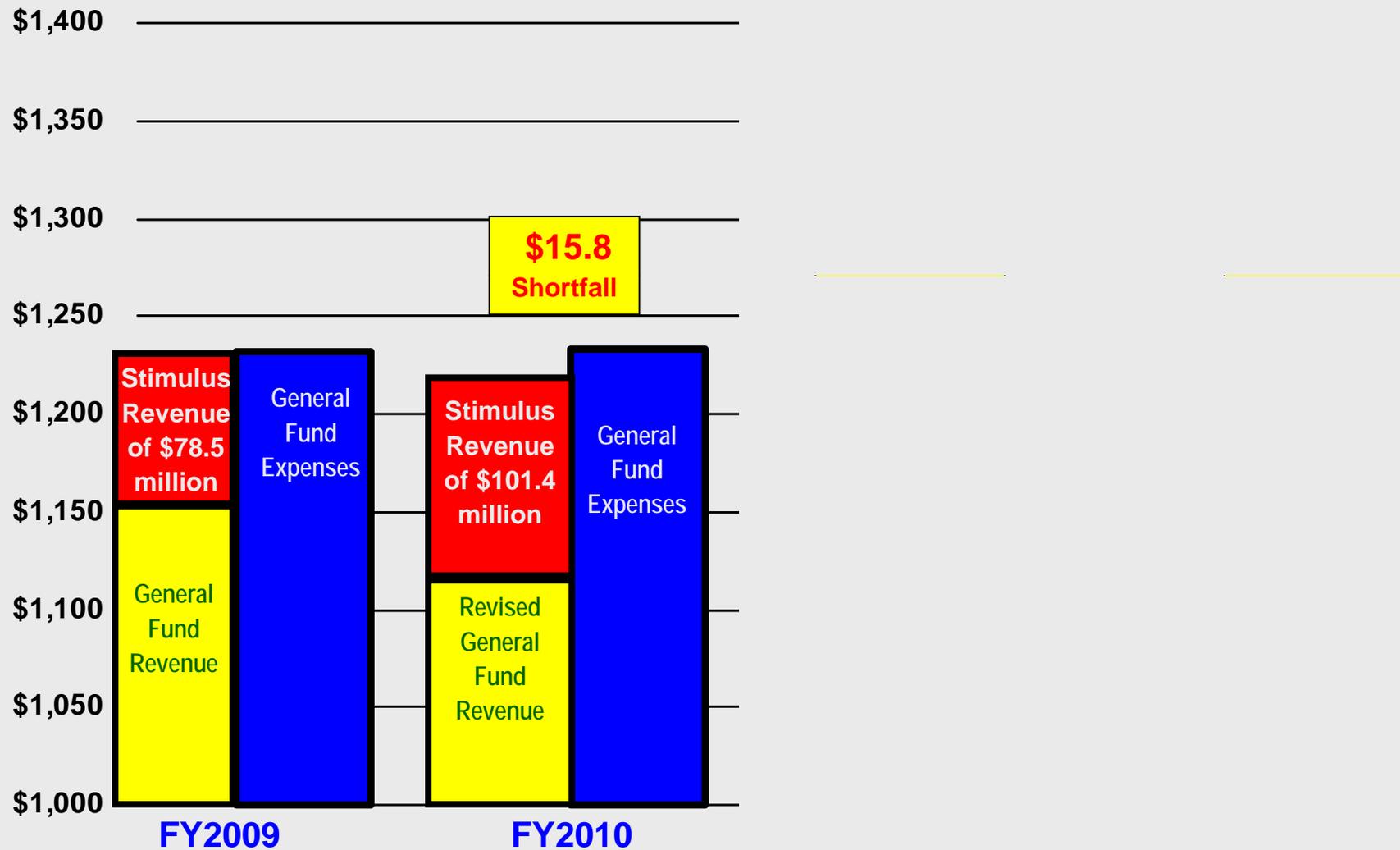
Budget Challenges Now and in the Future

(all \$\$ in Millions)



