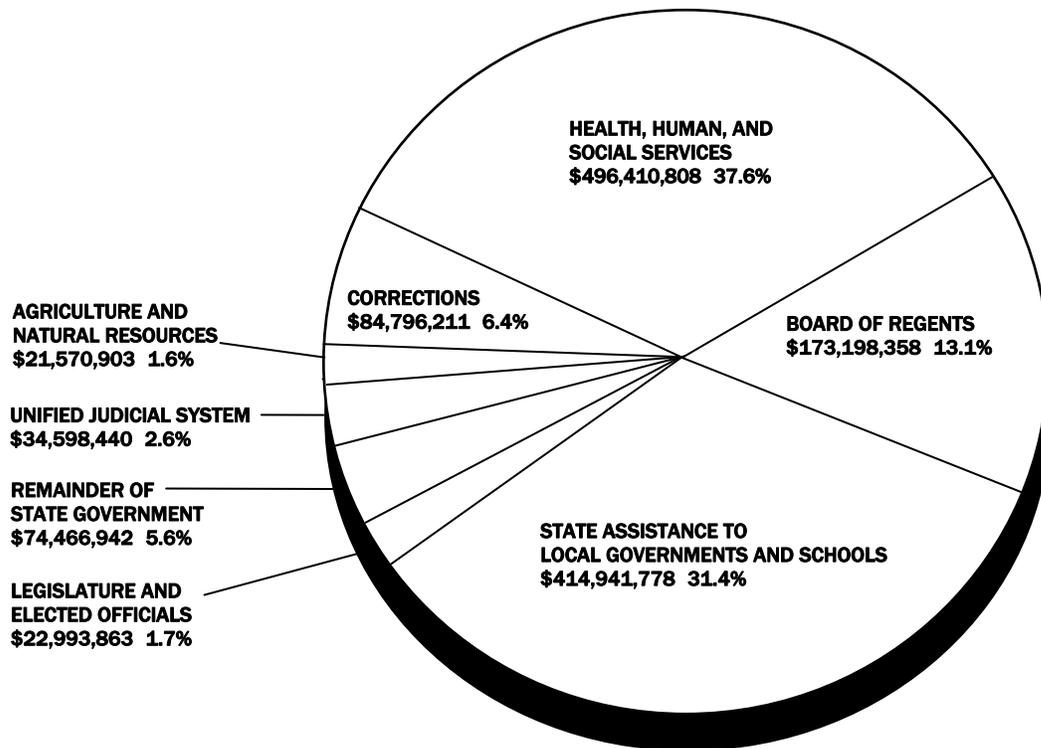


STATE OF SOUTH DAKOTA SUMMARY OF GOVERNOR'S BUDGET FISCAL YEAR 2014

BEGINNING JULY 1, 2013

ENDING JUNE 30, 2014

OUR 124th YEAR OF A BALANCED BUDGET



DENNIS DAUGAARD, GOVERNOR

TABLE OF CONTENTS

SUMMARY OVERVIEW	1
U.S. AND SOUTH DAKOTA ECONOMIC FORECAST.....	2
U.S. ECONOMY	2
SOUTH DAKOTA ECONOMY	6
REVENUE ESTIMATES	10
BUDGET RESERVE	13
COMPARISON BETWEEN LEGISLATIVE AND REVISED ESTIMATE FOR FY2013.....	14
COMPARISON BETWEEN FY2012 AND FY2013 REVENUE COLLECTIONS.....	15
COMPARISON BETWEEN FY2013 AND FY2014 REVENUE COLLECTIONS.....	16
GENERAL FUND RECEIPTS.....	17
RECOMMENDED EXPENDITURES	18
SUMMARY OF RECOMMENDED BUDGET ADJUSTMENTS.....	20
SPECIAL APPROPRIATION RECOMMENDATIONS	40
GOVERNOR'S RECOMMENDATION FOR STATE EMPLOYEE COMPENSATION.....	44
GOVERNOR'S FY2014 GENERAL FUND RECOMMENDATIONS.....	45
GENERAL FUND CONDITION STATEMENT.....	46
TOTAL STATE GOVERNMENT BUDGET (EXCLUDING INFORMATION BUDGETS)	47
INFORMATION BUDGETS CONTAINED IN THE GENERAL APPROPRIATIONS BILL.....	48
TOTAL STATE GOVERNMENT BUDGET (INCLUDING INFORMATION BUDGETS).....	49

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SUMMARY OVERVIEW

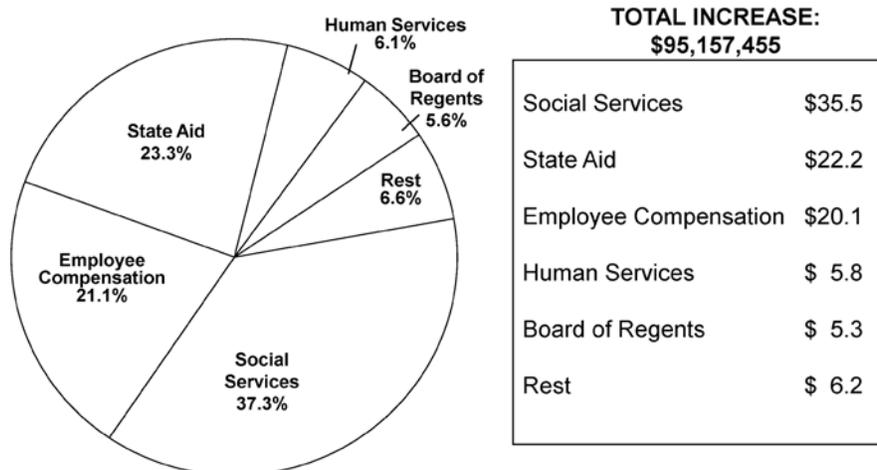
Governor Daugaard is recommending a budget (including special appropriations) for FY2014 totaling \$4,112,260,014, and 13,810.0 FTE. This represents an overall decrease of \$54,002,540 in total funds and an increase of 114.1 FTE over FY2013. For FY2014, the Governor is proposing a general fund budget of \$1,322,977,303, which is an increase of \$48,196,767 over the FY2013 budget. The proposed FY2014 general fund budget is distributed as follows:

- \$412.5 million, or 31.2% for Aid to Schools;
- \$496.4 million, or 37.5% for Health, Human, and Social Services;
- \$173.2 million, or 13.1% for Higher Education;
- \$ 84.8 million, or 6.4% for Corrections;
- \$ 57.6 million, or 4.4% for the Legislature, Unified Judicial System, Public Utilities Commission, and Elected Officials;
- \$ 21.6 million, or 1.6% for Agriculture; Environment and Natural Resources; and Game, Fish, and Parks; and,
- \$ 76.9 million, or 5.8% for the Remainder of State Government.

The graph below depicts the FY2014 recommended general fund increases, excluding special appropriations and including the employee compensation package.

FY2014 General Fund Increases

Excluding Special Appropriations and Including Employee Compensation Package



U.S. AND SOUTH DAKOTA ECONOMIC FORECASTS

U.S. ECONOMY

RECENT ECONOMIC ACTIVITY

The US economy experienced modest growth in the first three quarters of 2012 as businesses and consumers remained cautious about the current state of the economy. Fears of a “double-dip” recession from just a few months ago have subsided as third quarter economic growth was slightly better than anticipated due to higher than estimated consumer spending. Overall, economic growth since the 2007-2009 recession continues to be below average. Although the US economy has been recovering for more than three years, the unemployment rate remains elevated at 7.9% and employment levels are still 4.3 million lower than the employment level realized prior to the economic recession. The current economic outlook assumes continued sluggish growth with positive and negative risks to the outlook roughly balanced at the present time. Extreme uncertainty over domestic fiscal policy, the European debt situation, and overall global economic growth continue to weigh on the outlook.

The “fiscal cliff” has been the main domestic focus regarding the US economy. The fiscal cliff is a combination of spending cuts and tax increases that is effective on January 1, 2013 if the US Congress allows current law to take effect. Most economists as well as the Congressional Budget Office (CBO) forecast the US economy sinking into a recession in 2013 if the tax increases and cuts take effect. The economic impact of the spending cuts and tax increases are estimated to decrease 2013 real GDP by approximately 3% according to the CBO. The extent and timing to which this fiscal shock is addressed will have a major impact on the short term economic outlook in the weeks ahead.

The Federal Reserve continues to have limited monetary options to help support the US economy as the primary tools were exhausted during the recession. The most recent change in policy by the Federal Reserve is a bond purchasing program. The Federal Reserve will purchase \$40 billion in agency mortgage-backed securities per month, helping to keep long term interests rates low. No end-date or dollar limit has been placed on this program.

The Fed continues to promote a low interest rate policy as the target range for the federal funds rate continues to be 0%-0.25%. It is anticipated to remain at this low level through mid-2015.

Although US economic growth lost momentum during early 2012, recent signs indicate the economy continues to grow in the second half of 2012.

The following are recent key national economic statistics:

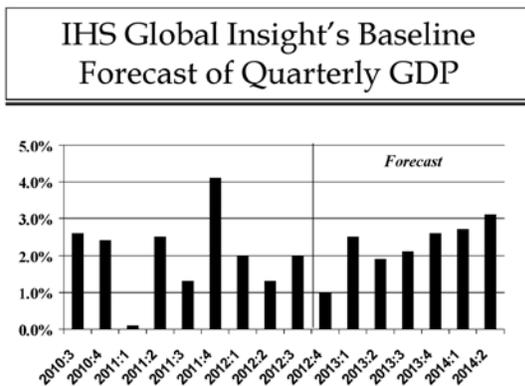
- Advance estimates indicate real GDP grew 2.0% in the third quarter of 2012, which is stronger growth than the economic growth from the second quarter of 1.3%.
- The unemployment rate was 7.9% in October, which was 0.1% higher than the prior month. The current rate is 1.0% lower than October of 2011.
- The Institute of Supply Management’s (ISM) manufacturing report on business was 51.7 in October, up from 51.5 in September. This was just the 2nd consecutive month the index has been above 50 after 3 months of sub 50 readings during the summer. A reading above 50 usually indicates the manufacturing sector is expanding.
- The ISM non-manufacturing report on business remained relatively stable at 54.2 in October compared to 55.1 in September. A reading above 50 indicates the non-manufacturing sector is expanding.
- Business sector labor productivity grew by 1.9% in both the second and third quarters of 2012. The labor productivity gains were primarily due to a 3.2% increase in hourly output for the third quarter.
- U.S. personal income increased at an annual rate of 4.0% in the second quarter, but growth softened to just 2.7% in the third quarter of 2012. Personal income declined 4.8% in 2009, and grew 3.8% in 2010 and 5.1% in 2011.
- Real personal spending increased 1.5% in the second quarter and 2.0% in the third quarter of 2012. The third quarter increase was led by a solid increase in durable goods spending of 8.5%.
- Total construction spending was up 0.6% in September compared to August. Private construction was up 1.3%, while public construction declined 0.8% compared to the prior month.

NATIONAL FORECAST HIGHLIGHTS

This section summarizes IHS Global Insight's forecast as of November 2012 for various categories of the U.S. economy. IHS Global Insight is one of the most respected economic forecasting firms in the world.

GDP: The US economy lost momentum during the second quarter as soft employment gains slowed consumer spending and government spending continued to decline. Several months of meager job growth had escalated the prospects that the US economy would enter into an economic recession again in late 2012. However, modest employment gains returned in the third quarter leading to increased consumer spending. In addition, the housing sector continued to improve, helping to alleviate fears of another recession. Currently, IHS Global Insight believes the upside and downside economic risks are roughly balanced in the short term. Global Insight's baseline forecast is for continued below average economic growth over the next several quarters. Growth is expected to be slow through the remainder of 2012 and the first half of 2013 as businesses and consumers continue to face extreme uncertainty regarding fiscal policy in the short and long term.

In the first three quarters of this year, GDP grew 2.0%, 1.3%, and 2.0%, respectively. In the fourth quarter, GDP growth is forecast to grow 1.0%. In the four quarters in 2013, IHS Global Insight is projecting GDP growth of 2.5%, 1.9%, 2.1%, and 2.6%. In 2014, GDP is forecast to increase 2.7% in the first quarter and 3.1% in the second quarter.



On an annual basis, GDP grew 1.9% in 2007, decreased 0.3% in 2008 and 3.1% in 2009, and grew 2.4% in 2010 and 1.8% in 2011. IHS Global Insight's latest forecast projects GDP to grow 2.1% in 2012, 1.9% in 2013, and 2.8% in 2014.

CONSUMERS: Consumer spending is a key component causing economic growth, as consumption accounts for over two-thirds of

economic activity as measured by GDP. Real consumer spending rose 2.3% in 2007. In 2008 and 2009, consumer spending declined 0.6% and 1.9%, respectively, as the recession caused major job losses leading to decreased consumer spending. In 2010 and 2011, consumer spending growth returned with growth rates of 1.8% and 2.5%, respectively. In 2012, real consumption growth has been 2.4%, 1.5%, and 2.0% the first three quarters, and is anticipated to be 1.8% in the fourth quarter. The growth of 2.0% realized in the third quarter was led by an 8.5% increase in spending on durable goods. This recent growth continues to be positive news as consumer confidence continues to improve. Consumer confidence readings have been positive recently as the Reuters/University of Michigan's index of consumer confidence improved by 4.3 points in October, and the Conference Board's consumer confidence index increased by 3.8 points in October. Both indexes are at multi-year highs and are likely being supported by lower gasoline prices. A portion of the increased spending is due to consumers lowering their savings rate during the third quarter. In addition, Hurricane Sandy may negatively impact consumer spending during the fourth quarter. IHS Global Insight expects the 2% payroll tax cut will be extended for 2013 and then phased out over several years, which will help support consumer spending over the forecast period. On an annual basis, real consumption is projected to increase by 1.9% in 2012, with growth improving to 2.3% and 2.8% for 2013 and 2014, respectively.

The personal savings rate (as a percentage of disposable income) was 3.7% in the third quarter of 2012. This was a decline from the 4.0% savings rate registered in the second quarter, which means consumers spent more from savings during the third quarter. This trend cannot continue over the long term. In 2009, 2010, and 2011, the savings rate was 4.7%, 5.1%, and 4.3%, respectively. The savings rate is projected to be 3.7% in 2012, 3.6% in 2013, and 4.0% in 2014.

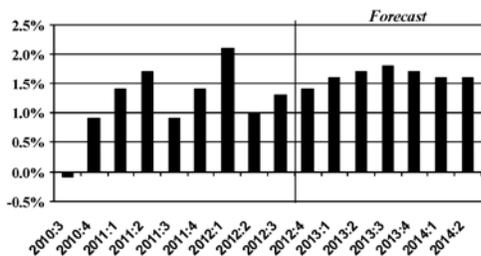
EMPLOYMENT: The latest U.S. payroll employment report indicated total nonfarm employment grew by 171,000 jobs in October. Private sector employment increased by 184,000, which increased the total gains for private payrolls to slightly more than 1.5 million in 2012. Modest growth is expected to continue in 2013, while employment growth is expected to accelerate in 2014 and 2015. The sectors showing gains over the past several months include: wholesale and retail trade, financial activities, professional and business services, education and health services, and leisure and hospitality. Job gains are expected to continue in the fourth quarter of 2012. Total employment is expected to be 1,915,000 jobs higher than the fourth quarter of 2011, representing a 1.5% year over year growth rate. This is still well below the peak

employment level reached before the Great Recession. IHS Global Insight is forecasting employment to return to the original peak level during the fourth quarter of 2014, nearly seven years after the peak was reached in the first quarter of 2008. The current forecast shows total employment to grow 1.9 million jobs in 2012 on an annual basis compared to 2011. In 2013 and 2014, employment growth is estimated to be 2.0 million and 2.3 million jobs, respectively.

