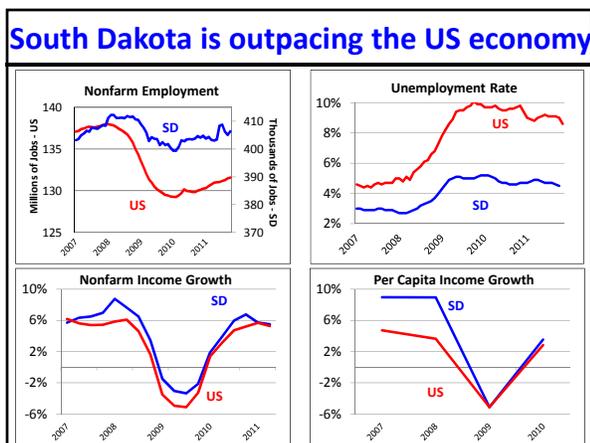
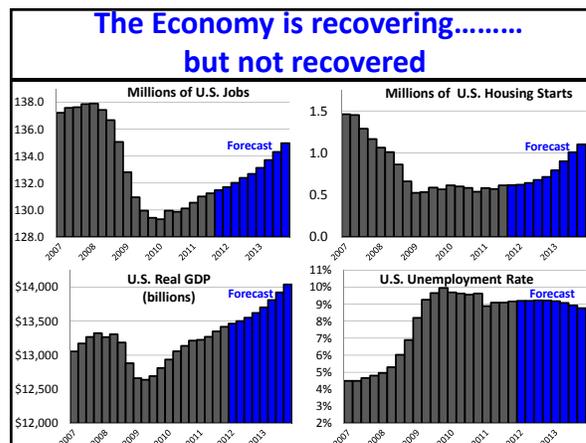
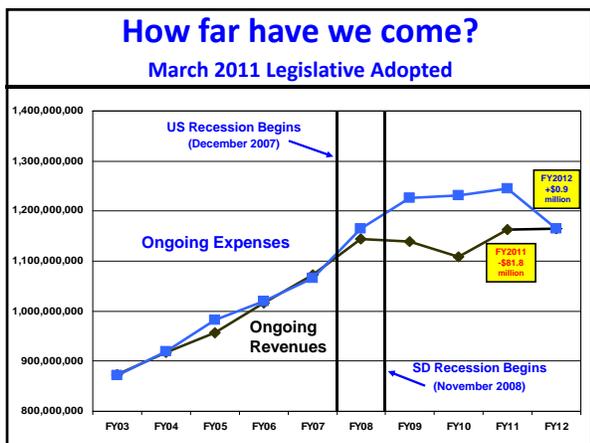


Governor Dennis Daugaard's FY2013 Budget Recommendations



December 6, 2011

- ### Eliminating the Structural Deficit
- We recognized we were spending more than we were taking in
 - We targeted ongoing cuts totaling \$127 million
 - Everyone participated even though it was difficult
 - To sustain these base cuts is a necessity
 - We now enjoy the opportunity to make investments in key areas



REVENUES

A History of Ongoing Revenue Estimating

Year	Adopted	Actual Receipts	Difference
FY2003*	\$ 841,450,556	\$ 872,718,745	\$ 31,268,189
FY2004*	\$ 876,682,272	\$ 917,449,464	\$ 40,767,192
FY2005	\$ 952,696,623	\$ 956,751,219	\$ 4,054,596
FY2006*	\$ 1,001,797,801	\$1,013,115,062	\$ 11,317,261
FY2007*	\$ 1,065,991,069	\$1,061,350,024	\$ (4,641,045)
FY2008*	\$ 1,148,973,257	\$1,143,748,223	\$ (5,225,034)
FY2009	\$ 1,195,459,836	\$1,138,901,445	\$ (56,558,391)
FY2010*	\$ 1,130,101,479	\$1,109,359,945	\$ (20,741,534)
FY2011	\$ 1,154,744,209	\$1,163,046,393	\$ 8,302,184

* Includes adjustments

FY2012 Adopted vs. Revised Receipts (millions)

Source	Ad. FY2012	Rev. FY2012	Change
Sales and Use Tax	\$719.6	\$729.2	+ 9.6
Property Tax Red. Fund	105.0	101.1	- 3.9
Contractor's Excise Tax	66.0	76.9	+ 10.9
Insurance Company Tax	64.9	65.9	+ 1.0
Bank Franchise Tax	4.0	26.7	+ 22.7
Transfer from Trust Funds	30.3	30.3	0.0
Charges for Goods & Serv.	24.7	23.4	- 1.3
Other Ongoing Receipts	<u>150.8</u>	<u>150.6</u>	- 0.2
Total Ongoing Receipts	1,165.3	1,204.1	+38.8
One-time Receipts	(12.6)	11.8	+ 24.4
Total Change			+ 63.2