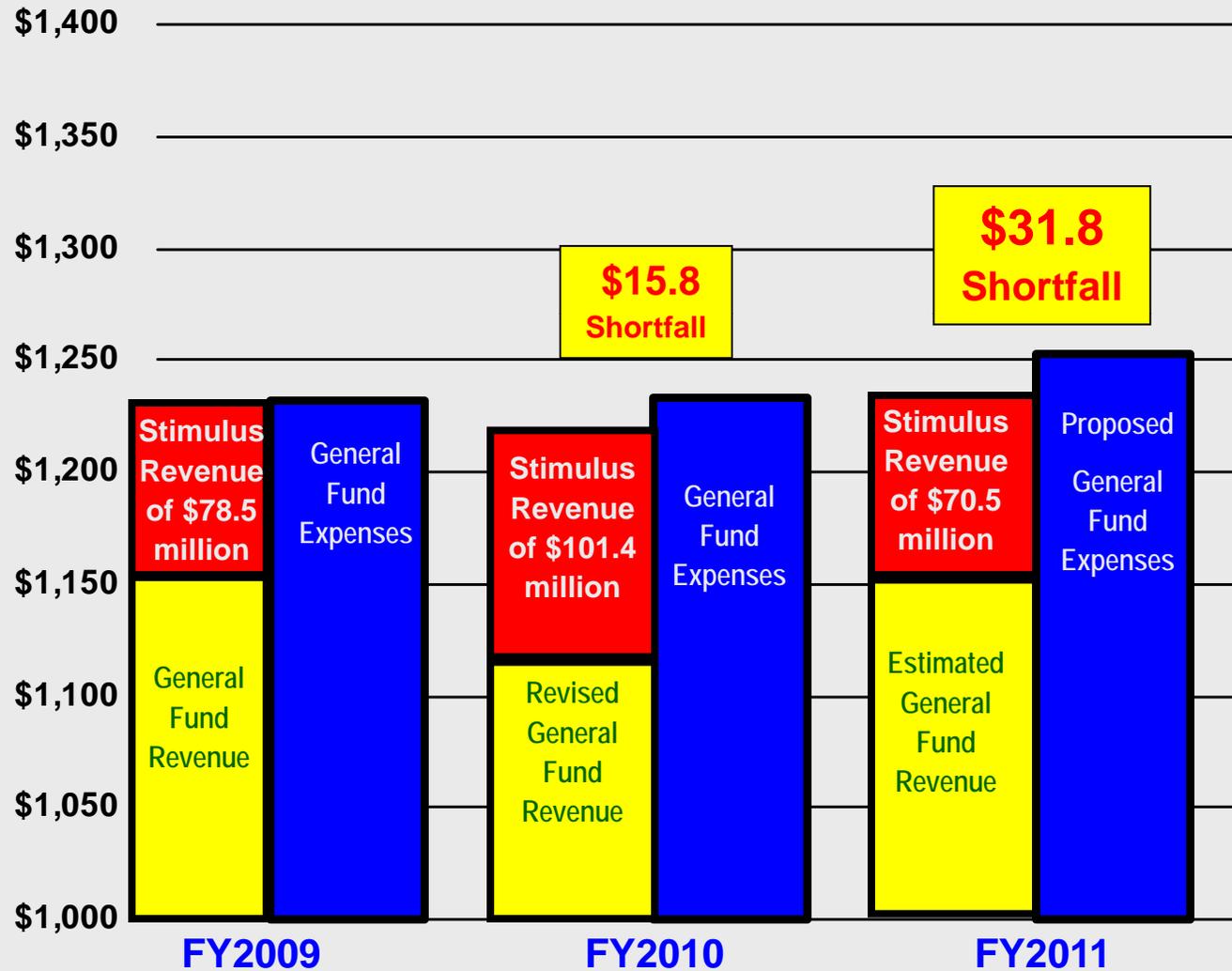
Budget Challenges Now and in the Future

(all \$\$ in Millions)



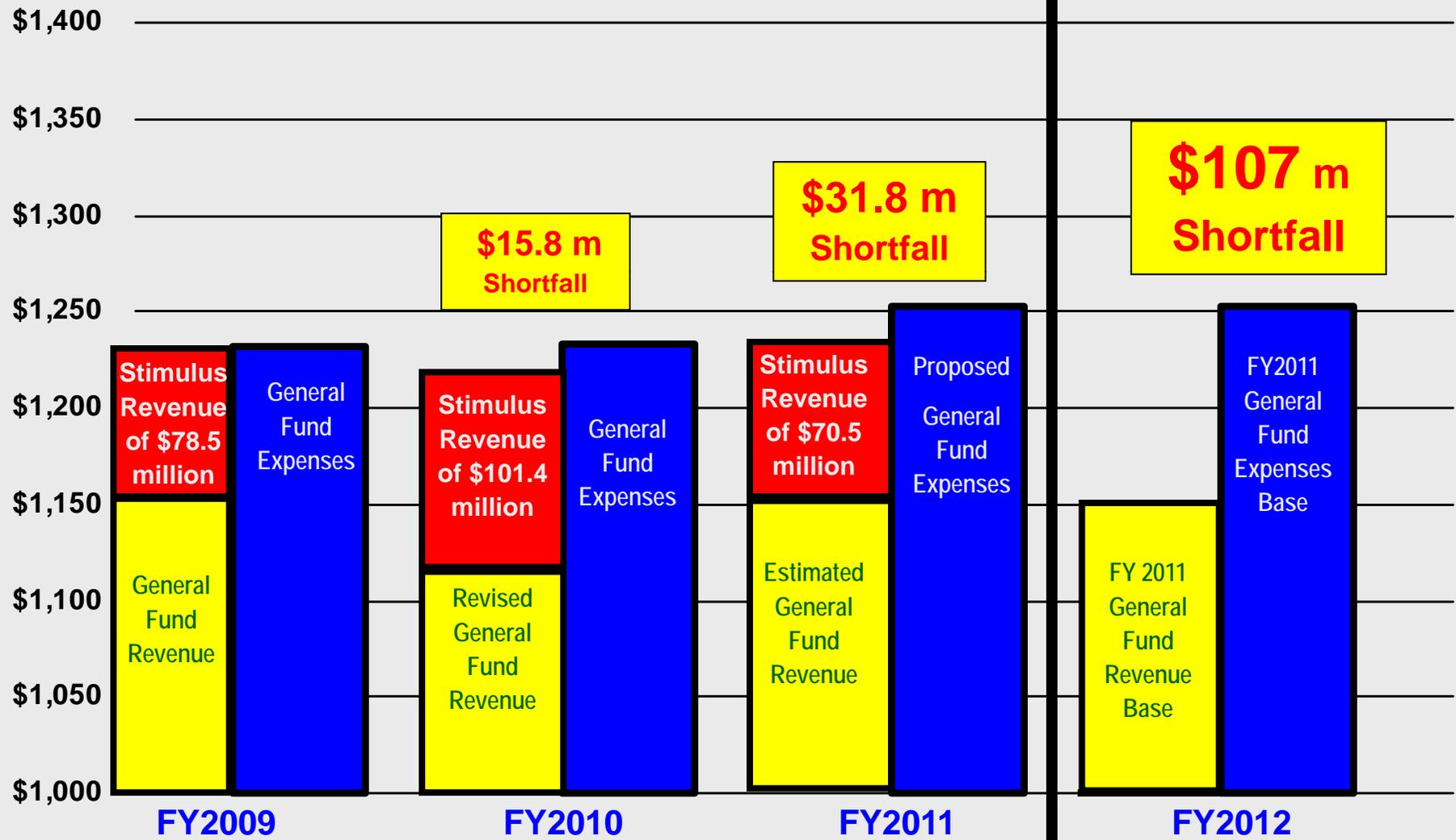
Budget Challenges Now and in the Future

(all \$\$ in Millions)