The unemployment rate in October increased slightly to 7.9%, which was 0.1% higher than September and 1.0% lower than a year ago. The unemployment rate is expected to continue to recede during 2013 and 2014 as employment growth becomes more robust. On an annual basis, the unemployment rate was 9.3% in 2009, 9.6% in 2010, and 9.0% in 2011. In 2012 and 2013, the unemployment rate is projected to be 8.1% and 7.7%, respectively. In 2014, the unemployment rate is projected to decline to 7.3% and gradually improve thereafter.

In the first quarter of 2012, nonfarm payroll employment realized growth of 2.1%, then growth slowed to just 1.0% in the second quarter (seasonally adjusted annual rate). During the third quarter, the growth rate increased slightly to 1.3%. Positive employment growth is projected at 1.4% in the fourth quarter of 2012, and is expected to continue into 2013 with growth rates of 1.6%, 1.7%, 1.8%, and 1.7% in the four quarters of 2013. In the first two quarters of 2014, payroll employment growth is projected to continue with growth rates of 1.6% and 1.6%, respectively.

IHS Global Insight's Baseline Forecast of Employment Growth



On an annual basis, payroll employment in the US decreased 4.4% in 2009 and 0.7% in 2010, and increased 1.2% in 2011. Payroll employment is forecasted to grow 1.4% in 2012, 1.5% in 2013, and 1.7% in 2014.

HOUSING: Recent data for housing starts has been positive as both multi-family and single family starts registered gains in the third quarter. Residential building permits have reached the highest levels since July of 2008. In addition to the

improvement in starts and permits, home prices have made broad-based gains as the price of median existing homes was up 9.9% in the third quarter of 2012 based on a four quarter percent change. However, even with the encouraging housing data, the housing market is still depressed and the improvement in data is compared to historical low levels. The housing market is expected to improve as long as the economy continues to create jobs.

Total housing starts are projected to be 0.77 million units in 2012 and 0.98 million units in 2013, then grow to 1.29 million units in 2014 as job growth accelerates. In 2009, 2010, and 2011, total housing starts were 0.55, 0.59, and 0.61 million units, respectively. IHS Global Insight is forecasting the median price of existing homes to increase by 5.9% in 2012. In 2013 prices are expected to be flat at 0.0% and then increase by 2.0% in 2014.

INFLATION: The third quarter Consumer Price Index (CPI) increased at a 2.3% annual rate as energy prices helped boost the headline inflation rate. Core CPI (excludes food and energy prices) increased at a 1.5% rate in the third quarter. Global Insight expects prices to ease in the fourth quarter since energy prices have dropped and wage inflation is still relatively weak. IHS Global Insight expects headline inflation to ease to 1.8% in the fourth quarter, with the core CPI growing slightly to a 1.7% rate. The October CPI increased just 0.1% from September to October on a seasonally adjusted basis, an early signal that inflation should ease in the fourth quarter. Increases in food prices are anticipated over the next year due to the widespread drought across the Midwest during 2012. However, IHS Global Insight believes high inflation is not a concern in the short term as slower growth in China combined with the current recession in Europe will continue to keep downward pressure on prices.

The CPI decreased 0.3% in 2009, and then increased 1.6% in 2010 and 3.1% in 2011. The CPI is forecasted to increase 2.1% in 2012, 1.3% in 2013, and 1.8% in 2014. The producer price index for finished goods declined 2.5% in 2009, and then increased 4.2% in 2010 and 6.0% in 2011. It is expected to increase 2.1% in 2012, 1.0% in 2013, and 0.8% in 2014.

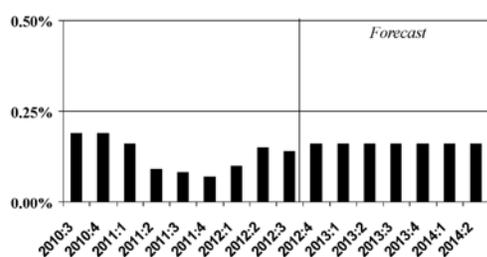
MONETARY AND FISCAL POLICY: Monetary and fiscal policy was very aggressive during the economic recession. The Federal Reserve utilized traditional as well as other liquidity and quantitative easing programs in an effort to support financial markets and the economy. In terms of fiscal policy, the federal government enacted a \$787 billion economic stimulus package in early 2009 as well as a temporary cut in payroll taxes for employees in 2011, which was extended into 2012. These actions

helped stabilize the economy during and after the recession.

In September, the Federal Reserve eased monetary policy again through additional quantitative easing. Under this program, the Federal Reserve intends to buy \$40 billion of mortgage-backed securities per month with the goal of keeping interest rates low for a longer period of time to continue supporting the housing market. No end-date or total dollar amount was placed on this most recent program as the Federal Reserve will continue to purchase additional bonds until the labor market improves sufficiently. The Federal Reserve continues to see economic activity expand at a moderate rate, though employment growth has been slow and the unemployment rate is still elevated. The Federal Reserve now plans to keep the federal funds rate exceptionally low until at least mid-2015. This timeframe has been extended twice in the past year. The “fiscal cliff” is also a major concern for the Federal Reserve; they have warned that any available monetary tools are not enough to offset the effects of a severe fiscal shock to the economy.

Currently, the federal funds target rate remains at the record low range of 0%-0.25% since it was set in December of 2008. IHS Global Insight expects the Federal Reserve to leave the federal funds rate at the current range until September 2015; then it will begin to gradually raise rates.

IHS Global Insight’s Baseline Forecast of the Federal Funds Rate



Since the 2012 election is now over, all attention is focused on fiscal policy in the short term and how the President and Congress will deal with the “fiscal cliff” taking effect under current law. The fiscal cliff is a series of tax increases as well as cuts to government spending that would take effect in January 2013. The fiscal cliff is the biggest potential downside risk facing the United States economy in 2013. A rapid resolution to the fiscal cliff in the coming weeks is also considered a potential upside possibility as uncertainty would be reduced. The uncertainty of how or when the fiscal cliff will be managed is holding back investment decisions for companies across the United States. IHS Global Insight assumes in the current economic forecast that

policy makers will be forced into compromise and Congress will pass a short term extension of current policy which would allow time for a comprehensive multiyear deficit-reducing program. If the fiscal cliff is not avoided, it is likely to bring the US economy into an economic recession in 2013.

The unified federal deficit for fiscal year 2012 is \$1,089 billion, which is \$208 billion lower than fiscal year 2011. This deficit represents approximately 6.9% of GDP, a historically high level for the US. IHS Global Insight forecasts a slightly smaller deficit of \$928 billion in federal fiscal year 2013 assuming the fiscal cliff is avoided and a comprehensive deficit reduction program is enacted containing both entitlement spending cuts as well as tax increases over the next several years.

Real federal government purchases grew 7.2% in 2008, 6.1% in 2009, and 4.5% in 2010, and then declined 2.8% in 2011. Real federal government purchases are expected to decline 1.7% in 2012, 2.8% in 2013, and 3.2% in 2014, as both defense and non-defense spending is expected to decrease.

INTERNATIONAL: Global economic growth has been weak in 2012 due to a recession in the European economy as well as a slowing Chinese economy. European policy makers have made progress on the ongoing sovereign debt crisis through the recently launched European Stability Mechanism (ESM). The ESM is a stronger backstop for the euro currency than previous programs which will provide financial assistance to countries through direct purchases of government bonds through the ESM. The Chinese economy has softened recently as GDP for the third quarter grew 7.4% year-over-year, down slightly from the second quarter and lower than the double digit increases experienced in the mid-2000's.

In terms of GDP, global economic growth is projected to be weak at 2.5% in 2012 and 2.6% in 2013 and then accelerating in 2014. China's economic growth is expected to stabilize in 2013 after slipping during 2012 due to weak export growth to the United States and Europe. China's real GDP grew 9.2% in 2011, is expected to slow to 7.5% in 2012, and pick up slightly to 7.7% growth in 2013. The forecasts for real GDP growth for 2013 for the United States, Eurozone, Japan, and Canada are 1.9%, -0.4%, 0.9%, and 2.0%, respectively.

The U.S. trade deficit improved in September to \$41.5 billion compared to \$43.8 billion in August as exports grew at a faster rate than imports. The largest improvement was due to an increase in domestic oil production, which helped narrow the trade deficit during September. This improvement could result in third quarter GDP figures in being revised higher. After growing an estimated 3.3% in

2012, real export growth is expected to slow to 3.1% in 2013 due to a continued Eurozone recession and slower emerging market growth. Overall, IHS Global Insight forecasts the real trade deficit to be \$411.9 billion in 2012, then increase to \$448.9 billion in 2013 and \$484.2 billion in 2014.

RISKS TO THE FORECAST

The US economy continued a modest pace of growth during 2012. Increases in consumer spending along with an improving housing market helped push the economy to 2.0% GDP growth in the third quarter, which was an improvement from the second quarter growth rate of 1.3%. However, at present, both negative and positive risks are present, most notably the immediate fiscal cliff facing the US economy and the timeliness in which it is managed.

A 20% probability exists that U.S. economic growth is much stronger than the baseline forecast if the US fiscal cliff is addressed in a timely manner and the housing market accelerates in 2013. In IHS Global Insight's optimistic scenario, GDP is projected to grow 2.2% in 2012, followed by robust growth of 3.3% in 2013 and 4.0% in 2014. The optimistic scenario assumes the President and the new Congress quickly come to a credible compromise on taxes and spending. This reduces uncertainty and leads to rapid and sustained improvements in labor and housing markets which fuels increased consumer spending. In addition, improvements in the European and Chinese economies help boost foreign demand. Overall, the optimistic assumptions anticipate a much better economic outlook than the baseline scenario and assume the economy will return to strong growth in 2013 and 2014.

While some signs of improvement exist, concerns still remain including continued fiscal policy gridlock in Washington and the ongoing European debt crisis, which is causing extreme uncertainty. IHS Global Insight's pessimistic scenario has a 20% probability of occurring. The pessimistic scenario forecasts the US economy would slip into another recession in early 2013. In this scenario, political gridlock allows the US economy to go over the fiscal cliff at least for a brief time. This severe fiscal contraction has a severe impact to the economy. In addition, the European debt crisis worsens with Greece exiting the Eurozone in early 2013. This creates panic in financial markets and cause banks, businesses, and consumers to become extremely cautious. This, combined with fiscal tightening, push the US economy into a recession. In the pessimistic scenario, GDP falls 0.5% in 2013 as growth is negative for the first two quarters of the year and the unemployment rate approaches 9% by late 2013. In the pessimistic forecast, GDP grows 2.1% in 2012, declines 0.5% in 2013, and grows 1.3% in 2014.

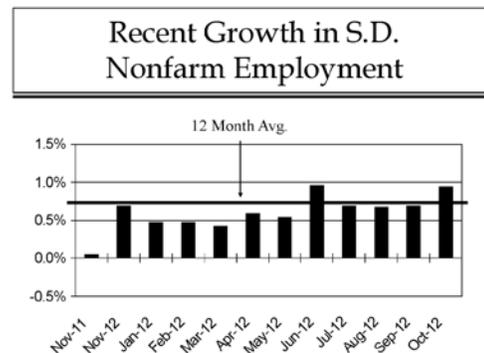
SOUTH DAKOTA ECONOMY

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, as it is considered by most economists as the most timely and comprehensive measure of the performance of a state's economy.

Nonfarm employment growth in South Dakota increased at an average rate of 1.4% from 2002 through 2008, approximately 0.6% higher than the U.S. nonfarm employment growth rate of 0.8% over the same time period. However, the 2007-2009 economic recession caused declines of 1.9% and 0.2% during 2009 and 2010 in South Dakota's employment. In 2011, positive growth returned at 0.7%. So far in 2012, employment growth has registered positive gains as the labor market continues to recover from the severe national recession.

South Dakota had relatively strong employment growth in 2006, 2007, and 2008, adding 8,500, 7,900 and 4,900 jobs, respectively. However, the national recession led to 7,700 job losses during 2009 and 500 job losses in 2010. In 2011, nonfarm employment grew 3,000 jobs, the first annual gain since 2008. In October 2012, nonfarm employment was up 0.94% over October 2011. The current forecast indicates a growth of 2,800 jobs for 2012 compared to 2011.



The following are some recent key South Dakota economic statistics:

- In the last twelve months (November 2011 through October 2012), nonfarm employment (seasonally adjusted) in South Dakota grew by 0.60% over the same period a year ago. Sectors that experienced growth in the last twelve months were professional and business services (3.77%); manufacturing (2.91%); education and

health services (2.31%); trade, transportation, and utilities (1.30%); and financial activities (0.30%). Sectors which have experienced losses over the past 12 months include: mining, logging, and construction (-2.27%); leisure and hospitality (-2.09%); other services (-0.43%); and government (-0.93%).

- The unemployment rate in South Dakota was the third lowest in the U.S. in October at 4.5%. This was 3.4% below the national rate of 7.9% in October, and 0.1% higher than South Dakota's unemployment rate from October of 2011.
- During the twelve-month period from November 2011 through October 2012, the number of titles issued for new noncommercial vehicles was 39,123, which is an increase of 4,415, or 12.7%, over the prior twelve-month period.
- The total number of residential units authorized by building permits issued January through September of 2012 was 3,318, which was up 858 units from the same time period in 2011. The value of residential building permits issued year-to-date in 2012 was \$488.6 million. This is an increase of \$122.5 million from the first 9 months of 2011.

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: The economic impact in South Dakota from tourism totaled \$1.76 billion in 2011, a record high in South Dakota. This was a 1.5% growth in economic impact compared to 2010, which was less than historical growth rates. The softer growth rate experienced in 2011 was largely due to record Missouri River flooding during the summer of 2011 which discouraged visitors across the state.

Tourism has been relatively strong thus far in 2012 as the sector rebounded from the 2011 Missouri River flooding. Visitation at South Dakota state parks increased 19% in the first 9 months of 2012, while national parks registered an increase of 5% through the first 9 months of 2012 compared to 2011. The tourism taxable sales registered a 6.9% increase in the first 9 months of 2012 compared to the prior year, and hotel occupancy rates are up 4.4% year-to-date in 2012. Based on the strong visitation figures and increases in taxable sales, the outlook for the South Dakota tourism industry is

optimistic heading into 2013 as the economy continues to recover and the state continues to promote South Dakota as a travel destination.

AGRICULTURE: In 2011, the agricultural economy in South Dakota produced cash receipts of \$9.41 billion, which was an increase of \$1.94 billion from 2011 (excluding government payments). Crops generated \$5.96 billion and livestock generated \$3.45 billion in 2011. The record high level of receipts realized in 2011 is due to good production and record high prices for many crops as well as high livestock prices for most of the year.