FY2012 & FY2013 Receipts & Forecasts (millions)

Source	Rev. FY2012	Est. FY2013	Change
Sales and Use Tax	\$729.2	\$756.9	+ 27.7
Property Tax Red. Fund	101.1	103.0	+ 1.9
Contractor's Excise Tax	76.9	71.8	- 5.1
Insurance Company Tax	65.9	67.8	+ 1.9
Bank Franchise Tax	26.7	25.4	- 1.3
Transfer from Trust Funds	30.3	29.8	- 0.5
Charges for Goods & Serv.	23.4	22.4	- 1.0
Other Ongoing Receipts	<u>150.6</u>	<u>149.5</u>	- 1.1
Total Ongoing Receipts	1,204.1	1,226.6	+22.5
One-time Receipts	11.8	28.8	+17.0
Total Change			+ 39.5

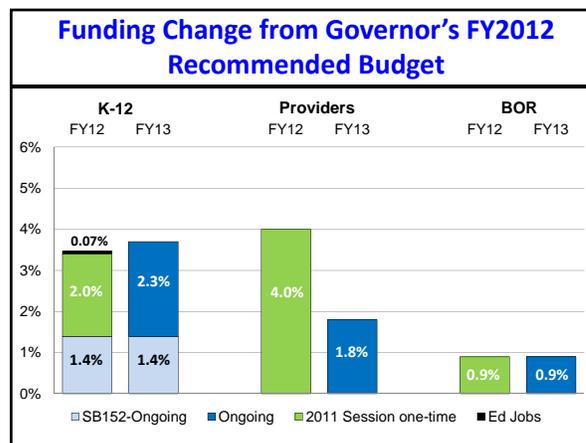
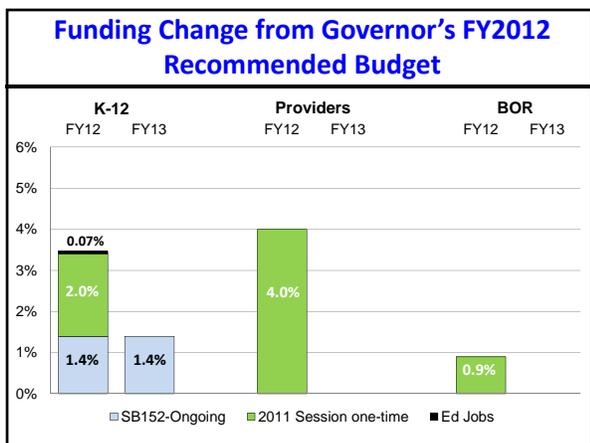
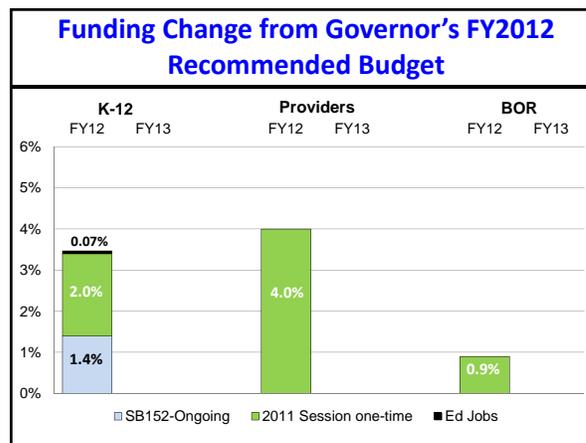
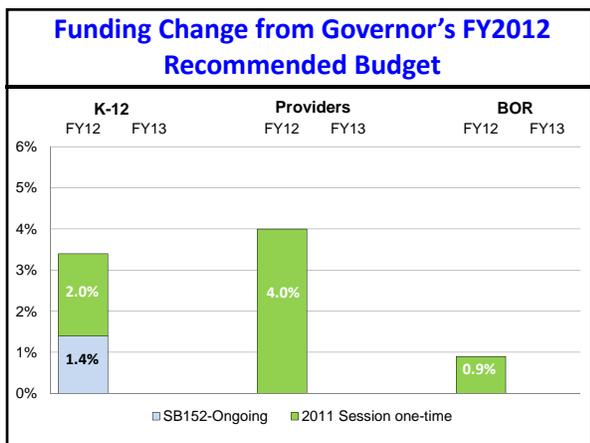
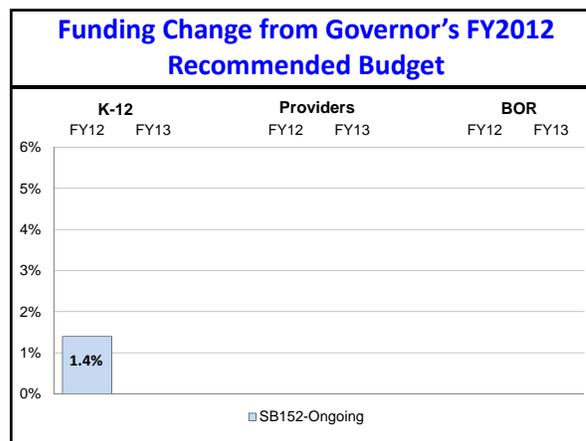
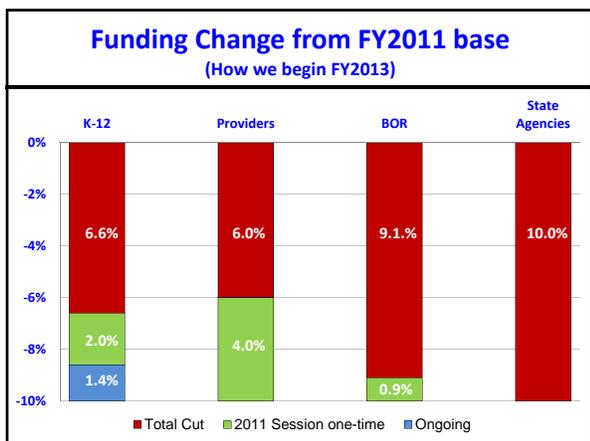
EXPENSES