Budget Challenges Now and in the Future

(all \$\$ in Millions)



FY09-FY11 Annual Expenditure Growth = 0.85%

Revised FY2010 and Proposed FY2011

(General Funds in millions)

<u>Revenues</u>	<u>FY10</u>	<u>FY11</u>
Sales and Use Tax--	\$647.7	\$668.4
Property Tax Reduction Fund--	\$120.0	\$118.5
Contractor's Excise Tax--	\$ 73.4	\$ 74.7
Insurance Company Tax--	\$ 62.6	\$ 63.5
Other Receipts--	\$212.6	\$225.5
Total Receipts--	<u>\$1,116.3</u>	<u>\$1,150.6</u>
<u>Expenses</u>		
Educating People--	\$577.7	\$573.8
Taking Care of People--	\$359.3	\$412.6
Protecting the Public--	\$125.6	\$127.9
Rest of State Government--	\$ 69.5	\$ 68.1
Total Expenses--	<u>\$1,132.1</u>	<u>\$1,182.4</u>
Bottom Line	- \$15.8	- \$31.8

FY2010 Revisions since March

Reduction in Revenues	- \$ 17,629,861
Reduction in Expenditures	+ \$ 1,866,058
One-Time Revenue Transfers	<u>+ \$ 15,763,803</u>
FY2010 Revised Bottom Line	\$ 0

Rainy Day Funds

Unchanged since July 2008:

Property Tax Reduction Fund Balance \$63,626,269

Budget Reserve Fund Balance \$43,398,446

Total \$107,024,715

FY2010 Adopted vs. Revised Receipts

(in millions)

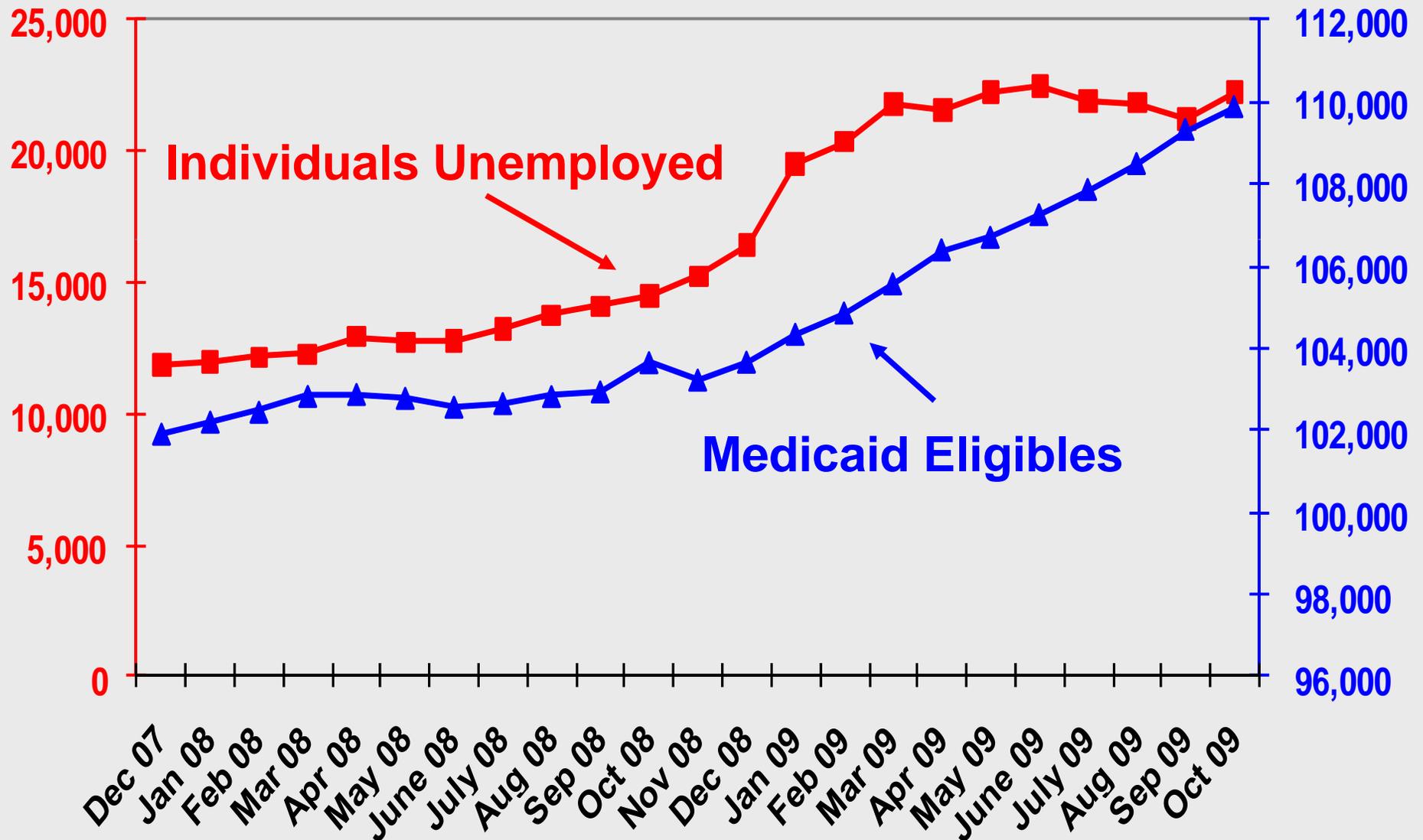
	<u>Ad. FY2010</u>	<u>Rev FY2010</u>	<u>Change</u>
Sales and Use Tax	\$659.4	\$647.7	-\$11.7
Property Tax Reduction Fund	127.0	120.0	- 7.0
Contractor's Excise Tax	77.2	73.4	- 3.8
Insurance Company Tax	65.9	62.6	- 3.3
Bank Franchise Tax	30.1	28.4	- 1.7
Transfer from Trust Funds	12.0	12.0	0.0
Interest Earnings	11.8	17.6	+5.8
Other Continuing Receipts	146.7	148.6	+1.9
One-Time Receipts	3.9	6.0	+2.1
Total Receipts	<u>1,134.0</u>	<u>1,116.3</u>	<u>-17.7</u>
One-Time Transfers to Balance	<u>0.0</u>	<u>15.8</u>	<u>+15.8</u>
Total General Fund Revenues	1,134.0	1,132.1	-1.9