Crop production in 2011 was mixed compared to 2010, but was overall a strong production year. In 2011, corn for grain production totaled 653.4 million bushels up from 2010's production of 569.7 million bushels due to more acres harvested. The average yield of 132 bushels per acre was down slightly from 2010's yield of 135 bushels. Soybean production was 150.6 million bushels, a decrease compared to 2010's production of 157.3 million bushels due to fewer acres harvested in 2011. Wheat production was down in 2011 compared to 2010 due to lower yields. Livestock production in 2011 was similar to 2010 levels. The 2011 calf crop totaled 1.62 million head compared to 2010's production of 1.65 million head. The pig crop in 2011 was 3.70 million head, which was up 5.7% from 2010.

Crop production levels are down for South Dakota producers in 2012 as widespread drought conditions impacted South Dakota as well as many states across the Midwest. According to the National Agricultural Statistics Service, as of November 1, corn production is projected to be 502.9 million bushels, down 23% compared to 2011. The corn yield is estimated to be 94 bushels per acre, down 38 bushels from last year's yield. Soybean production is expected to be 130.2 million bushels, down 14% from a year ago, with a yield of about 28 bushels per acre, down 9 bushels from the 2011 yield. Overall farm income for 2012 is expected to be slightly lower compared to 2011 due to lower production. However, crop insurance as well as high crop prices will offset much of the lower crop production due to drought conditions. As of November 1, South Dakota's 1,000+ capacity feedlots reported 220,000 cattle on feed for the slaughter market, which was down 20,000 head of cattle from a year earlier and up 25,000 from a month earlier.

The Council's outlook for the agricultural economy is cautious for 2012, yet optimistic over the medium and long term. Strong domestic and worldwide demand is expected to continue to keep prices high, leading to a healthy agriculture economy in the future. However, drought conditions are still present across much of the state and a second year of widespread drought during 2013 poses a risk to the

agriculture economy. An additional threat is the possibility of declining farm real estate values. Although a sharp decline in value is not expected, any decline in farm real estate value would adversely impact the agricultural sector in the short term.

CONSTRUCTION: So far in 2012, construction activity has improved compared to 2011, but activity still remains below the peak level reached before the 2007-2009 national recession. Total housing units authorized by residential building permits over the past 12 months (October 2011 – September 2012) were higher by 655 units and the value of permits was \$77.11 million higher than the same time period a year earlier.

Although the residential and commercial construction market was impacted by tight credit availability and higher supply during the recession, interest rates continue to be very attractive and house prices are more affordable. The Council believes construction activity will continue to grow as long as the economy continues to create jobs in 2013 and 2014.

SOUTH DAKOTA FORECAST HIGHLIGHTS

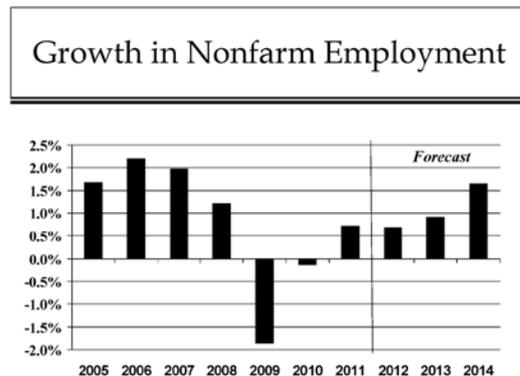
IHS Global Insight's forecast of the national and state economy and the input of the Council of Economic Advisors were incorporated into the forecast of South Dakota's economy. This section summarizes various categories of the latest forecast for the South Dakota economy.

The South Dakota economy has been in a recovery phase for nearly three years as increases in employment, income, and overall spending have been rebounding since early 2010. However, the pace of the recovery has been mixed, with employment growth being sluggish but income growth being stronger. Strength in the agriculture sector has supported income growth directly and indirectly as high commodity prices combined with healthy farm production (prior to the 2012 drought) have helped boost South Dakota's economy in an uncertain national and global economy. Overall, South Dakota's economy is expected to continue to grow at a moderate pace in 2013 and into 2014.

EMPLOYMENT: South Dakota has several advantages over other states which account for its ability to grow employment. Some of these advantages include a pro-business environment, a central geographic location, a low cost of doing business, and a high quality of life. These competitive advantages are expected to continue to enhance employment growth in the future.

Between 1990 and 2000, nonfarm employment in South Dakota grew at an average annual rate of 2.7%, which was significantly higher than the national average annual growth rate of 1.9% over the

10 year period. The majority of additional jobs in South Dakota during this period occurred in the manufacturing, construction, and service sectors. During and after the 2001 national recession, South Dakota nonfarm employment growth slowed to 0.2% in 2001, declined 0.3% in 2002, then rose 0.2% in 2003. Over the next four years, employment growth accelerated to 1.4% in 2004, 1.7% in 2005, 2.2% in 2006, and 2.0% in 2007. In 2008, when the U.S. economy was officially in a recession, South Dakota still obtained a 1.2% growth in employment. However, in 2009 and 2010, employment declined 1.9% and 0.1%, respectively, as the national recession caused major job losses in manufacturing, construction, professional and business services, and financial service sectors. In 2011, employment grew 0.7%, the first annual gain since the national recession. For 2012, the employment levels are expected to grow 0.7% compared to 2011 on an annual basis. In 2013 and 2014, nonfarm employment growth is projected to accelerate, growing 0.9% and 1.6%, respectively. In 2012, on an annual basis, the sectors projected to post gains are manufacturing, professional and business services, wholesale and retail trade, health and education services, financial activities, and leisure and hospitality. Employment losses projected on an annual basis in 2012 are in logging, mining, and construction, and government. In 2013, annual employment increases are projected across all sectors with the exception of logging, mining, and construction. In 2014, the recovery is projected to improve with growth expected to return in all major employment sectors.

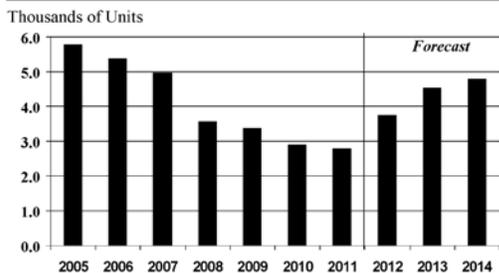


HOUSING: Favorable interest rates and changing demographics in the state contributed to a strong housing sector from 1998 through 2005 with the number of housing starts in South Dakota increasing each year. From 2005 through 2011, the number of housing starts in South Dakota declined each year. However, so far in 2012, the housing market has improved as evidenced by increased building permits as well as the increase in value of building permits.

The housing market is expected to continue to improve in 2013 and 2014 as the economy continues

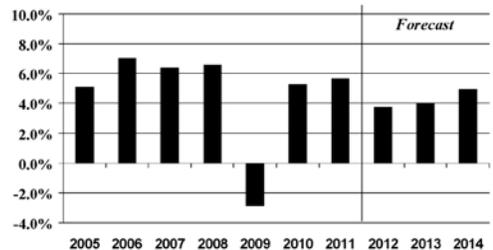
to create jobs. Mortgage rates are projected to remain attractive as the Federal Reserve continues to maintain a low interest rate policy. As job growth rises in 2013 and 2014, housing starts are expected to improve, but will continue to be below levels realized during the early part of this decade. Housing starts were 2,780 in 2011 and are projected to be 3,750 in 2012, 4,530 in 2013, and 4,780 in 2014.

Housing Starts



INCOME: Between 1990 and 2000, the average annual growth rate in nonfarm personal income in South Dakota grew at an average rate of 6.2%, which was higher than the US average growth of 5.9% over the same time period. However, due to the 2001 recession and declines in nonfarm employment, income growth slowed both in South Dakota and in the US. Nonfarm personal income in South Dakota grew 7.2% in 2001, 4.5% in 2002, and 4.0% in 2003. From 2004 through 2008, nonfarm income growth rebounded with growth rates of 5.6%, 5.1%, 7.0%, 6.4%, and 6.6%, respectively. The higher growth rates in those years were due to strong employment increases and a growing economy. However, in 2009, the national economic recession caused nonfarm personal income to decline 2.8%. This was the first annual decrease in nonfarm personal income in South Dakota since 1937. In 2010 and 2011, nonfarm personal income increased by 5.3% and 5.7%, respectively, in South Dakota as the economy recovered. Nonfarm income growth is forecasted to increase by 3.7% in 2012, due to sluggish employment growth and increased confidence in the economy. In 2013 and 2014, the forecast is for growth to improve to 4.0% and 4.9%, respectively, reflecting continued moderate growth along with low inflation expectations.

Growth in Nonfarm Personal Income



RISKS TO THE FORECAST

The Council of Economic Advisors sees some key risks to the current forecast. The biggest risk to South Dakota's economy would be the national economy sliding back into a recession during 2013. The national economy is growing, but extreme uncertainty exists regarding fiscal policy and how the upcoming "fiscal cliff" will be managed. Other negative risks include the ongoing European debt-crisis as well as possible oil price shocks as a result of conflict in the Middle East. Also, a risk to the agriculture economy is the possibility of another year of drought during 2013. A second year of extremely dry growing conditions would decrease farm income in South Dakota for the second year in a row and would have a more profound impact on the state's economy in 2013.

If any of the negative risks were to occur, employment levels and income would experience additional declines in the short term, leading to lower consumer spending, slower economic growth, or possibly an economic recession in the short term.

The main positive risk is the possibility of the President and Congress to come a quick compromise regarding the "fiscal cliff" as well as a credible deficit reduction plan. If policymakers are able to resolve these issues in a timely manner, this would greatly reduce uncertainty currently holding back business growth and investment in the US economy. This could lead to more robust economic growth for South Dakota as well as the United States over the forecast period.

REVENUE ESTIMATES

SUMMARY

General fund receipts for FY2013 are forecasted at \$1,339.2 million. Ongoing receipts comprise \$1,257.5 million of the total, and one-time revenues comprise \$81.7 million of the total, which includes \$75.7 million of obligated cash carried forward from FY2012. The ongoing estimate for FY2013 includes an increase of \$21.5 million from actual FY2012 ongoing receipts. Categories forecasted to show major increases in FY2013 include the sales and use tax (+\$25.1M), property tax reduction fund (PTRF) receipts (+\$5.5M), the insurance company tax (+\$2.7M), the contractor's excise tax (+\$1.6M), and charges for goods and services (+\$1.0M). Major forecasted decreases are the categories of bank franchise tax (-\$6.8M), investment income and interest (-\$4.5M), and transfers from the trust funds (-\$3.2M).

The revised ongoing estimate for FY2013 is \$24.0 million more than the ongoing estimate adopted during the 2012 legislative session. Major positive adjustments for the revised FY2013 estimate are for the contractor's excise tax (+\$10.5M), the sales and use tax (+\$6.4M), PTRF receipts (+\$5.7M), charges for goods and services (+\$2.6M), and severance taxes (+\$1.1M). The most significant downward revisions are for the bank franchise tax (-\$3.3M) and licenses, permits, and fees (-\$1.1).

General fund receipts for FY2014 are projected to be \$1,333.1 million. Ongoing revenues are forecasted to be \$1,320.5 million. One-time receipts are expected to be \$12.6 million. The forecast for ongoing receipts in FY2014 is an increase of \$63.1 million from the revised FY2013 projection. The most significant sources of growth are the sales and use tax (+\$32.9M) charges for goods and services (+\$15.0M), the contractor's excise tax (+\$5.4M), PTRF receipts (+\$5.0M), the insurance company tax (+\$2.8M), and licenses, permits, and fees (+\$1.0M). There are not any major decreases in individual ongoing revenue sources forecasted between the revised FY2013 estimated and the FY2014 forecast.

CURRENT REVENUE FORECAST (Dollars in Millions)

	<u>FY2013</u>	<u>FY2014</u>
Sales and Use Tax	769.6	802.5
Contractor's Excise Tax	84.6	90.0
Bank Franchise Tax	22.9	23.2
Insurance Company Tax	67.8	70.6
Property Tax Reduction Fund	107.9	112.9
Other Ongoing Revenues	204.7	221.3
One-Time Receipts	6.0	12.6
Obligated Cash Carried Forward	75.7	0.0
Total Revenue	<u>1,339.2</u>	<u>1,333.1</u>

SALES AND USE TAX

The sales and use tax is the single largest revenue source for the state's general fund and accounts for approximately 61% of ongoing general fund revenue. Between FY1980 and FY2012, the sales and use tax grew from \$140.6 million to \$744.4 million, which was an average annual increase of 5.3%. In FY2002 and FY2003, the growth of sales and use tax collections was soft (1.2% and 3.9%, respectively) due to a national recession and drought conditions impacting the agriculture sector. From FY2004 through FY2006, growth in the sales and use tax was strong (6.8%, 5.1%, and 8.0%) due to the strengthening economy. In FY2007, growth was below average (4.6%) due to drought conditions throughout much of the state. In FY2008, growth in the sales and use tax was above average (6.9%) due to increased employment and a strong farm economy. In FY2009 and FY2010, growth was below average (2.3% and -1.2%) due to a severe national recession causing declines in employment. In FY2011, growth was strong (8.9%) with a strong agriculture sector combined with a recovering economy. In FY2012, growth was slightly below average (4.8%), but still relatively healthy.

Net collections from the sales and use tax in FY2012 were \$744.4 million, which was an increase of \$34.2 million, or 4.8%, compared to FY2011. Through the first four months of FY2013, net sales and use tax collections to the general fund were \$268.9 million, which is an increase of 4.8% from the first four months of FY2012 as the economy continues to slowly recover. For the revised FY2013 estimate, the sales and use tax is forecasted at \$769.6 million, which is an increase of \$25.1 million, or 3.4%, compared to FY2012. For FY2014, the sales and use tax is forecasted at \$802.5 million, which is an increase of \$32.9 million, or 4.3%, over the revised FY2013 estimate.

CONTRACTOR'S EXCISE TAX

Collections from the contractor's excise tax account for approximately 7% of ongoing general fund revenues. Construction activity has a direct impact on the growth in the contractor's excise tax collections. Expansion in this activity contributed to the increase in contractor's excise tax collections from \$16.2 million in FY1988 to \$83.0 million in FY2012. In FY2012, net collections to the general fund from the contractor's excise tax grew \$17.3 million, or 26.3%, from FY2011 after adjusting for large construction project refunds. The increase in FY2012 is attributed to an increase in construction activity as well as a much smaller amount of taxes reserved for large construction project refunds.

Through the four months of FY2013, net contractor's excise tax collections were \$33.9 million, an increase of 4.6% compared to the first four months of FY2012. The increase in FY2013 is primarily due to moderate increases in construction activity. Contractor's excise tax collections for FY2013 are forecasted to be \$84.6 million, which is an increase of \$1.6 million, or 1.9%, over FY2012 collections. The estimate for FY2013 has taken into consideration the failure of Referred Law 14, which would have allocated 22% of collections to economic development starting in January 2013. FY2014 collections are forecasted at \$90.0 million, which is an increase of \$5.4 million, or 6.4% compared to the revised FY2013 estimate.