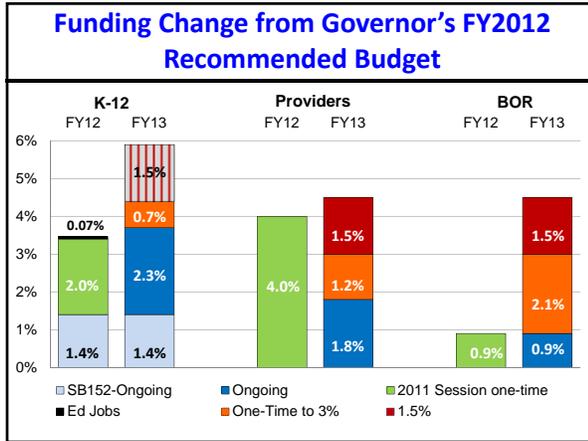
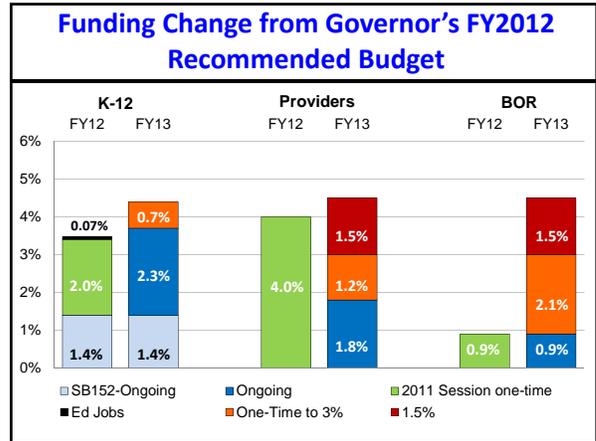
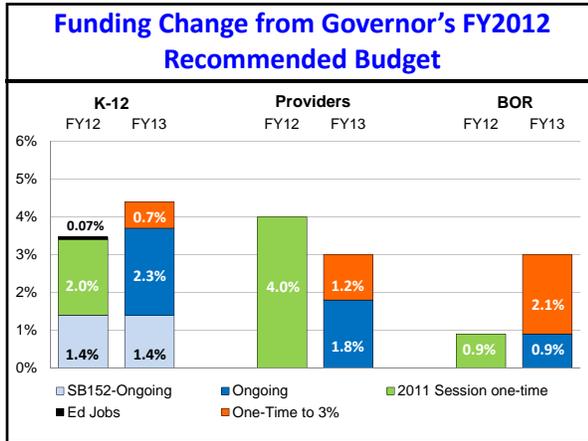
Moving Forward Cautiously with Expenses

- Using the "reset" of state expenditures to realize long-term efficiencies by sustaining the cuts
- Investing new ongoing revenues cautiously, in targeted areas that can be sustained
- Investing one-time dollars wisely
- Ensuring we do not create a new structural deficit