FY2010 & FY2011 Receipts & Forecasts

(in millions)

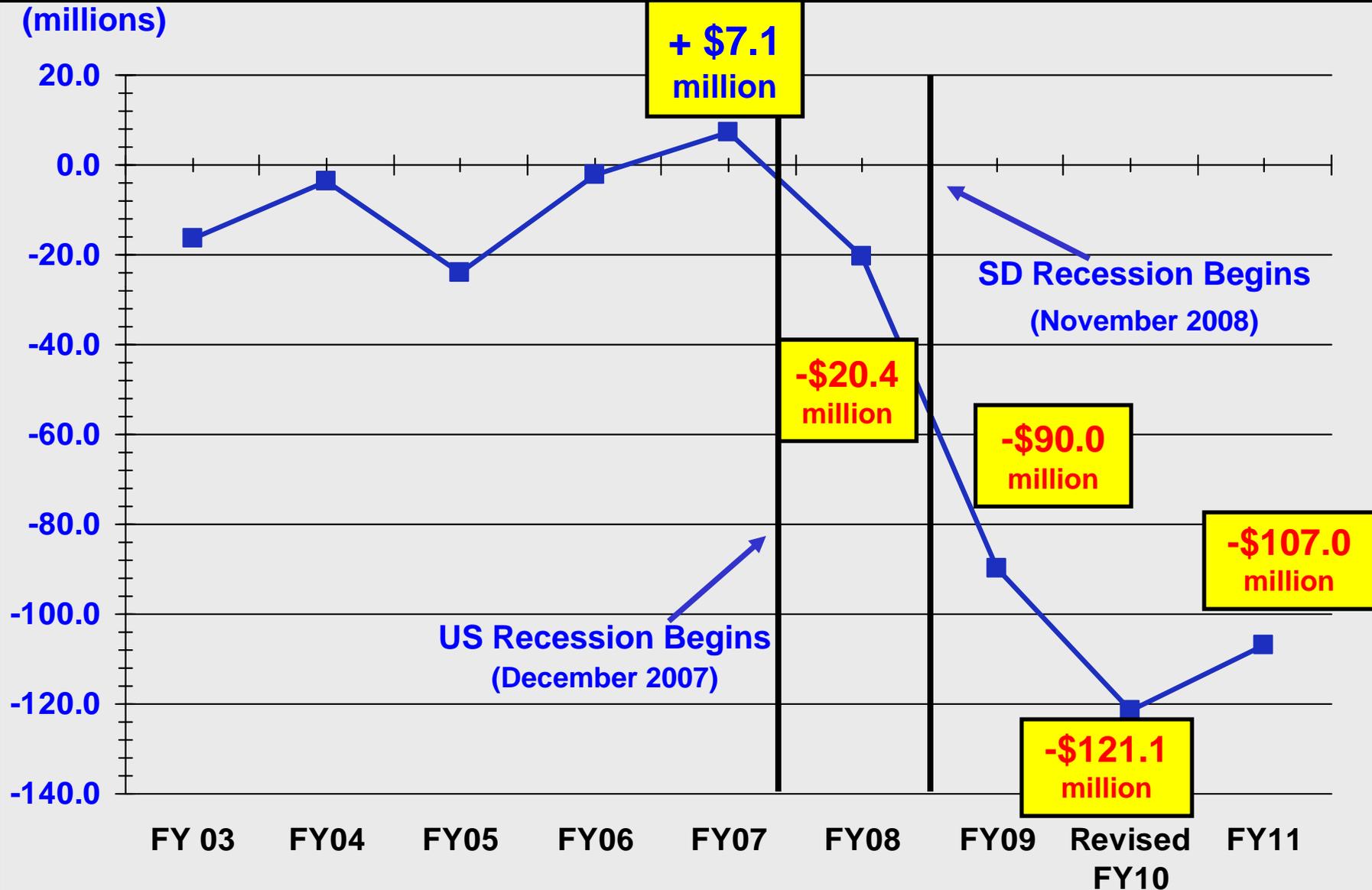
	<u>Rev FY2010</u>	<u>FY2011</u>	<u>Change</u>
Sales and Use Tax	\$647.7	\$668.4	+\$20.7
Property Tax Reduction Fund	120.0	118.5	- 1.5
Contractor's Excise Tax	73.4	74.7	+ 1.3
Insurance Company Tax	62.6	63.5	+ 0.9
Bank Franchise Tax	28.4	28.9	+ 0.5
Transfer from Trust Funds	12.0	29.7	+ 17.7
Interest Earnings	17.6	13.4	- 4.2
Other Continuing Receipts	148.6	148.8	+0.2
One-Time Receipts	6.0	4.7	- 1.3
Total Receipts	<u>1,116.3</u>	<u>1,150.6</u>	<u>+ 34.3</u>
One-Time Transfers to Balance	<u>15.8</u>	<u>31.8</u>	
Total General Fund Revenues	1,132.1	1,182.4	