BANK FRANCHISE TAX

Collections from the bank franchise tax historically account for approximately 2% of ongoing general fund revenues. The bank franchise tax is one of the general fund revenue sources impacted more by the national economy than by the South Dakota economy. Historically, 80% of the bank franchise tax collections deposited in the general fund have been generated by bank card institutions. During the late 1980's, collections grew as the national economy experienced strong growth and the use 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 grew. At the beginning of this decade, collections decreased due to the 2001 national recession. However, from FY2003 to FY2007, collections experienced solid growth as the economy recovered from the 2001 economic recession. From FY2008 through FY2011 collections decreased each year as the severe national recession negatively impacted bank franchise tax collections.

Collections from the bank franchise tax were \$29.7 million in FY2012, which was an increase of \$25.0 million from FY2011 as bank income recovered from the national recession. Through the first four months of FY2013, ongoing bank franchise tax collections were \$8.6 million, which was a decrease of \$2.6 million compared to the same time period last year. In FY2013, collections from the bank franchise tax are uncertain as mergers within the banking industry and new financial regulations have caused issues with regard to how much bank income should be allocated to South Dakota and subject to the state's bank franchise tax. FY2013 ongoing collections are projected to be \$22.9 million, which is a decrease of \$6.8 million, or 22.9%, compared to FY2012

collections. Ongoing collections are expected to be \$23.2 million in FY2014, which is an increase of \$0.4 million, or 1.6%, compared to the revised FY2013 estimate. For the FY2013 and FY2014 ongoing estimates, a 10 year average less one standard deviation was used to forecast collections for the bank card portion of the bank franchise tax. However, this \$16.6 million is also being reduced by the same amount as a negative one-time receipt, due to the uncertainty in the short term regarding this revenue source.

INSURANCE COMPANY TAX

Collections from the insurance company tax account for approximately 5% of ongoing general fund revenues. From FY1985 to FY2012, insurance company tax collections grew from \$17.2 million to \$65.1 million, which was an average annual increase of 5.1%. In FY2012, insurance company tax collections were \$65.1 million, which was an increase of \$1.5 million, or 2.3%, compared to FY2011 collections. During the first four months of FY2013, insurance company tax collections were \$27.7 million, which is an increase of 14.3% over the same period in FY2012. For FY2013, insurance company tax collections are forecasted at \$67.8 million, which is an increase of \$2.7 million, or 4.2%, over FY2012 collections. For FY2014, insurance company tax collections are forecasted to be \$70.6 million, which is an increase of \$2.8 million, or 4.1%, over the revised FY2013 estimate.

PROPERTY TAX REDUCTION FUND

The Property Tax Reduction Fund (PTRF) has traditionally been the source from which the state has funded property tax relief. The transfers to the general fund from the PTRF historically accounted for approximately 10% of ongoing general fund revenue. In 1996, the Legislature directed receipts from video lottery to 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 the money in the PTRF be transferred to the state general fund for property tax relief. Additional approved legislation stated 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 had been made. HB 1104, passed by the 2003 Legislature, imposed a tax of 4% on the gross receipts of telecommunication services. Sixty percent of the revenue collected from this tax is deposited in the

PTRF. In 2006, the voters of South Dakota adopted Initiated Measure 2, which increased the tax on a 20 pack of cigarettes by \$1.00 per pack and the tax on a 25 pack of cigarettes by \$1.25 per pack. Initiated Measure 2 also increased the wholesale tax on other tobacco products from 10% to 35% beginning January 1, 2007. The PTRF receives a 33% share of the revenues in excess of \$35 million each fiscal year from this revenue source. This revenue is annually transferred to the general fund as an ongoing revenue source.

Transfers from the PTRF to the general fund from ongoing revenue sources totaled \$102.4 million in FY2012, which was a 7.2% decline from FY2011. The decline in receipts in FY2012 was mainly due to lower video lottery receipts as a result of the statewide public smoking ban passed in November of 2010. Video lottery receipts declined approximately 18% for the first full year of the expanded public smoking ban which spanned both FY2011 and FY2012. In FY2012, new video lottery line games were implemented to help offset the decline in video lottery revenue and have led to modest increases in video lottery revenue. However, total revenue is still much lower than the peak reached in FY2008. In FY2013 and FY2014, ongoing receipts of \$107.9 million and \$112.9 million, respectively, are expected to be transferred from the PTRF to the general fund. Included in the FY2013 and FY2014 PTRF estimates are \$8.1 million and \$8.5 million, respectively, from the telecommunications tax as well as \$7.6 million and \$7.4 million, respectively, from the 33% share of the excess tobacco tax. Video lottery receipts to the PTRF in FY2013 and FY2014 are projected to be \$92.2 million and \$96.8 million, respectively.

OTHER ONGOING REVENUES

Receipts included in this category come from the alcohol beverage tax; the alcohol beverage 2% wholesale tax; the cigarette tax; the inheritance and estate tax; licenses, permits, and fees; investment income and interest; charges for goods and services; net transfers in (including the health care tobacco tax fund transfer and the education enhancement tobacco tax fund transfer); transfers from the Dakota Cement, Education Enhancement, and Health Care Trust Funds; severance taxes; lottery; the sale-leaseback; and the Conservation Reserve Program. For FY2013, collections from other ongoing revenues are projected to be \$204.7 million, approximately 16% of total ongoing general fund revenues. This is a decrease of \$6.6 million compared to FY2012.

In FY2014, collections from other ongoing revenues are expected to increase compared to FY2013, mainly in the charges for good and services category. This is the category in which excess unclaimed property receipts are deposited into the state general fund. Due to the consolidation of the bank industry to South Dakota, ongoing unclaimed property receipts are anticipated to increase \$15.0 million in FY2014. In FY2014, transfers are anticipated to be available from both the Education Enhancement Trust Fund and the Health Care Trust Fund. For FY2014, collections from other ongoing revenue are projected at \$221.3 million, approximately 17% of total ongoing general fund revenues. This \$16.6 million higher than the revised FY2013 estimate.

ONE-TIME RECEIPTS

In FY2013, collections from one-time receipts are projected to be \$6.0 million. This includes \$12.6 million of one-time unclaimed property receipts, a \$4.1 million transfer from the Tax Relief Fund, a \$1.8 million transfer from the Budgetary Accounting Fund, \$2.4 million from various national settlements, and \$1.7 million from refinancing gains. The increases in FY2013 are offset by a negative one-time receipt of \$16.6 million which is a reduction against ongoing bank franchise tax. In FY2014, collections from one-time receipts are projected to be \$12.6 million. Included is \$29.2 million of one-time unclaimed property receipts, which is being offset by a negative \$16.6 million one-time receipt which is a reduction against ongoing bank franchise tax.

OBLIGATED CASH CARRIED FORWARD

This is the amount of prior year cash carried forward to meet obligations existing at the end of the previous year. For FY2013, the total amount of obligated cash carried forward was \$75.7 million. Included in the FY2013 estimate is \$27.8 million of cash from the FY2012 budget which was committed for FY2013 expenses along with \$47.8 million which was obligated to the Budget Reserve Fund from the end of FY2012.

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 which 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 a 2/3 vote by the South Dakota Legislature. HB 1269, passed by the 2012 Legislature, transferred \$20.2 million from the Budget Reserve Fund to the general fund in FY2012 to pay for emergency expenses. In addition, at the end of FY2012, \$47.8 million of unobligated general fund cash was obligated to the Budget Reserve Fund and transferred into the reserve at the beginning of FY2013. The ending cash balance for FY2014 assumes that surplus funds will be available from FY2013 in the amount of \$16,375,579. To the extent this surplus is more or less than projected, the ending balance in the Budget Reserve Fund will be adjusted accordingly.

BUDGET RESERVE FUND CONDITION STATEMENT

	<u>ACTUAL FY2011</u>	<u>ACTUAL FY2012</u>	<u>ESTIMATED FY2013</u>	<u>ESTIMATED FY2014</u>
Beginning Balance	\$ 43,398,446	\$ 43,398,446	\$ 23,243,431	\$ 71,093,284
Calculations for Maximum Balance in the Fund:				
General Bill Appropriation for Prior Year	\$1,122,304,350	\$1,145,662,738	\$1,155,867,146	\$1,232,178,023
Budget Reserve Fund Percentage	10%	10%	10%	10%
Maximum Amount in the Fund	<u>\$ 112,230,435</u>	<u>\$ 114,566,274</u>	<u>\$ 115,586,715</u>	<u>\$ 123,217,802</u>
Maximum Transferable Amount	<u>\$ 68,831,989</u>	<u>\$ 71,167,828</u>	<u>\$ 92,343,284</u>	<u>\$ 52,124,518</u>
Amount of General Funds Available				
End of Prior Year	\$ 0	\$ 0	\$ 47,849,854	\$ 16,375,579
Transferred in from General Fund	\$ 0	\$ 0	\$ 47,849,854	\$ 16,375,579
Transferred out to General Fund	\$ 0	\$ (20,155,015)	\$ 0	\$ 0
Ending Balance	<u>\$ 43,398,446</u>	<u>\$ 23,243,431</u>	<u>\$ 71,093,284</u>	<u>\$ 87,468,863</u>

NOTE: The totals may not add due to rounding.

**COMPARISON BETWEEN LEGISLATIVE ADOPTED AND
REVISED ESTIMATE FOR FY2013**

	LEGISLATIVE ADOPTED FY2013	REVISED FY2013	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 763,199,092	\$ 769,552,224	\$6,353,132	0.83
Contractor's Excise Tax	74,048,669	84,575,782	10,527,113	14.22
Alcohol Beverage Tax	10,521,199	10,424,622	(96,577)	(0.92)
Alcohol Beverage 2% Wholesale Tax	1,540,138	1,586,870	46,732	3.03
Cigarette Tax	30,000,000	30,000,000	0	0.00
Bank Franchise Tax	26,165,824	22,888,629	(3,277,195)	(12.52)
Insurance Company Tax	67,471,493	67,813,444	341,951	0.51
Licenses, Permits, and Fees	50,479,719	49,350,210	(1,129,509)	(2.24)
Investment Income and Interest	5,895,555	5,915,327	19,772	0.34
Charges for Goods and Services	22,476,321	25,105,514	2,629,193	11.70
Net Transfers In	30,405,536	31,356,757	951,221	3.13
Trust Funds	27,113,788	27,101,070	(12,718)	(0.05)
Severance Taxes	8,391,978	9,468,116	1,076,138	12.82
Lottery	7,090,000	7,920,000	830,000	11.71
Property Tax Reduction Fund	102,208,643	107,925,905	5,717,262	5.59
Sale-Leaseback	6,465,087	6,465,087	0	0.00
SUBTOTAL (ONGOING RECEIPTS)	\$ 1,233,473,042	\$ 1,257,449,557	\$23,976,515	1.94
ONE-TIME RECEIPTS				
Transfer from Tobacco Prev. and Red. Trust Fund	1,000,000	0	(1,000,000)	(100.00)
One-time Unclaimed Property Receipts	0	12,614,328	12,614,328	100.00
Transfer from Tax Relief Fund	0	4,133,192	4,133,192	100.00
Misc. Settlements	0	2,366,100	2,366,100	100.00
Transfer from Budgetary Accounting Fund	0	1,839,990	1,839,990	100.00
Refinancing Gains	0	1,738,786	1,738,786	100.00
Reduction to Ongoing Bank Franchise Tax	0	(16,641,948)	(16,641,948)	(100.00)
Obligated Cash Carried Forward	37,806,110	75,655,964	37,849,854	100.12
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 38,806,110	\$ 81,706,412	\$ 42,900,302	110.55
GRAND TOTAL	\$ 1,272,279,152	\$ 1,339,155,969	\$66,876,817	5.26

NOTE: The totals may not add due to rounding.

**COMPARISON BETWEEN FY2012 AND REVISED FY2013
REVENUE COLLECTIONS**

	ACTUAL FY2012	REVISED FY2013	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 744,413,638	\$ 769,552,224	\$ 25,138,586	3.38
Contractor's Excise Tax	82,991,355	84,575,782	1,584,427	1.91
Alcohol Beverage Tax	10,186,442	10,424,622	238,180	2.34
Alcohol Beverage 2% Wholesale Tax	1,490,640	1,586,870	96,230	6.46
Cigarette Tax	30,000,000	30,000,000	0	0.00
Bank Franchise Tax	29,688,991	22,888,629	(6,800,362)	(22.91)
Insurance Company Tax	65,076,133	67,813,444	2,737,311	4.21
Licenses, Permits, and Fees	48,402,362	49,350,210	947,848	1.96
Investment Income and Interest	10,394,581	5,915,327	(4,479,254)	(43.09)
Charges for Goods and Services	24,069,498	25,105,514	1,036,016	4.30
Net Transfers In	31,015,337	31,356,757	341,420	1.10
Trust Funds	30,345,686	27,101,070	(3,244,616)	(10.69)
Severance Taxes	10,441,940	9,468,116	(973,824)	(9.33)
Lottery	7,834,332	7,920,000	85,668	1.09
Property Tax Reduction Fund	102,441,742	107,925,905	5,484,163	5.35
Sale-Leaseback	7,111,219	6,465,087	(646,132)	(9.09)
SUBTOTAL (ONGOING RECEIPTS)	\$ 1,235,903,897	\$ 1,257,449,557	\$21,545,660	1.74
ONE-TIME RECEIPTS				
One-time Unclaimed Property Receipts	0	12,614,328	12,614,328	100.00
Transfer from Tax Relief Fund	0	4,133,192	4,133,192	100.00
Misc. Settlements	0	2,366,100	2,366,100	100.00
Transfer from Budgetary Accounting Fund	0	1,839,990	1,839,990	100.00
Refinancing Gains	0	1,738,786	1,738,786	100.00
Transfer from Tobacco Prev. and Red. Trust Fund	1,000,000	0	(1,000,000)	(100.00)
Reduction to Ongoing Bank Franchise Tax	0	(16,641,948)	(16,641,948)	0.00
One-time Bank Franchise tax	14,336,418	0	(14,336,418)	(100.00)
CREP Savings	400,000	0	(400,000)	(100.00)
Securities Settlement	418,500	0	(418,500)	(100.00)
Refinancing Gains	396,295	0	(396,295)	(100.00)
Unexpended Carryovers and Specials	9,775,378	0	(9,775,378)	(100.00)
Transfer from Budget Reserves	20,155,015	0	(20,155,015)	(100.00)
Obligated Cash Carried Forward	0	75,655,964	75,655,964	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 46,481,606	\$ 81,706,412	\$35,224,806	75.78
GRAND TOTAL	\$ 1,282,385,503	\$ 1,339,155,969	\$56,770,466	4.43

NOTE: The totals may not add due to rounding.