Why it's important to sustain the FY2012 cuts

- | | |
|--|----------------------|
| FY2012 Ongoing cuts to the base | \$126,872,247 |
| FY2012 and FY2013 Ongoing Revenue growth | \$ 63,560,326 |
- It will take 2 years of ongoing revenue growth to pay for just 1 year of expenditure growth in our budget
 - Without the cuts, we'd still be in a significant structural deficit
 - Two years of ongoing revenue growth = half the structural deficit we faced





FY2013 Ongoing General Fund Increases

	2.3%	1.8%	0.9%	Total
State Aid	\$9,834,158			\$9,834,158
Technical Institutes	\$434,496			\$434,496
Provider Inflation		\$6,180,711		\$6,180,711
Board of Regents			\$1,402,714	\$1,402,714
Total				\$17,852,079

Utilizing FY2012 One-time General Funds

	FY2013	FY2013	Total
	Move to 3.0%	1.5%	
State Aid	\$3,937,282	\$8,437,031	\$12,374,313
Provider Inflation	\$4,059,042	\$5,036,748	\$9,095,790
Board of Regents	\$3,480,534	\$2,441,624	\$5,922,158
Technical Institutes	\$131,651	\$282,198	\$413,849
Total	\$11,608,509	\$16,197,601	\$27,806,110

	FY2012
	Federal
ED Jobs Supplemental Award	\$388,367

Utilizing FY2012 One-time General Funds

	FY2013	FY2013	FY2012	Total
	Move to 3.0%	1.5%		
State Aid	\$3,937,282	\$8,437,031		\$12,374,313
Provider Inflation	\$4,059,042	\$5,036,748		\$9,095,790
Board of Regents	\$3,480,534	\$2,441,624		\$5,922,158
Technical Institutes	\$131,651	\$282,198		\$413,849
State Employees			\$12,489,279	\$12,489,279
Total	\$11,608,509	\$16,197,601	\$12,489,279	\$40,295,389

	FY2012
	Federal
ED Jobs Supplemental Award	\$388,367

FY2013 Employee Compensation Recommendation

	General	Federal	Other	Total
Across the Board 3%	\$8,742,059	\$5,297,649	\$10,117,096	\$24,156,804
Job Worth	\$2,717,006	\$1,943,385	\$2,996,128	\$7,656,519
Health Insurance	\$948,848	\$598,814	\$1,015,553	\$2,563,215
TOTAL	\$12,407,913	\$7,839,848	\$14,128,777	\$34,376,538

FY2013 Recommended Expense Overview

General Funds	Major Ongoing Increases
\$36,915,684	ARRA (DOE \$26.3; BOR \$10.6)
\$19,860,729	FMAP @2.73%
\$13,300,584	State Aid & Tech Institutes @2.3%
\$12,136,323	Employee Compensation Package
\$8,212,997	Inflation
\$1,559,474	Cut Restoration
\$788,371	Eligibles & utilization growth (XIX et. al)
\$194,605	Various Increases/Decreases
\$92,968,767	TOTAL ONGOING INCREASE
General Funds	One-time General Funds
\$12,788,162	State Aid & Tech Institutes
\$9,095,790	Provider Inflation
\$5,922,158	Board of Regents
\$27,806,110	TOTAL ONE-TIME INCREASES

FY2012 General Bill General Fund Proposed Amendments

	FTE	General	Federal	Other	Total
State Employee one-time Pmt		\$12,489,279	\$5,692,174	\$13,210,064	\$31,391,517
Workforce		\$5,287,000			\$5,287,000
DOT Railroad Trust Fund		\$4,000,000			\$4,000,000
BOA M&R Projects		\$1,650,425			\$1,650,425
DOH Flu Vaccine		\$349,000			\$349,000
DOC Correctional Healthcare		(\$349,000)			(\$349,000)
DOC Corrections Officers	3.0	\$39,331		\$78,662	\$117,993
DVA SVH Medicaid Accountant	0.6	\$6,946	\$3,836	\$16,173	\$26,955
DOC Teachers	4.0	(\$23,895)			(\$23,895)
TOTAL	7.6	\$23,449,086	\$5,696,010	\$13,304,899	\$42,449,995