South Dakota Unemployment and Medicaid Population



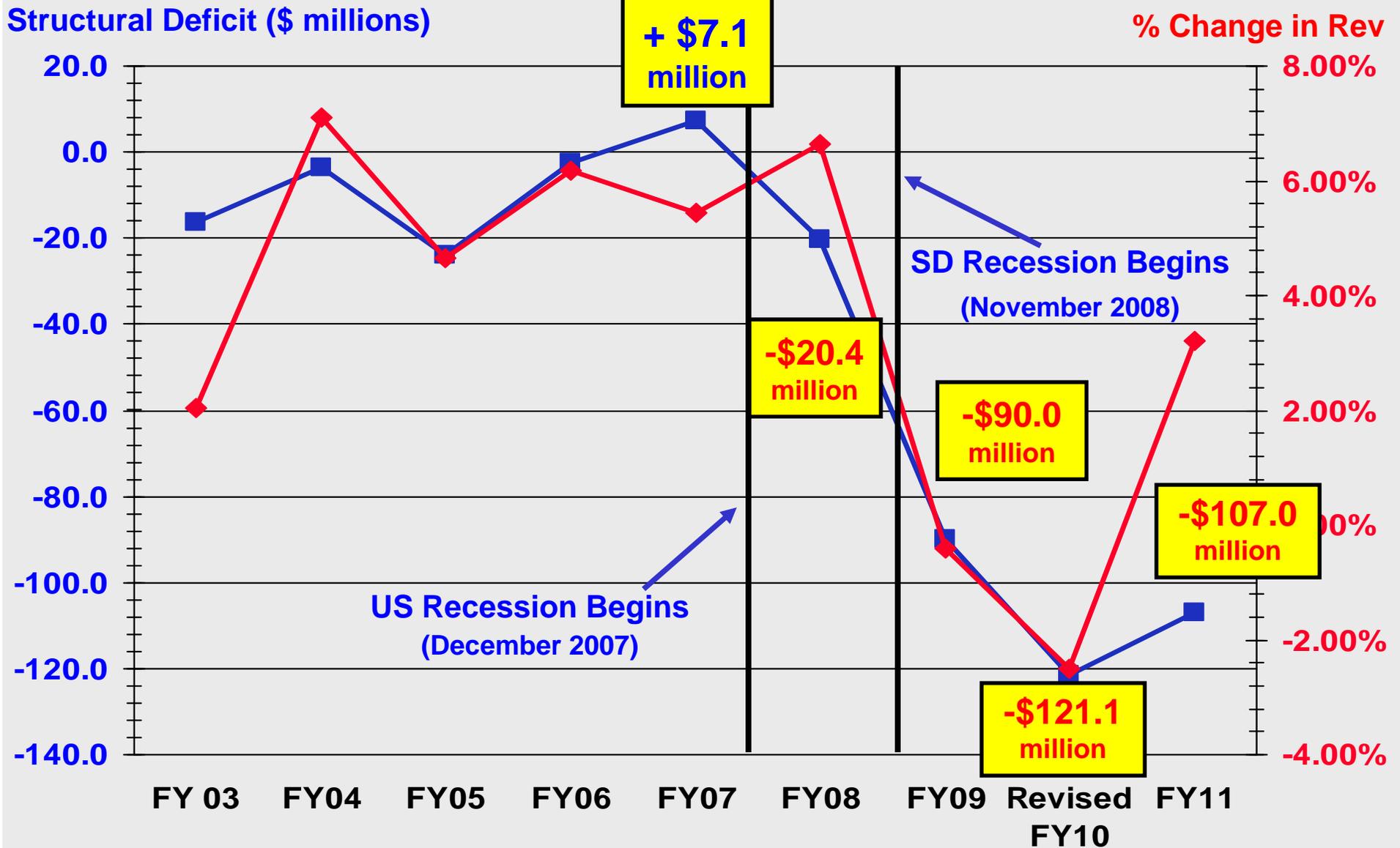
Structural Deficit

Ongoing Revenues minus Ongoing Expenses



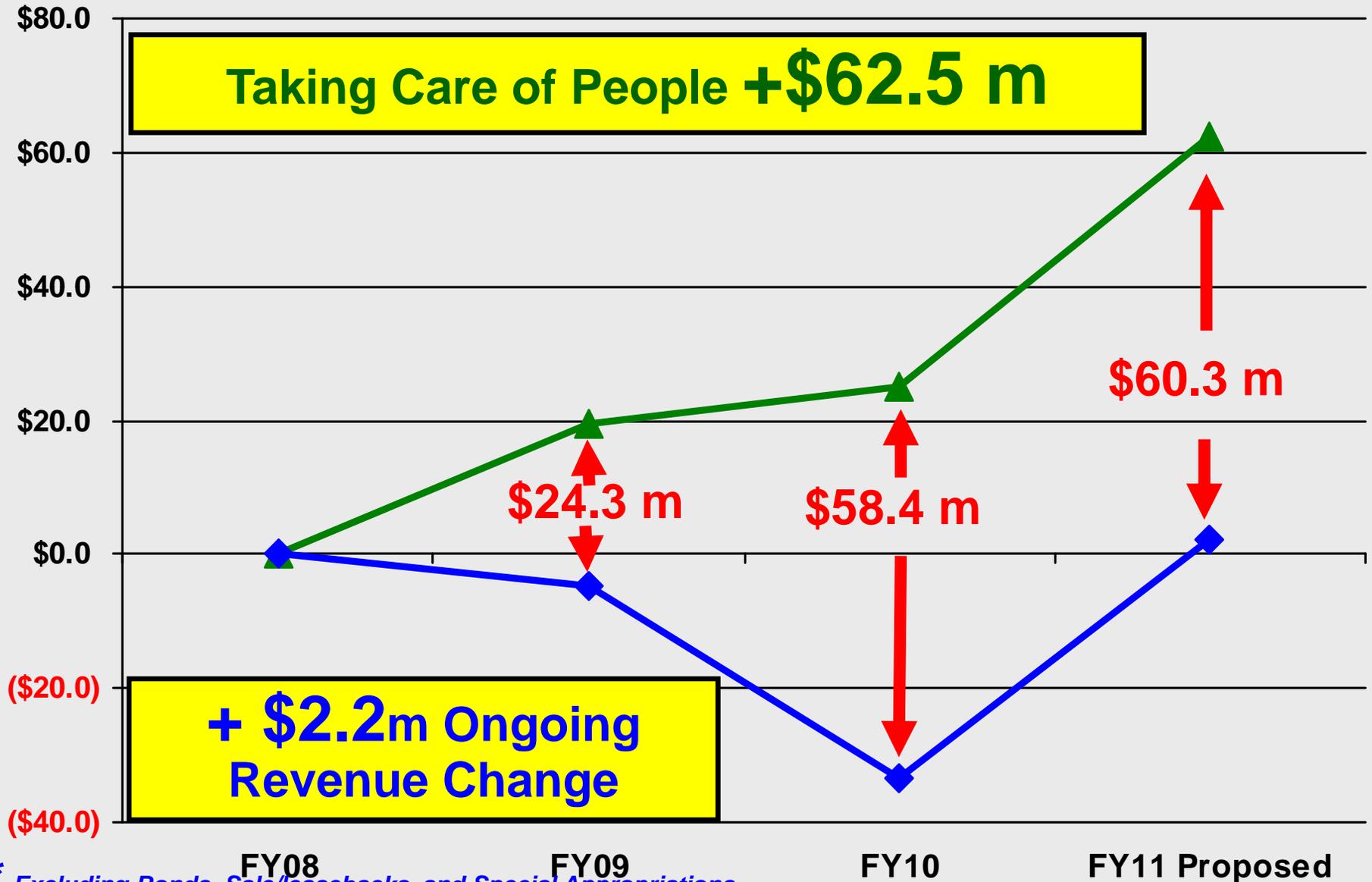