**COMPARISON BETWEEN REVISED FY2013 AND FY2014
REVENUE COLLECTIONS**

	REVISED FY2013	PROJECTED FY2014	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 769,552,224	\$ 802,456,550	\$ 32,904,326	4.28
Contractor's Excise Tax	84,575,782	90,012,663	5,436,881	6.43
Alcohol Beverage Tax	10,424,622	10,663,856	239,234	2.29
Alcohol Beverage 2% Wholesale Tax	1,586,870	1,678,318	91,448	5.76
Cigarette Tax	30,000,000	30,000,000	0	0.00
Bank Franchise Tax	22,888,629	23,245,655	357,026	1.56
Insurance Company Tax	67,813,444	70,623,120	2,809,676	4.14
Licenses, Permits, and Fees	49,350,210	50,357,967	1,007,757	2.04
Investment Income and Interest	5,915,327	5,919,892	4,565	0.08
Charges for Goods and Services	25,105,514	40,123,408	15,017,894	59.82
Net Transfers In	31,356,757	31,111,279	(245,478)	(0.78)
Trust Funds	27,101,070	27,754,535	653,465	2.41
Severance Taxes	9,468,116	9,906,238	438,122	4.63
Lottery	7,920,000	7,920,000	0	0.00
Property Tax Reduction Fund	107,925,905	112,923,432	4,997,527	4.63
Sale-Leaseback	6,465,087	5,838,681	(626,406)	(9.69)
SUBTOTAL (ONGOING RECEIPTS)	\$ 1,257,449,557	\$ 1,320,535,594	\$ 63,086,037	5.02
ONE-TIME RECEIPTS				
One-time Unclaimed Property Receipts	12,614,328	29,245,000	16,630,672	131.84
Transfer from Tax Relief Fund	4,133,192	0	(4,133,192)	(100.00)
Misc. Settlements	2,366,100	0	(2,366,100)	(100.00)
Transfer from Budgetary Accounting Fund	1,839,990	0	(1,839,990)	(100.00)
Refinancing Gains	1,738,786	0	(1,738,786)	(100.00)
Reduction to Ongoing Bank Franchise Tax	(16,641,948)	(16,641,948)	0	0.00
Obligated Cash Carried Forward	75,655,964	0	(75,655,964)	(100.00)
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 81,706,412	\$ 12,603,052	\$ (69,103,360)	(84.58)
GRAND TOTAL	\$ 1,339,155,969	\$ 1,333,138,646	\$ (6,017,323)	(0.45)

NOTE: The totals may not add due to rounding.

GENERAL FUND RECEIPTS

	ACTUAL FY2011	ACTUAL FY2012	REVISED FY2013	PROJECTED FY2014
ONGOING RECEIPTS				
Sales and Use Tax	\$ 710,196,255	\$ 744,413,638	\$ 769,552,224	\$ 802,456,550
Contractor's Excise Tax	65,697,771	82,991,355	84,575,782	90,012,663
Alcohol Beverage Tax	9,916,603	10,186,442	10,424,622	10,663,856
Alcohol Beverage 2% Wholesale Tax	1,431,373	1,490,640	1,586,870	1,678,318
Cigarette Tax	30,000,000	30,000,000	30,000,000	30,000,000
Bank Franchise Tax	4,734,918	29,688,991	22,888,629	23,245,655
Insurance Company Tax	63,609,227	65,076,133	67,813,444	70,623,120
Licenses, Permits, and Fees	46,102,423	48,402,362	49,350,210	50,357,967
Investment Income and Interest	14,096,898	10,394,581	5,915,327	5,919,892
Charges for Goods and Services	23,049,390	24,069,498	25,105,514	40,123,408
Net Transfers In	31,191,097	31,015,337	31,356,757	31,111,279
Trust Funds	30,689,216	30,345,686	27,101,070	27,754,535
Severance Taxes	7,956,574	10,441,940	9,468,116	9,906,238
Lottery	6,212,123	7,834,332	7,920,000	7,920,000
Property Tax Reduction Fund	110,380,262	102,441,742	107,925,905	112,923,432
Sale-Leaseback	7,782,263	7,111,219	6,465,087	5,838,681
SUBTOTAL (ONGOING RECEIPTS)	\$1,163,046,393	\$1,235,903,897	\$1,257,449,557	\$1,320,535,594
ONE-TIME RECEIPTS				
One-time Unclaimed Property Receipts	\$ 0	\$ 0	\$ 12,614,328	\$ 29,245,000
Transfer from Tax Relief Fund	1,017,979	0	4,133,192	0
Misc. Settlements	0	418,500	2,366,100	0
Transfer from Budgetary Accounting Fund	310,487	0	1,839,990	0
Refinancing Gains	0	396,295	1,738,786	0
Transfer from Tobacco Prev. and Red. Trust Fund	1,500,000	1,000,000	0	0
One-time Bank Franchise tax	0	14,336,418	0	0
CREP Savings	0	400,000	0	0
Transfer from Custer State Park Improvement Fund	4,466,930	0	0	0
Transfer from Private Activity Bond Fee Fund	698,331	0	0	0
Transfer from Petroleum Release Fund	1,000,000	0	0	0
Department of Corrections L&E Funds	650,000	0	0	0
Transfer from Other Disease Fund	292,861	0	0	0
One-Time Refund	(26,101,108)	0	0	0
Reduction to Ongoing Bank Franchise Tax	0	0	(16,641,948)	(16,641,948)
Unexpended Carryovers and Specials	1,420,466	9,775,378	0	0
Transfer from Budget Reserve Fund	0	20,155,015	0	0
Obligated Cash Carried Forward	0	0	75,655,964	0
SUBTOTAL (ONE-TIME RECEIPTS)	\$ (14,744,054)	\$ 46,481,606	\$ 81,706,412	\$ 12,603,052
 GRAND TOTAL	 \$1,148,302,339	 \$1,282,385,503	 \$1,339,155,969	 \$1,333,138,646

NOTE: The totals may not add due to rounding.

RECOMMENDED EXPENDITURES

OVERVIEW

Governor Daugaard's FY2014 budget recommendation maintains a structurally balanced budget while making targeted investments in the areas of providing a quality education for our children, taking care of those who cannot take care of themselves, and protecting us from those who would do us harm. The Governor is also proposing to make an investment in the state employee workforce.

The Governor recommends a 3.0% inflationary increase to the per student allocation for state aid to general education and state aid to special education. This brings the ongoing per student allocation to \$4,625.65 for general education. The Governor is also recommending a 3.0% inflationary increase for Postsecondary Technical Institutes which brings the per student allocation to \$3,210.41. Funding is also recommended for technology in schools, sparsity, teacher evaluation software, the National Career Readiness Certificate test, and advanced placement courses.

The ongoing budget for the Board of Regents contains an increase of \$5.3 million in general funds. Included is a general fund increase of \$1.9 million to establish a Ph.D. in Physics at the University of South Dakota and the South Dakota School of Mines and Technology. Additional recommended increases include \$1.0 million to the Agriculture Experiment Station for research, \$0.5 million to the Sanford School of Medicine to start paying physician assistant preceptors, \$0.2 million for increased utility costs, and \$0.1 million for the South Dakota Opportunity Scholarship.

The Departments of Social Services, Human Services, and Health are responsible for the majority of the programs which help those who cannot take care of themselves, including the very young and the very old. On the general fund side, the Departments of Health, Human, and Social Services account for \$41.3 million of the \$95.2 million of overall ongoing increases. This portion of the total budget comprises of \$40.4 million of the \$75.2 million in ongoing total fund increases for FY2014.

Social Services will see ongoing increases of \$34.5 million in general funds, \$0.05 million in other fund expenditure authority, and 2.0 FTE, along with a

decrease of \$1.6 million in federal fund expenditure authority. This includes an increase of \$16.4 million in general funds with a corresponding decrease in federal fund expenditure authority due to the Federal Medical Assistance Percentage (FMAP) rate change. Increases of \$9.5 million in general funds, \$9.2 million in federal fund expenditure authority, and \$21,036 in other fund expenditure authority are for a 3.0% provider inflation increase. Increases of \$0.4 million in general funds and \$0.8 million in federal fund expenditure authority are for growth in clients in the Children's Health Insurance Program (CHIP), increases of \$2.0 million in general funds and \$1.7 million in federal fund expenditure authority are due to a projected increase in the number of Medicaid clients, and an increase of \$3.0 million in general funds is for the Criminal Justice Initiative.

The Human Services ongoing budget is increasing by \$5.2 million in general funds along with decreasing by \$0.5 million in federal fund expenditure authority and \$0.2 million in other fund expenditure authority. An increase of \$3.3 million in general funds with a corresponding decrease in federal fund expenditure authority is due to the FMAP rate change. Increases of \$1.5 million in general funds and \$2.0 million in federal fund expenditure authority are for a 3.0% provider inflation increase. Also included in the budget is \$1.3 million in general funds and \$1.5 million in federal fund expenditure authority for additional clients served.

The ongoing budget for the Department of Health includes increases of \$9,360 in general funds, \$34,670 in federal fund expenditure authority, \$368,318 in other fund expenditure authority, and 8.0 FTE. The increase of 6.0 FTE within Correctional Healthcare is for expanding infirmary services and technology which will reduce inmate emergency room and hospital visits. Also, an increase of \$20,733 in other fund expenditure authority is due to a 3.0% provider inflation increase.

To address the safety of our State's citizens, a progressive criminal justice system is in place. The ongoing budget for Corrections will increase by \$2.3 million in general funds and 14.5 FTE, along with a decrease of \$0.7 million in federal fund expenditure authority. The primary increases throughout the department include: \$0.6 million in general funds and \$0.1 million in other fund expenditure authority

for food, clothing, and utility inflation; \$0.3 million in general funds with a corresponding decrease in federal fund expenditure authority based on the FMAP rate; \$0.3 million in general funds and \$0.2 million in federal fund expenditure authority for a 3% provider inflation increase; and \$0.3 million in general funds and 4.0 FTE related to the Criminal Justice Initiative.

The Department of Public Safety and the Office of the Attorney General are also engaged in providing for the safety of the public. The Department of Public Safety's ongoing budget includes increases of \$0.1 million in general funds, \$1.6 million in federal fund expenditure authority, and \$0.3 million in other fund expenditure authority. The Office of the Attorney General's ongoing general fund budget is increasing by \$0.3 million, for a total ongoing increase of \$0.4 million.

The safety of South Dakota's citizens is also addressed within the ongoing budget for the Unified Judicial System which is being increased by \$0.9 million in general funds and \$0.7 million in other fund expenditure authority. This includes increases of \$0.7 million in general funds and 6.5 FTE for the Drug/DUI Courts. Also included are increases of \$0.1 million in general funds and 2.0 FTE for the Criminal Justice Initiative.

The Governor is recommending a 3% across the board adjustment for permanent state employees. The Governor is also recommending a movement toward job worth of 3.5% for FY2014 for the PACE system established in FY1990, and performance-based increases toward market of 0% to 4.5% for the career band families established in FY2010.

<u>Description</u>	<u>Inc./(Dec.)</u>	<u>FTE</u>
Executive Branch	\$ 46,518,351	60.7
Board of Regents	5,347,191	34.0
State Aid	22,180,376	
UJS/Legislature/Elected	859,277	13.0
Technical Institutes	157,685	
Employee Comp.	20,094,575	
Special/Contin. Approp.	12,191,070	
Total	\$107,348,525	107.7

The Executive Branch, which is under direct control of the Governor, has the following funding changes for FY2014:

General Funds	\$ 46,518,351
Federal Funds	(\$ 14,156,639)
Other Funds	\$ 30,028,330
FTE	60.7

SUMMARY OF RECOMMENDED BUDGET ADJUSTMENTS

STATE AID, HIGHER EDUCATION, EDUCATION

The budgets included in this category are State Aid to Education, Higher Education, and the Department of Education. General funds in this budget account for a \$28.6 million increase out of the \$95.2 million in ongoing increases. This budget comprises of a decrease of \$6.4 million of the \$75.2 million in ongoing total fund increases for FY2014. In terms of the total ongoing budget, the education category is 45.5% of the general funds and 33.8% of the total ongoing funds, which amounts to almost \$1.4 billion in total ongoing funding for education.

STATE AID

This category includes state aid to K-12 general education, special education, postsecondary vocational education institutes, sparse school district funding, consolidation incentive funding, and technology in the schools.

\$4,625.65 for FY2014, an increase of \$134.73 per student over the base FY2013 level.

The total recommended budgeted amount for state aid to general education is \$330,295,934 in general funds for FY2014, which is an increase of \$15,358,189 over FY2013. The estimated FY2013 fall enrollment of 129,800 was used for calculating the FY2014 budget, which is a growth of 1,675 over the budgeted FY2013 level.

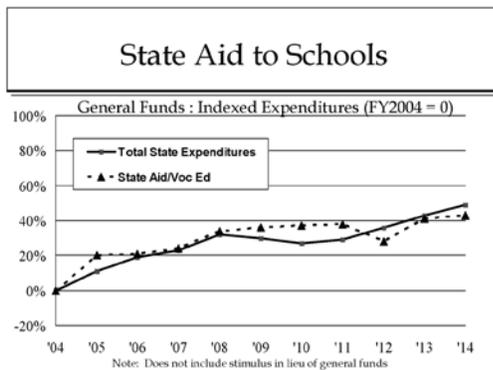
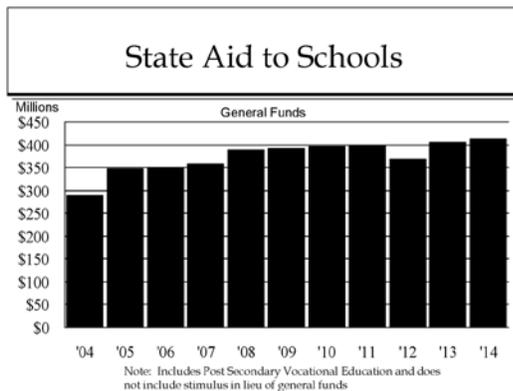
The funding for each disability level for state aid to special education is recommended to increase 3% in accordance with state law. The total recommended amount for state aid to special education is \$51,904,640 in general funds for FY2014, which is an increase of \$6,291,437 over FY2013. The increase is primarily due to no available carryover funds from the previous year.

The Governor is recommending \$1,844,206 of general funds for payments to sparse school districts. An estimated 27 schools will be eligible for sparse payments in FY2014.

In accordance with SDCL 13-6-92 and 13-6-92.1, the Governor is recommending \$56,400 in general funds for consolidation incentive payments for those school districts that consolidated prior to July 1, 2010.

The Governor is recommending increases of \$584,171 in general funds and \$1,556 in other fund expenditure authority for the technology in schools budget in FY2014. This includes an increase of \$580,000 in general funds to pay for increased bandwidth demands at public school districts across the state. This is due to the migration to online testing for state assessments in FY2014. The total recommended budget includes \$6,883,786 in general funds and \$1,801,556 in other fund expenditure authority. The technology in schools budget is used to support ongoing costs of the technology infrastructure for the school districts.

The Governor is recommending a total increase of \$157,685 in general funds for the postsecondary technical institutes in FY2014. An increase of \$657,685 in general funds is based on a per student funding level of \$3,210.41 for FY2014, which is a 3.0% increase from FY2013. The estimated number of students for the FY2014 budget is an increase of 25 for a total of 6,200. A decrease of \$500,000 is recommended to eliminate the one-time funding added to the FY2013 base budget. The total recommended FY2014 budget for postsecondary technical institutes is \$21,654,542 in

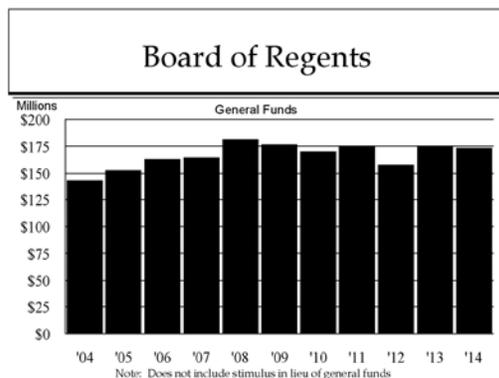


In accordance with state law, the Governor is recommending a 3.0% inflationary increase to the base per student allocation for FY2014. This brings the per-student allocation for general education to

general funds and \$100,000 in other fund expenditure authority.