EMERGENCY SPECIALS

FY2012 Emergency Specials

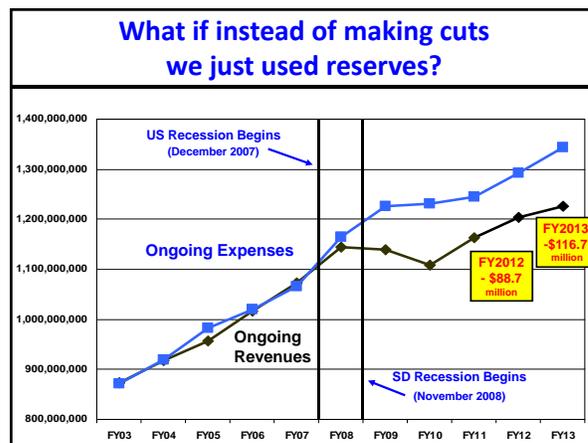
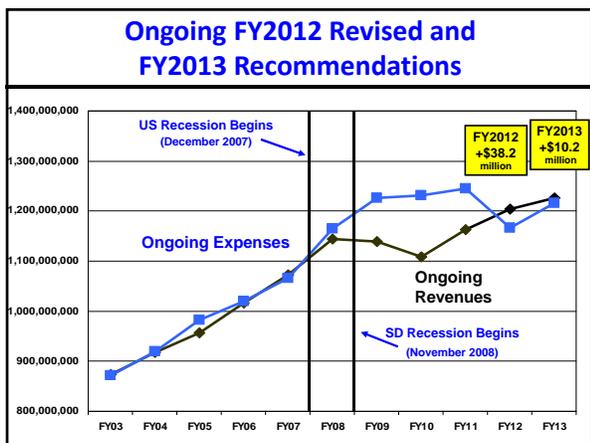
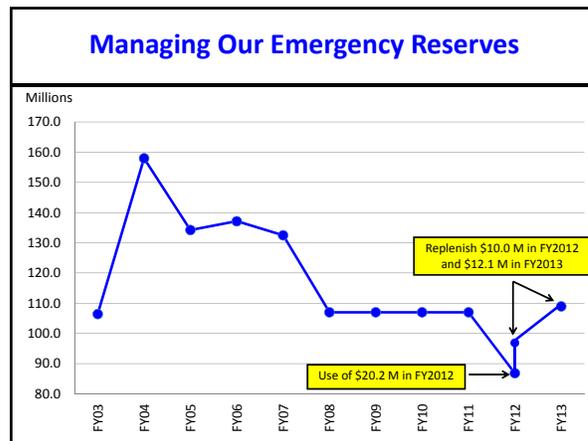
BUDGET RESERVE	General	Federal	Other	Total
Emergency & Disaster Fund (Flood)	\$14,008,369			\$14,008,369
Fire Suppression for Pine Beetles	\$6,146,646			\$6,146,646
TOTAL	\$20,155,015			\$20,155,015
	General	Federal	Other	Total
Fire Suppression Fund	\$1,300,731			\$1,300,731
Extraordinary Litigation Fund	\$1,042,828			\$1,042,828
Veterans' Bonus Program	\$1,000,000			\$1,000,000
Tax Refunds Elderly/Disabled	\$500,000			\$500,000
SDDA Construction (CREP savings)	\$400,000			\$400,000
Physician Tuition Reimbursement	\$135,398			\$135,398
Water Omnibus Bill		\$700,000	\$16,800,000	\$17,500,000
TOTAL	\$4,378,957	\$700,000	\$16,800,000	\$21,878,957

Uncertainties

- 💧 Failure of the "Super Committee" of Congress to trim the deficit makes federal budget uncertain
- 💧 South Dakota's budget allocations from the federal budget are in jeopardy
- 💧 Sluggish global economy drags down SD recovery and growth
- 💧 Unfunded costs of Healthcare Reform are looming

New Budget Bottom Line

	FY2012	FY2013
Total Recommended Receipts	\$1,236,117,964	\$1,255,412,829
Total Recommended Expenses	\$1,198,311,854	\$1,243,304,726
Obligated for FY2013 Expenses	\$27,806,110	\$0
Uncommitted Contingency (Reserves)	\$10,000,000	\$12,108,103



- ### Unlike Washington, D.C..... SD balances its budget
- Already doing as a matter of policy
 - Proposing a Constitutional Mandate
 - Governor must propose balanced budget every year
 - Legislature must enact a balanced budget every year
 - Protects SD and its citizens from the crisis Washington, DC has created
 - Increases our credit rating by reassuring our bondholders we plan to live within our means

- ### Showing a Better Way
- Balance our budget
 - Create stability in state government
 - Avoid raising taxes
 - Earn a higher credit rating
 - Make the tough decisions so we can focus on increases not cuts

A Stronger South Dakota