Structural Deficit

Ongoing Revenues minus Ongoing Expenses



Contributing Factors to the Structural Deficit

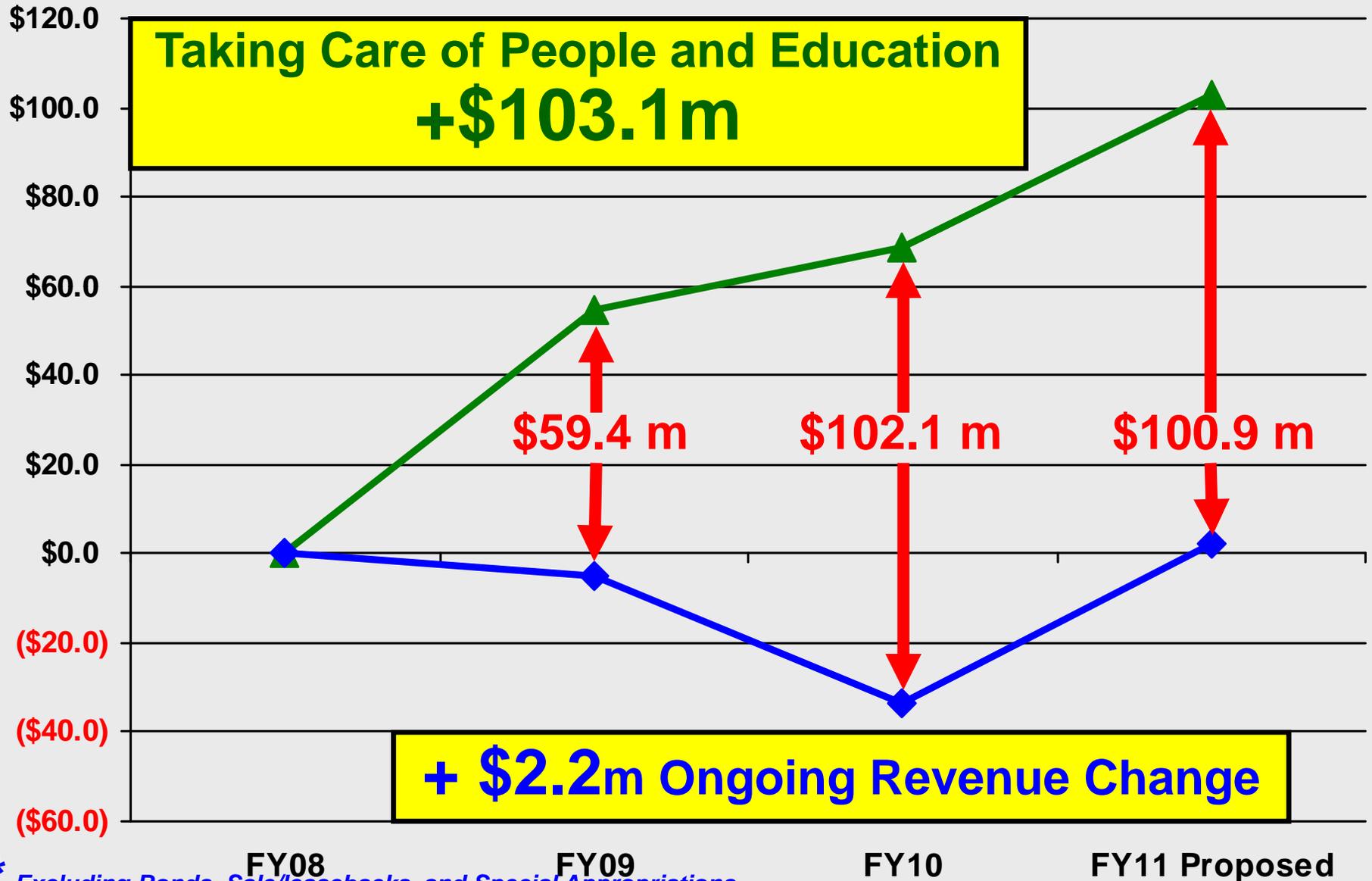
(millions)