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). Within the university budgets is funding for the University Center Sioux Falls, the University Center Rapid City, and Capital University Center Pierre. The state's two special schools, the South Dakota School for the Deaf and the South Dakota School for the Blind and Visually Impaired, are also included in the regental system.



The budget for the Board of Regents contains a net decrease of \$31,297,421 in total funds and an increase of 34.0 FTE over the FY2013 budget. The changes consist of increases of \$5,347,191 in general funds and \$6,382,371 in other fund expenditure authority, and a decrease of \$43,026,983 in federal fund expenditure authority. The total FY2014 recommended budget for the Board of Regents consists of \$173,198,358 in general funds, \$178,143,242 in federal fund expenditure authority, and \$422,613,480 in other fund expenditure authority, for a total FY2014 budget of \$773,955,080 and 5,073.4 FTE.

The FY2014 recommendation includes \$158,204 in general funds for increased costs in utilities. An increase of \$1,729,824 in general funds is for maintenance and repair. This is a four year plan to reach an M&R budget which is 2% of the value of the buildings.

The Governor is also recommending \$1,878,466 in general funds and 20.0 FTE to establish a Ph.D. in Physics at the SDSM&T and the USD. Also included in School of Medicine budget is \$455,440 in general funds to pay Physician Assistant Preceptors the same as Medical Doctor Preceptors are already paid. The Governor is recommending

research at the Agricultural Experiment Station be expanded by \$998,592 in general funds and 8.0 FTE.

The South Dakota Opportunity Scholarship continues to grow. There will not be any available cement plant trust fund earnings so the Governor is recommending a general fund increase of \$104,167 in order to fully fund approximately 3,676 students in FY2014.

The Board of Regents continues to grow in contract activity, along with student support and support staff increases. The recommended budget includes the addition of \$3,458,500 in other fund expenditure authority and reductions of \$43,026,983 in federal fund expenditure authority and 3.0 FTE.

EDUCATION

The Governor's recommendation for the Department of Education, including the State Aid to Education formula, reflects increases of \$23,298,072 in general funds, \$1,414,793 in federal fund expenditure authority, \$222,257 in other fund expenditure authority, and 1.0 FTE. Increases of \$35,196 in general funds, \$12,054 in federal fund expenditure authority, and \$2,257 in other fund expenditure authority are recommended due to changes in bureau billings throughout the department. The total recommended budget for FY2014 is \$423,203,637 in general funds, \$181,850,455 in federal fund expenditure authority, \$3,941,708 in other fund expenditure authority, and 134.0 FTE.

GENERAL ADMINISTRATION

The Governor recommends increases of \$44,308 in general funds, \$3,459,409 in federal fund expenditure authority, \$278 in other fund expenditure authority, and 1.0 FTE. Increases of \$3,424,794 in federal fund expenditure authority are for the Gear Up grant and the Longitudinal Data System grant. Increases of \$31,832 in general funds, \$31,828 in federal fund expenditure authority, and 1.0 FTE are for an additional accountant to focus on budgeting and maintaining reports for federal grants. The total recommended FY2014 budget for this division is \$1,732,748 in general funds, \$8,798,209 in federal fund expenditure authority, \$380,809 in other fund expenditure authority, and 37.5 FTE.

EDUCATION SERVICES AND RESOURCES

This includes the Division of Assessment and Accountability, the Division of Educational Services and Support, and the Division of Curriculum,

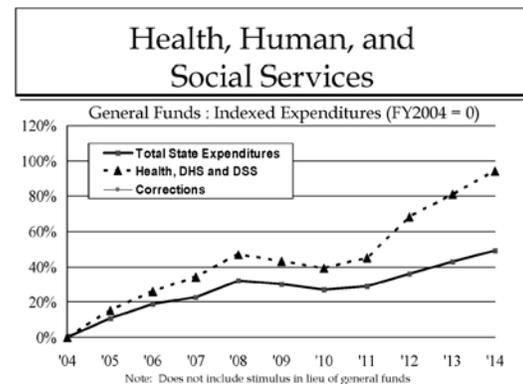
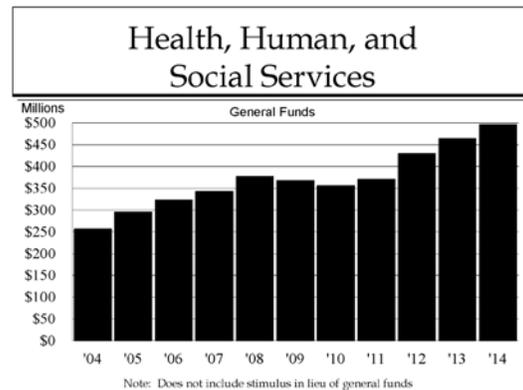
HEALTH, HUMAN, AND SOCIAL SERVICES

Career, and Technical Education. The Governor recommends an increase of \$899,702 in general funds, a decrease of \$2,046,664 in federal fund expenditure authority, and an increase of \$220,423 in other fund expenditure authority. The total recommended FY2014 budget is \$7,247,931 in general funds, \$171,849,553 in federal fund expenditure authority, \$1,473,260 in other fund expenditure authority, and 68.0 FTE. An increase of \$320,880 in general funds is to purchase teacher evaluation software, which is needed as part of the state's new accountability system and will provide a uniform system of teacher evaluations statewide. An increase of \$218,250 is recommended to administer the National Career Readiness Certificate Test (NCRC) for all high school juniors in order to fulfill the career readiness indicator for the state's new accountability system. An increase of \$120,000 in general funds is for Accuplacer exams and Myfoundation Labs coursework for high school students in order to avoid remediation at the college level. This is a partnership between the Department and the SD Board of Regents. An increase of \$169,700 in general funds is to offer Advanced Placement courses to 300 students through the SD Virtual School that would otherwise not have the opportunity to take Advanced Placement courses. Increases of \$68,324 in general funds and \$5,444 in federal fund expenditure authority are for an increase in the Child and Adult Nutrition Services match and to cover the increased number of inspections due to a change in federal requirements. An increase of \$220,000 in other fund expenditure authority is recommended for the distribution of the maintenance and repair fee collected by the technical institutes. A decrease of \$224,327 in federal fund expenditure authority is for the Birth to Three program to properly align the budget. The recommended Birth to Three budget includes a 3.0% provider inflation increase and allows for a 1.1% growth in the number of children served for FY2014. A decrease of \$1,825,000 in federal fund expenditure authority is due to American Recovery and Reinvestment Act (ARRA) federal fund expenditure authority which is no longer needed.

STATE LIBRARY

The Governor recommends increases of \$16,001 in general funds and \$2,048 in federal fund expenditure authority. The total recommended FY2014 budget for this division is \$1,683,450 in general funds, \$1,202,693 in federal fund expenditure authority, \$186,083 in other fund expenditure authority, and 28.5 FTE.

The budgets included in this category are the Department of Health, Department of Human Services, and Department of Social Services. General funds account for a \$41.3 million increase out of the \$95.2 million in total ongoing general fund increases. This budget comprises of \$40.4 million of the \$75.2 million in total ongoing fund increases for FY2014. In terms of the total ongoing budget, this category is 37.9% of the general funds and 32.5% of the total ongoing funds, which amounts to over \$1.3 billion in total ongoing funding.



HEALTH

The FY2014 Governor's recommended budget for the Department of Health includes increases of \$9,360 in general funds, \$34,670 in federal fund expenditure authority, \$368,318 in other fund expenditure authority, and 8.0 FTE. Included are increases of \$9,360 in general funds, \$34,670 in federal fund expenditure authority, and \$24,560 in other fund expenditure authority due to changes in bureau billings throughout the department. The total FY2014 budget is \$7,190,925 in general funds, \$45,214,805 in federal fund expenditure authority, and \$32,485,248 in other fund expenditure authority, for a total of \$84,890,978 and 419.2 FTE.

ADMINISTRATION

The FY2014 recommendation for Administration is \$1,142,638 in general funds, \$6,387,412 in federal fund expenditure authority, \$1,543,149 in other fund expenditure authority, and 32.0 FTE.

HEALTH SYSTEMS DEVELOPMENT AND REGULATION

The total recommended budget is \$2,277,145 in general funds, \$11,155,917 in federal fund expenditure authority, \$1,196,500 in other fund expenditure authority, and 62.5 FTE.

HEALTH AND MEDICAL SERVICES

The total recommended budget is \$3,771,142 in general funds, \$22,735,579 in federal fund expenditure authority, \$3,614,555 in other fund expenditure authority, and 184.5 FTE.

LABORATORY SERVICES

The total recommended budget is \$3,167,028 in federal fund expenditure authority, \$3,165,183 in other fund expenditure authority, and 28.0 FTE.

CORRECTIONAL HEALTH

A recommended increase of 6.0 FTE is for expanding infirmary services and technology which will reduce emergency room and hospital visits. Included in this budget is an increase of \$20,733 in other fund expenditure authority due to a 3.0% provider inflation increase. The total FY2014 budget for this division is \$15,405,376 in other fund expenditure authority and 87.0 FTE.

TOBACCO PREVENTION

The total recommended budget is \$1,573,039 in federal fund expenditure authority, \$3,999,832 in other fund expenditure authority, and 3.0 FTE.

PROFESSIONAL AND OCCUPATIONAL LICENSING - INFORMATIONAL

This division is comprised of the informational budgets of the professional and occupational licensing boards. There are twelve boards including the Board of Chiropractic Examiners, Board of Dentistry, 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 Optometry, Board of Pharmacy, Board of Podiatry Examiners, Board of Massage Therapy, and Board of Speech-Language Pathology. The Governor is recommending increases in other fund expenditure authority of

\$114,162 in the Board of Dentistry, \$2,000 in the Board of Hearing Aid Dispensers, \$1,500 in the Board of Funeral Service, \$35,500 and 1.0 FTE in the Board of Nursing, \$6,528 in the Board of Nurse Home Administration, \$3,150 in the Board of Optometry, \$100,000 and 1.0 FTE in the Board of Pharmacy, \$25,685 in the Board of Massage Therapy, and \$34,500 in the Board of Speech-Language Pathology. The total recommended budget for FY2014 for the Boards is \$195,830 in federal fund expenditure authority, \$3,560,653 in other fund expenditure authority, and 22.2 FTE.

HUMAN SERVICES

The Governor is recommending increases of \$5,833,425 in general funds and \$427,232 in federal fund expenditure authority, and recommends decreases of \$199,901 in other fund expenditure authority and 7.0 FTE. The recommendation includes an increase of \$3,246,530 in general funds with a corresponding decrease in federal fund expenditure authority due to the change in the Federal Medical Assistance Percentage (FMAP). Also, increases of \$16,276 in general funds, \$35,119 in federal fund expenditure authority, and \$63 in other fund expenditure authority are recommended due to bureau billings changes throughout the department. Increases of \$2,541 in general funds, \$4,537 in federal fund expenditure authority, and \$36 in other fund expenditure authority are due to a rate increase for in-state lodging. For FY2014, a total budget consisting of \$66,218,440 in general funds, \$99,398,078 in federal fund expenditure authority, \$3,400,947 in other fund expenditure authority, and 550.4 FTE is recommended.

SECRETARIAT

The Governor's recommended budget for the Secretariat includes increases of \$17,061 in general funds, \$19,691 in federal fund expenditure authority, and 1.0 FTE. This includes increases of \$15,815 in general funds, \$18,716 in federal fund expenditure authority, and 1.0 FTE for a communications officer position. The total recommended budget is \$777,179 in general funds, \$569,924 in federal fund expenditure authority, \$1,421 in other fund expenditure authority, and 16.0 FTE.

DEVELOPMENTAL DISABILITIES

The recommendation for the Division of Developmental Disabilities includes increases of \$5,351,410 in general funds, \$964,085 in federal fund expenditure authority, and 2.0 FTE. Increases of \$1,378,093 in general funds and \$1,911,783 in federal fund expenditure authority are for a 3.0%

provider inflation increase. Also, increases of \$1,287,397 in general funds and \$1,523,512 in federal fund expenditure authority are to address growth in individuals needing services who have developmental disabilities. Increases of \$85,487 in general funds and \$52,447 in federal fund expenditure authority are to expand Family Support 360 by serving an additional 35 to 40 people. Also, increases of \$31,631 in general funds, \$37,432 in federal fund expenditure authority, and 2.0 FTE are for the new Office of Community Living. The total recommended budget for the Developmental Disabilities division is \$50,170,302 in general funds, \$68,672,705 in federal fund expenditure authority, and 20.5 FTE.

SOUTH DAKOTA DEVELOPMENTAL CENTER

The recommendation for the South Dakota Developmental Center includes an increase of \$225,105 in general funds and decreases of \$996,605 in federal fund expenditure authority, \$200,000 in other fund expenditure authority, and 10.0 FTE. The Governor's recommendation includes decreases of \$56,629 in general funds and \$67,014 in federal fund expenditure authority for utility cost adjustments. Also recommended are decreases of \$158,153 in general funds, \$187,160 in federal fund expenditure authority, and 10.0 FTE due to the closure of a unit. Decreases of \$122,764 in general funds and \$145,279 in federal fund expenditure authority are due to the worker's compensation rate decreasing. Decreases of \$27,435 in general funds and \$32,467 in federal fund expenditure authority are recommended for food services, along with a \$200,000 other fund expenditure authority decrease to realign the prescription drug budget. The total recommended budget is \$10,267,649 in general funds, \$12,115,104 in federal fund expenditure authority, \$792,145 in other fund expenditure authority, and 385.6 FTE.

REHABILITATION SERVICES

The Governor's recommended budget for Rehabilitation Services includes increases of \$226,381 in general funds and \$390,521 in federal fund expenditure authority. The Governor's recommendation includes increases of \$77,083 in general funds and \$59,540 in federal fund expenditure authority for a 3.0% provider inflation increase. Also included are increases of \$45,182 in general funds and \$166,937 in federal fund expenditure authority due to an increase in the Vocational Rehabilitation grant. An increase of \$250,000 in federal fund expenditure authority is for Disability Determination Services. The total recommended budget is \$4,112,626 in general funds, \$15,614,342 in federal fund expenditure

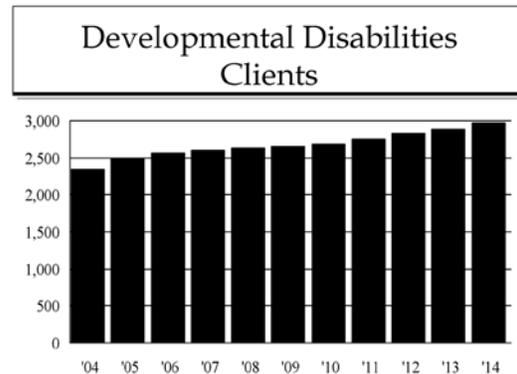
authority, \$1,098,424 in other fund expenditure authority, and 99.1 FTE.

TELECOMMUNICATION DEVICES FOR THE DEAF

The Governor is recommending no change to the Telecommunication Devices for the Deaf budget. The total FY2014 budget is \$1,251,680 in other fund expenditure authority.