* Excluding Bonds, Sale/leasebacks, and Special Appropriations

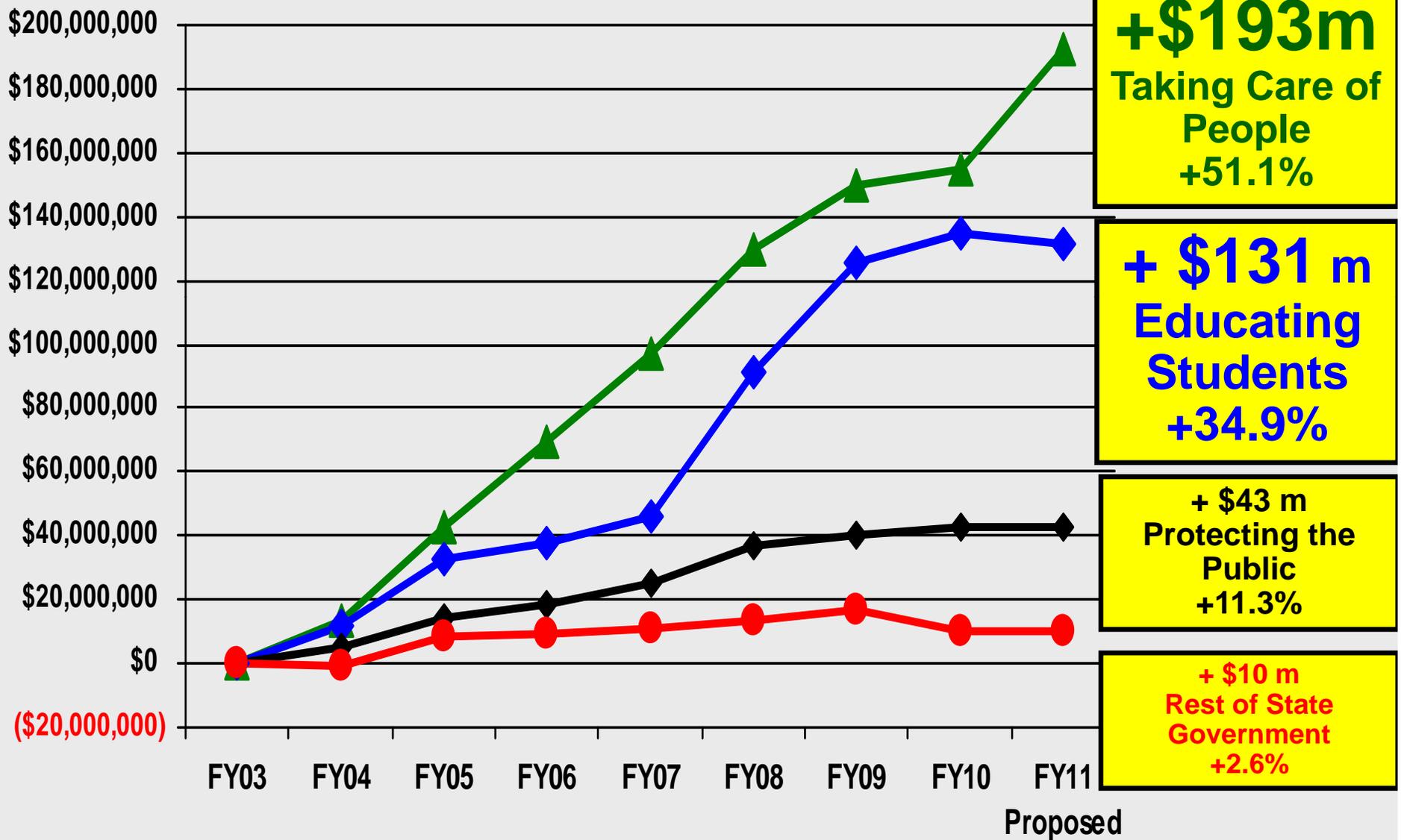
Contributing Factors to the Structural Deficit

(millions)



* Excluding Bonds, Sale/leasebacks, and Special Appropriations

General Fund Expenditure Priorities*



* Excluding Bonds, Sale/leasebacks, and Special Appropriations

Mandatory General Fund Spending Changes for FY2011

Mandatory Increases + \$56,283,843

Growth & Increased Utilization in Med Srvs	+ \$24.5 million
Expiring ARRA Funding	+ \$20.2 million
Increased FMAP State Share	+ \$ 7.5 million
Increased Enrollment Technical Institutes	+ \$ 2.7 million
Funding Swap from Medicare Part D	+ \$ 2.2 million
Increased students SD Opp. Scholarship	+ \$ 2.0 million
Increase in Mandatory Inflation	+ \$ 1.7 million
All the rest	- \$ 4.5 million

Discretionary General Fund Spending Changes for FY2011

Discretionary Changes	- \$ 4,952,156
Establish a PhD in Physics	+ \$ 1.0 million
BOR remove performance funding	- \$ 0.5 million
Reduce Court Ordered Supervision	- \$ 0.7 million
State Aid levies freeze	- \$ 4.1 million
All Others	- \$ 0.4 million

Funding Maintained at Current Levels

FY2011 Spending changes

State Aid 0%

Providers 0%

State Employees 0%

New Ongoing Spending For FY2011

Net New Spending Proposed: + \$51.3 m

Key Drivers:

Growth & Increased Utilization in Med Services +\$24.5 m

Expiring ARRA Funding +\$20.2 m

Increased FMAP State Share +\$7.5 m

+ \$52.2 m

General Funds Major Spending Changes For FY2011

Education	- \$ 3,431,608
Taking Care of People	+ \$54,793,388
Protecting the Public	+ \$ 542,888
Rest of State Government	- \$ 572,981
	<hr/>
Total Changes	+ \$51,331,687