SERVICE TO THE BLIND AND VISUALLY IMPAIRED

The Governor is recommending increases of \$13,468 in general funds, \$49,540 in federal fund expenditure authority, and \$99 in other fund expenditure authority. Included are increases of \$11,295 in general funds and \$41,735 in federal fund expenditure authority due to an increase in the Vocational Rehabilitation grant. Also recommended are increases of \$1,065 in general funds and \$3,935 in federal fund expenditure authority due to the lease agreement for the Rehabilitation Center increasing. The total recommended budget is \$890,684 in general funds, \$2,426,003 in federal fund expenditure authority, \$257,277 in other fund expenditure authority, and 29.2 FTE.



SOCIAL SERVICES

The Governor's recommended budget for the Department of Social Services is \$422,792,643 in general funds, \$642,691,817 in federal fund expenditure authority, and \$9,659,429 in other fund expenditure authority, for a total FY2014 budget of \$1,075,143,889 and 1,648.3 FTE. This recommendation includes an increase of \$35,468,066 in general funds, a decrease of \$1,597,306 in federal fund expenditure authority, and increases of \$45,740 in other fund expenditure authority and 2.0 FTE over the FY2013 operating budget. This budget includes a funding swap of \$16,435,309 from federal fund expenditure authority to general funds due to the increase in the state's share in the Federal Medical Assistance

Percentage (FMAP). The Governor's recommendation includes increases of \$141,805 in general funds, \$175,591 in federal fund expenditure authority, and \$1,483 in other fund expenditure authority due to changes in bureau billings throughout the department.

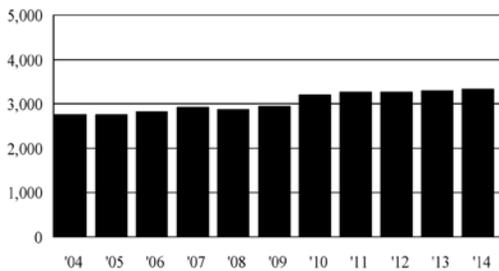
ADMINISTRATION

The total recommended budget is \$7,785,095 in general funds, \$19,876,277 in federal fund expenditure authority, \$18,463 in other fund expenditure authority, and 182.7 FTE.

ECONOMIC ASSISTANCE

The Governor's recommended budget for Economic Assistance includes increases of \$1,273,497 in general funds, \$29,691 in federal fund expenditure authority, \$20,368 in other fund expenditure authority, and 1.0 FTE. Increases of \$25,559 in federal fund expenditure authority, \$20,368 in other fund expenditure authority, and 1.0 FTE are for the Quality Control program. Increases of \$334,354 in general funds and \$523,524 in federal fund expenditure authority are for discretionary provider inflation of 3% and State Aid rate increases of 3.0%. The total recommended budget is \$22,541,305 in general funds, \$59,311,730 in federal fund expenditure authority, \$337,389 in other fund expenditure authority, and 320.5 FTE.

TANF Case Load in South Dakota

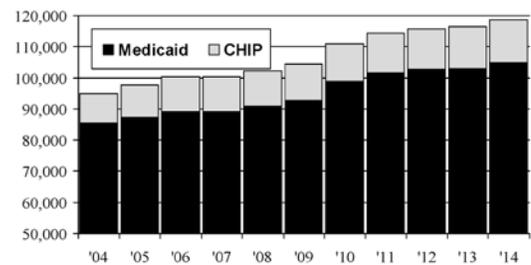


MEDICAL AND ADULT SERVICES

The recommended budget for Medical and Adult Services includes an increase of \$26,284,462 in general funds, a decrease of \$635,541 in federal fund expenditure authority, and increases of \$283 in other fund expenditure authority and 1.0 FTE. The FY2014 recommended budget is \$290,797,282 in general funds, \$477,338,608 in federal fund expenditure authority, \$1,770,121 in other fund expenditure authority, and 150.0 FTE. Increases of \$1,969,898 in general funds and \$3,128,957 in federal fund expenditure authority are for mandatory inflation. The Governor's

recommendation also includes \$7,234,614 in general funds and \$8,309,551 in federal fund expenditure authority for a 3.0% provider inflation increase. Increases of \$381,681 in general funds and \$808,842 in federal fund expenditure authority are due to the growth in the number eligibles within the Children's Health Insurance Program (CHIP). Increases of \$2,045,136 in general funds and \$1,666,995 in federal fund expenditure authority are due to the projected number of Medicaid eligibles. An increase of 1.0 FTE and \$50,186 in federal fund expenditure authority are for the Money Follows the Person program.

Medical Assistance Case Loads in South Dakota



CHILDREN'S SERVICES

The Governor's recommended FY2014 budget for Children's Services includes an increase of \$2,200,265 in general funds, a decrease of \$744,259 in federal fund expenditure authority, and an increase of \$11,275 in other fund expenditure authority. This includes increases of \$330,580 in general funds and \$72,455 in federal fund expenditure authority for additional subsidized adoptions and guardianships. In addition, increases of \$575,217 in general funds, \$469,164 in federal fund expenditure authority, and \$10,910 in other fund expenditure authority are recommended for discretionary provider inflation of 3.0%. The total recommended budget for Children's Services is \$37,107,065 in general funds, \$49,387,939 in federal fund expenditure authority, \$4,458,543 in other fund expenditure authority, and 350.8 FTE.

BEHAVIORAL HEALTH

The Governor recommends an increase of \$5,602,681 in general funds, a decrease of \$380,839 in federal fund expenditure authority, and an increase of \$10,909 in other fund expenditure authority. Increases of \$184,379 in general funds and \$23,561 in federal fund expenditure authority are recommended for increased eligibles within community behavioral health. Recommended increases at the Human Services Center (HSC) include \$11,068 in general funds and \$4,909 in

federal fund expenditure authority for utility cost adjustments and \$235,082 in general funds and \$16,519 in federal fund expenditure authority for a food services adjustment, along with a decrease of \$18,926 in general funds for bond payment adjustments. Additional increases totaling \$340,426 in general funds and \$42,727 in federal fund expenditure authority provide for various medical costs and computer services costs within HSC. Increases of \$962,599 in general funds, \$365,661 in federal fund expenditure authority, and \$10,126 in other fund expenditure authority are recommended for a 3.0% discretionary provider inflation. Also included in community behavioral health is an increase in general funds of \$3,012,367 in general funds for the Criminal Justice Initiative (CJI) behavioral health component. The total recommended FY2014 budget is \$64,651,896 in general funds, \$36,777,263 in federal fund expenditure authority, and \$2,653,267 in other fund expenditure authority for a total of \$104,082,426 and 643.0 FTE.

BOARDS – INFORMATIONAL

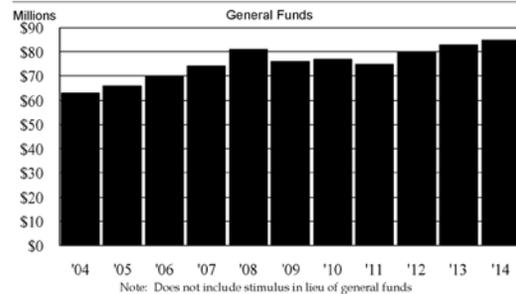
There are four boards including the Board of Counselor Examiners, Board of Psychology Examiners, Board of Social Work Examiners, and Certification Board for Alcohol and Drug Professionals. The total recommended budget for FY2014 for the Boards is \$421,646 in other fund expenditure authority and 1.3 FTE.

CORRECTIONS

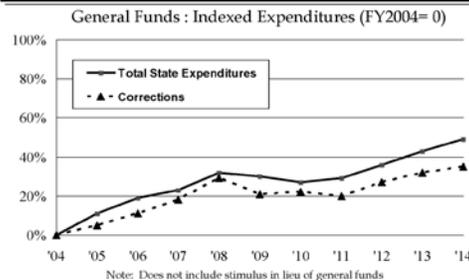
The Governor's recommended budget for the Department of Corrections is \$84,796,211 in general funds, \$10,890,025 in federal fund expenditure authority, and \$8,225,666 in other fund expenditure authority, for a total FY2014 budget of \$103,911,902 and 871.2 FTE. The overall FY2014 budget recommendation includes an increase of \$2,279,656 in general funds, decreases of \$735,191 in federal fund expenditure and \$55 in other fund expenditure authority, and an increase of 14.5 FTE, for a net increase of \$1,544,410. The Governor is recommending an increase of \$12,090 in total funds due to increased bureau billings.

The average daily count (ADC) of adult inmates is projected to reach 3,778 in FY2014. This represents an increase of 232 inmates over the actual FY2012 ADC of 3,546 inmates. The average daily population of juveniles in institutional settings is projected to be 720 in FY2014. This represents a decrease of 20 juveniles when compared to the FY2012 actual population of 740.

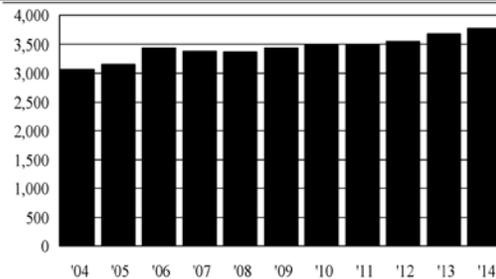
Corrections



Corrections



Average Daily Population of Adult Inmates



ADMINISTRATION

The total FY2014 recommended budget in Administration is \$1,679,990 in general funds, \$1,003,729 in federal fund expenditure authority, \$432,052 in other fund expenditure authority, and 21.0 FTE. The Governor is recommending an overall funding decrease of \$191,655 within Administration which can mainly be attributed to a \$200,000 loss of federal funding from the Juvenile Justice Delinquency Prevention Act.

MIKE DURFEE STATE PRISON

The recommended budget for the Mike Durfee State Prison (MDSP) includes increases of \$644,224 in general funds, \$1,800 in federal fund expenditure authority, and 2.0 FTE, and a decrease of \$55,000 in other fund expenditure authority.

Included in this budget is an increase of \$519,329 in general funds for food services and utilities. This budget recommendation also includes an increase of \$98,230 in general funds and 2.0 additional FTE at the Rapid City Minimum Unit for an additional Unit Case Manager and a Corrections Sergeant. The total budget for the Mike Durfee State Prison is \$16,016,128 and 210.0 FTE.

STATE PENITENTIARY

The recommendation for the South Dakota State Penitentiary (SDSP) includes increases of \$230,602 in general funds, \$13,098 in federal fund expenditure authority, \$78,211 in other fund expenditure authority, and 4.5 FTE. The Governor is recommending an increase of 3.5 FTE and \$129,498 in general funds for additional Correctional Officers to provide more security at the "Hill" kitchen and in Jameson Healthcare. The Governor is recommending an increase of 1.0 FTE and \$41,994 in federal fund expenditure authority to hire a Prison Rape Elimination Act Coordinator. Also included in this budget recommendation is an increase of \$67,835 in general funds to house an inmate who is under 18 years of age at an out of state facility. The overall FY2014 budget for SDSP is \$19,656,910 in total funds and 300.0 FTE.

WOMEN'S PRISON

The South Dakota Women's Prison (SDWP) budget is recommended to increase by \$59,074 in general funds and \$6,913 in other fund expenditure authority, and decrease by \$12,598 in federal fund expenditure authority. This budget includes an increase in total funds of \$52,248 for food services and utilities. The total FY2014 budget for the SDWP is \$4,940,867 and 70.0 FTE.

PHEASANTLAND INDUSTRIES

The total FY2014 budget for Pheasantland Industries is \$2,536,709 in other fund expenditure authority and 14.0 FTE.

INMATE SERVICES

The Inmate Services budget is recommended to increase by \$251,239 in general funds and decrease by \$210,053 in federal fund expenditure authority. The Governor is recommending an increase of \$30,859 in general funds for a 3% provider inflation increase for Correctional Healthcare. The Governor is also recommending an increase of \$179,222 in general funds coupled with a decrease of \$210,053 in federal fund expenditure authority for the Sex Offender Management program. Federal funding for this program will run out in FY2013. The total FY2014

budget for Inmate Services is \$20,400,473 and 29.0 FTE.

PAROLE SERVICES

The total FY2014 budget recommendation for Parole Services is \$3,632,865 in general funds, \$213,769 in other fund expenditure authority, and 55.0 FTE for a total budget of \$3,846,634. The Governor is recommending an increase of 1.0 FTE and \$10,410 in general funds for a Corrections Analyst. This position is currently filled by a temporary worker. This budget also includes an increase of 4.0 FTE and \$286,000 of general funds related to the Criminal Justice Initiative. These funds will provide three additional Parole Officers, one additional Corrections Specialist, and additional training and development for the Initiative.

JUVENILE COMMUNITY CORRECTIONS

The Juvenile Community Corrections budget is recommended to increase by \$761,517 in general funds and 3.0 FTE, and to decrease by \$348,406 in federal fund expenditure authority and \$47,691 in other fund expenditure authority. Due to the change in the Federal Medical Assistance Percentage (FMAP), the Governor is recommending an increase of \$327,111 in general funds and a decrease of a like amount in federal fund expenditure authority. The Governor is recommending decreases of \$39,459 in general funds and \$7,521 in federal fund expenditure authority to align the budget based on the projected average daily count for Group and Residential Placement services for juvenile placements. The Governor is recommending a provider inflation increase of 3%, resulting in increases of \$346,879 in general funds and \$192,040 in federal fund expenditure authority. Also included in this budget is a net increase of \$19,550 in total funds and 3.0 FTE to allow three contracted Juvenile Corrections Agents to be hired as full time state employees. The overall FY2014 budget for Juvenile Community Corrections is \$16,107,107 in general funds, \$7,085,339 in federal fund expenditure authority, \$639,390 in other fund expenditure authority, and 47.5 FTE.

YOUTH CHALLENGE CENTER

The total FY2014 budget for the Youth Challenge Center is \$1,390,668 in general funds, \$14,942 in other fund expenditure authority, and 26.0 FTE.

PATRICK HENRY BRADY ACADEMY

The total FY2014 budget for the Brady Academy is \$1,419,209 in general funds, \$14,280 in other fund expenditure authority, and 26.0 FTE.

STATE TREATMENT AND REHABILITATION ACADEMY

The State Treatment and Rehabilitation (STAR) Academy budget for FY2014 is recommended to increase by \$55,642 in total funds. The Governor is recommending an increase of \$37,174 in total funds for food services and utilities. The total FY2014 budget for STAR is \$4,312,727 in general funds, \$694,594 in federal fund expenditure authority, \$150,300 in other fund expenditure authority, and 44.7 FTE.

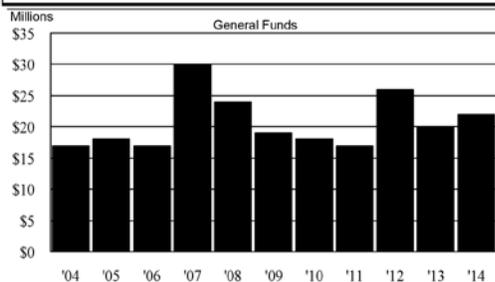
QUEST/EXCEL

The total FY2014 budget for Quest/ExCEL is \$1,546,579 in general funds, \$23,275 in other fund expenditure authority, and 28.0 FTE. Included in this budget is an increase of \$9,652 in other fund expenditure authority for travel, training and supplies.