Spending Increases/Decreases for FY2011

Education

	<u>General Funds</u>
Technical School Enrollment Growth	+ \$ 2,696,804
School District Consolidation & Sparsity	+ \$ 2,621,774
South Dakota Opportunity Scholarship	+ \$ 1,995,510
PhD in Physics	+ \$ 970,000
Health Insurance	+ \$ 729,310
Elimination of BOR Performance Funding	- \$ 500,000
State Aid to General Education	- \$ 3,817,994
Maintain Current Tax Levies	- \$ 4,057,234
State Aid to Special Education	- \$ 4,063,352
All the Rest	- \$ 6,426
TOTAL DECREASES--	- \$ 3,431,608

Spending Increases for FY2011

Taking Care of People

General Funds

Medical Services Eligibles Growth & Utilization	+ \$24,084,919
Expired ARRA Funding	+ \$19,420,694
FMAP Rate Change	+ \$ 7,372,528
Funding Swap for Medicare Part D	+ \$ 2,153,526
Mandatory Inflation	+ \$ 2,143,952
All the Rest	- \$ 382,231
TOTAL INCREASES--	+ \$54,793,388

Spending Increases for FY2011

Protecting the Public

	<u>General Funds</u>
Health Insurance	+ \$ 551,574
Increased Juvenile Placement Services	+ \$ 439,413
Expired ARRA Funding	+ \$ 422,068
Food Services Rate	- \$ 425,754
Utilities	- \$ 519,589
All the Rest	+ \$ 75,176
TOTAL INCREASES--	+ \$ 542,888

All the Rest of State Government

	<u>Total</u>
Legislature & other Elected Officials	+ \$ 96,687
Environment and Natural Resources	+ \$ 11,747
Revenue and Regulation	+ \$ 5,883
Agriculture/ Animal Industry Board	+ \$ 5,265
Labor	+ \$ 4,164
Transportation	+ \$ 2,574
Military & Veterans' Affairs	+ \$ 2,153
Tourism & State Development	- \$ 23,082
Game, Fish, & Parks	- \$ 26,572
Executive Management	- \$ 651,800
Total	- \$ 572,981

The Rest of State Government represents 5% of our total spending and will now go down to only 4% of total spending with this budget.

Recommended FTE Decreases (Executive Branch)

Agency	FTE
BOR	(25.2)
DHS	(15.0)
DOT	(14.0)
SDDA	(7.0)
DPS	(6.0)
DRR	(4.0)
BOA	(4.0)
BIT	(4.0)
DOH	(4.0)
DOC	(4.0)

Agency	FTE
DSS	(3.0)
DOE	(2.0)
TSD	(2.0)
GFP	(2.0)
DENR	(1.8)
BFM	(1.0)
BOP	(1.0)
GOV	(1.0)
DOL	(1.0)
MVA	0.0

Total = (102.0)

FY2010 Emergency Special Appropriations

General Funds:

RC Minimum Unit Construction Costs	\$ 1,800,000
Fire Suppression Fund	\$ 1,230,349
Extraordinary Litigation Fund	\$ 944,610
	<hr/>
<i>Total General Funds Emergency Special Appropriations</i>	\$ 3,974,959

FY2010 General Bill Amendments

General Funds:

ARRA Tier 1 FMAP Reduction (\$3,591,680)

Utility Reductions for BOR, DOC,
DHS, MVA, DOT (\$1,611,828)

ARRA Birth to Three Fund Swap (\$335,339)

State Vet's Home Food Services \$23,728

*Total General Funds Amendments for
the FY2010 General Appropriations Act* (\$5,515,119)

FY2011 Special Appropriations

General Funds:

Tax Refunds for Elderly and Disabled \$ 650,000

Rural Health Tuition Reimbursement \$ 236,656

Total General Funds
Special Appropriations: \$ 886,656

The Budget Proposal

FY2011

General Funds **\$ 1,182.4 million**

Federal Funds **\$ 1,916.3 million**

Other Funds **\$ 968.4 million**

Total Budget =
\$ 4.067 Billion

Note: Totals contain \$304.8 million in Stimulus spending

Bottom Line for FY2010 and FY2011

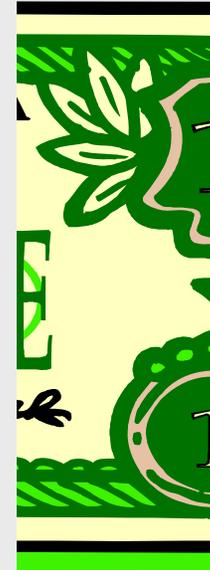
(General Funds in millions)

	<u>FY10</u>	<u>FY11</u>
Total Receipts--	\$1,116.3	\$1,150.6
Total Expenses--	<u>\$1,132.1</u>	<u>\$1,182.4</u>
Shortfall--	\$ -15.8	\$ -31.8
Use of One-Time Funds--	\$ +15.8	\$ 0.0
Use of PTRF--	<u>\$ 0.0</u>	<u>\$ +31.8</u>
Bottom Line--	\$ 0.0	\$ 0.0

Reserves Remaining:

Property Tax Reduction Fund	\$31.8 m
Budget Reserve Fund	<u>\$43.4 m</u>
Total as of June 30, 2011	\$75.2 m

What Your Tax Dollar Pays For



49¢

Education

- K-12
- Higher Ed.
- Tech Schools
- Dept of Ed.

36¢

Taking Care of People

- Medicaid
- State Hospital
- TANF
- DSS/DHS/DOH

11¢

Protecting the Public

- Correctional Services
- Courts
- Public Safety
- Attorney General

4¢

Rest of State Gov't

- 8 Depts
- 4 Bureaus
- Legislature
- Governor
- 5 Const. Offices
- Specials

Excludes Sale/Leaseback, CRP, and Bond Payments and Includes \$70.5M of Federal stimulus funding used to balance the FY2011 budget

***“Thank you for
working together to
make South Dakota
even better!”***