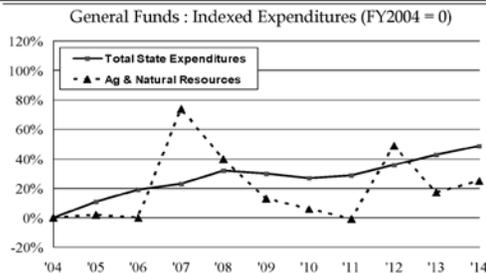
AGRICULTURE; ENVIRONMENT AND NATURAL RESOURCES; AND, GAME, FISH, AND PARKS

The budgets included in this category are the Department of Agriculture, Department of Environment and Natural Resources, and Department of Game, Fish, and Parks. General funds account for an increase of \$64,765 out of the \$95.2 million in total ongoing general fund increases. This budget represents a decrease of \$4.4 million out of the \$75.2 million in total ongoing fund increases for FY2014. In terms of the total ongoing state budget, this category is 1.2% of the general funds and 3.4% of the total ongoing funds, which amounts to \$140.4 million in total ongoing funding.

Agriculture, Natural Resources and Game, Fish, and Parks



Agriculture, Natural Resources and Game, Fish, and Parks



AGRICULTURE

The Governor's FY2014 recommended budget for the Department of Agriculture is \$42,633,625, consisting of \$5,707,986 in general funds, \$7,564,945 in federal fund expenditure authority, \$29,360,694 in other fund expenditure authority, and 224.8 FTE. The Governor is recommending total increases of \$67,356 in general funds, \$57,976 in federal fund expenditure authority, and 2.3 FTE, along with a total decrease of \$1,729,412 in other fund expenditure authority. Increases of \$3,122 in general funds, \$1,049 in federal fund expenditure authority, and \$4,670 in other fund expenditure authority are recommended due to changes in bureau billings throughout the department.

OFFICE OF THE SECRETARY

The Office of the Secretary's total recommended budget for FY2014 is \$983,629, consisting of \$766,396 in general funds, \$54,936 in federal fund expenditure authority, \$162,297 in other fund expenditure authority, and 9.5 FTE.

AGRICULTURAL SERVICES AND ASSISTANCE

The recommended FY2014 budget for Agricultural Services and Assistance includes \$1,761,431 in general funds, \$4,100,459 in federal fund expenditure authority, and \$2,960,792 in other fund expenditure authority, for a total budget of \$8,822,682 and 83.1 FTE. This general bill center is composed of Agriculture Services and Fire Suppression.

The total FY2014 recommended budget for Agricultural Services is \$4,097,699 and 32.2 FTE. This budget is comprised of \$709,950 in general funds, \$826,479 in federal fund expenditure authority, and \$2,561,270 in other fund expenditure authority.

The total FY2014 recommended budget for Fire Suppression includes \$1,051,481 in general funds,

\$3,273,980 in federal fund expenditure authority, \$399,522 in other fund expenditure authority, and 50.9 FTE. Within Fire Suppression, the Governor is recommending increases of \$56,543 in general funds, \$49,237 in federal fund expenditure authority, and 1.3 FTE for four permanent, part-time Squad Boss positions. Also, increases of \$7,691 in general funds and \$7,690 in federal fund expenditure authority to allow a current part-time Accounting Assistant position become full-time.

AGRICULTURAL DEVELOPMENT AND PROMOTION

The Governor's recommended budget for Agricultural Development and Promotion is \$4,088,604, consisting of \$1,098,222 in general funds, \$1,646,019 in federal fund expenditure authority, \$1,344,363 in other fund expenditure authority, and 27.8 FTE. This general bill center is composed of Agriculture Development and Resource Conservation and Forestry.

The total FY2014 recommended budget for Agriculture Development consists of \$111,813 in general funds, \$298,068 in federal fund expenditure authority, \$991,326 in other fund expenditure authority, and 9.0 FTE.

The total FY2014 recommended budget for Resource Conservation and Forestry consists of \$986,409 in general funds, \$1,347,951 in federal fund expenditure authority, \$353,037 in other fund expenditure authority, and 18.8 FTE.

ANIMAL INDUSTRY BOARD

The total FY2014 recommended budget for the Animal Industry Board is \$3,838,779 and 40.9 FTE. This budget is comprised of \$1,813,282 in general funds, \$1,763,531 in federal fund expenditure authority, and \$261,966 in other fund expenditure authority.

BOARDS AND COMMISSIONS - INFORMATIONAL

The Agricultural Boards and Commissions are as follows: the American Dairy Association, the Wheat Commission, the Oilseeds Council, the Soybean Research and Promotion Council, the Brand Board, the Corn Utilization Council, the Board of Veterinary Medical Examiners, and the Pulse Crops Council. The total recommended FY2014 budget for the Agricultural Boards and Commissions is \$22,193,152 in other fund expenditure authority and 44.0 FTE. The Governor is recommending increases in other fund expenditure authority of \$59,042 in the American Dairy Association, \$953,887 and 1.0 FTE in the Soybean Research and Promotion Council, \$6,746 in the Brand Board,

and \$2,137 in the Pulse Crops Council. The Governor is also recommending decreases in other fund expenditure authority of \$449,930 in the Wheat Commission, \$35,964 in the Oilseeds Council, and \$2,420,000 in the Corn Utilization Council. The total decrease in other fund expenditure authority for the boards and commissions is \$1,884,082.

STATE FAIR

The total FY2014 Governor's recommended budget for the State Fair is \$268,655 in general funds and \$2,438,124 in other fund expenditure authority for a total budget of \$2,706,779 and 19.5 FTE. This recommendation includes an increase in other fund expenditure authority of \$150,000 for the State Fair to address maintenance and repair needs, honorariums expenditures, and incentive payouts.

ENVIRONMENT AND NATURAL RESOURCES

The Governor's FY2014 recommended budget for the Department of Environment and Natural Resources totals \$21,591,863 and consists of \$5,533,880 in general funds, \$7,218,354 in federal fund expenditure authority, \$8,839,629 in other fund expenditure authority, and 180.5 FTE. Included are increases of \$7,687 in general funds, \$9,656 in federal fund expenditure authority, and \$6,431 in other fund expenditure authority due to changes in bureau billings throughout the department.

FINANCIAL AND TECHNICAL ASSISTANCE

The Financial and Technical Assistance budget consists of \$2,127,380 in general funds, \$1,882,750 in federal fund expenditure authority, and \$985,424 in other fund expenditure authority, for a total budget of \$4,995,554 and 56.5 FTE. The Governor is recommending a decrease of \$100,000 in American Recovery and Reinvestment Act (ARRA) federal fund expenditure authority which is no longer needed.

ENVIRONMENTAL SERVICES

The Governor recommends a total FY2014 budget for Environmental Services of \$11,574,976 and 118.0 FTE, consisting of \$3,406,500 in general funds, \$5,335,604 in federal fund expenditure authority, and \$2,832,872 in other fund expenditure authority.

REGULATED RESPONSE FUND - INFORMATIONAL

The Governor is recommending no significant change in the Regulated Response Fund budget.

This budget is informational and continuously appropriated with \$1,750,002 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.

PETROLEUM RELEASE COMPENSATION

The Governor's recommendation for the FY2014 budget for Petroleum Release Compensation is \$2,506,331 in other fund expenditure authority and 6.0 FTE.

GAME, FISH, AND PARKS

The FY2014 recommended budget for the Department of Game, Fish, and Parks totals \$76,223,718, including \$4,329,037 in general funds, \$23,948,458 in federal fund expenditure authority, \$47,946,223 in other fund expenditure authority, and 563.1 FTE. This budget reflects an overall decrease of \$2,754,065, consisting of decreases of \$10,278 in general funds, \$133,000 in federal fund expenditure authority, and \$2,610,787 in other fund expenditure authority. Included are increases of \$589 in federal fund expenditure authority and \$61,030 in other fund expenditure authority due to changes in bureau billings throughout the department.

ADMINISTRATION

The total recommended budget for Administration includes \$910,897 in general funds, \$3,188,272 in other fund expenditure authority, and 25.1 FTE, for a total budget of \$4,099,169. This includes a decrease of \$4,949 in general funds resulting from changes in bond payments related to the Division of Wildlife's fish hatcheries.

WILDLIFE – INFORMATIONAL

The Governor is recommending a total budget for the Division of Wildlife of \$42,343,239, composed of \$15,660,194 in federal fund expenditure authority, \$26,683,045 in other fund expenditure authority, and 286.7 FTE. Included in this budget are increases of \$603,286 in federal fund expenditure authority and \$189,363 in other fund expenditure authority to provide funding for the Wildlife's Conservation Reserve Enhancement Program and the "Walk-In" Program, as well as to align the budget with anticipated expenditures.

WILDLIFE DEVELOPMENT AND IMPROVEMENT – INFORMATIONAL

The Governor is recommending an overall decrease of \$1,663,800 in the Wildlife Development and Improvement Division. The total budget for the Wildlife Development and Improvement Division is \$2,618,000, of which \$1,731,000 is federal fund expenditure authority and \$887,000 is other fund expenditure authority. The Governor is recommending decreases of \$752,850 in federal fund expenditure authority and \$910,950 in other fund expenditure authority. This aligns the budget with anticipated costs from the capital development project list.

STATE PARKS AND RECREATION

The Division of State Parks and Recreation's total FY2014 budget is \$19,220,644 and 242.2 FTE, consisting of \$3,418,140 in general funds, \$3,044,964 in federal fund expenditure authority, and \$12,757,540 in other fund expenditure authority. The Governor is recommending a decrease of \$5,329 in general funds due to changes in bond payments related to Custer State Park. Increases of \$24,139 in federal fund expenditure authority and \$208,152 in other fund expenditure authority are for daily operational functions within the statewide park system.

STATE PARKS AND RECREATION DEVELOPMENT AND IMPROVEMENT

The Governor is recommending an overall decrease of \$2,198,200 in the State Parks and Recreation Development and Improvement Program. The total budget for the Development and Improvement Program for FY2014 is \$6,446,000, of which \$3,224,300 is federal fund expenditure authority and \$3,221,700 is other fund expenditure authority. This budget includes Water Based Recreation, Preventative Maintenance, and Miscellaneous Development divisions. The Governor is recommending increases of \$318,625 in federal fund expenditure authority and \$197,875 in other fund expenditure authority within Water Based Recreation. In Preventative Maintenance, the Governor is recommending decreases of \$1,221,700 in federal fund expenditure authority and \$2,827,000 in other fund expenditure authority. Within Miscellaneous Development, the Governor is recommending increases of \$682,500 in federal fund expenditure authority and \$651,500 in other fund expenditure authority.

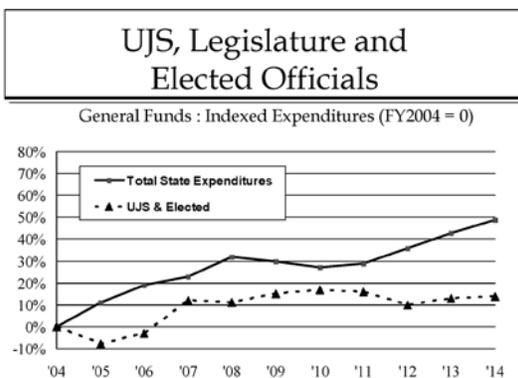
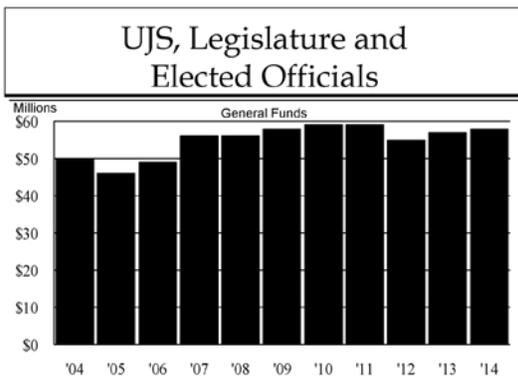
SNOWMOBILE TRAILS – INFORMATIONAL

The total recommended budget for the Snowmobile Trails Program is \$288,000 in federal fund expenditure authority, \$1,208,666 in other fund

expenditure authority, and 9.1 FTE. The Governor is recommending an increase of \$213,000 in federal fund expenditure authority and a decrease of \$171,124 in other fund expenditure authority to utilize federal dollars for the purchase of an additional trail groomer.

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

The budgets included in this category are the Legislature, Unified Judicial System, Public Utilities Commission, Office of the Attorney General, Secretary of State, School and Public Lands, Office of the State Auditor, and Office of the State Treasurer. General funds account for an increase of \$850,666 out of the \$95.2 million in total ongoing increases. This budget represents a \$1.7 million increase out of the \$75.2 million in total ongoing fund increases for FY2014. In terms of the total ongoing state budget, this category is 4.2% of the general funds and 2.5% of the total ongoing funds, which amounts to \$100.3 million in total ongoing funding.



LEGISLATURE

The total FY2014 recommended budget for the South Dakota Legislature is \$7,810,920 in general

funds, \$35,000 in other fund expenditure authority, and 67.3 FTE. Changes to the Legislative Research Council's budget include an increase of \$10,000 in general funds to restore funding for the Accidental Death Insurance Policy for Legislators. This budget recommendation also includes a \$35,000 decrease in general funds to align their budget with their computer lease contract. The Governor is also recommending an increase of \$25,014 in general funds related to bureau billings adjustments.

The Governor is recommending a general fund increase \$154,068 for Legislative Audit. Included in this recommendation is an increase of \$122,771 in general funds and 2.0 FTE for additional Auditors. These Auditors will help expedite the completion of the Single Audit Report and will assist with audits for local entities of government. This budget also includes an increase of \$30,642 in general funds to provide discretionary raises to eligible staff members.

UNIFIED JUDICIAL SYSTEM

The Governor's recommended changes for the Unified Judicial System includes increases of \$897,326 in general funds, \$2,100 in federal fund expenditure authority, and 9.5 FTE, and a decrease of \$683,170 in other fund expenditure authority.

This recommendation includes increases of \$728,571 in general funds and 6.5 FTE for the Drug/DUI Courts. This consists of 0.5 FTE for a Magistrate Judge, 3.0 FTE for Court Services Officers, and 3.0 FTE for Drug/DUI Court Specialists. Also included are increases of \$131,000 in general funds and 2.0 FTE for Court Services Officers for the enhanced probation and training in the Evidenced-Based Practices (EBP) component of the Criminal Justice Initiative (CJI). Increases of \$24,753 in general funds and \$2,100 in federal fund expenditure authority are for a 3.0% provider inflation increase. Also, increases of \$67,099 in other fund expenditure authority and 1.0 FTE are for a Senior Programmer Analyst. A decrease of \$768,818 in other fund expenditure authority is due to a reduction in outside contractor usage for computer services. Also included are increases of \$13,002 in general funds and \$18,549 in other fund expenditure authority due to changes in bureau billings.

The total FY2014 recommended budget for the Unified Judicial System is \$34,598,440 in general funds, \$702,656 in federal fund expenditure authority, and \$10,990,704 in other fund expenditure authority, for a total budget of \$46,291,800 and 548.9 FTE.

PUBLIC UTILITIES COMMISSION

The Governor recommends increases of \$11 in general funds, \$61,939 in federal fund expenditure authority, and \$36,333 in other fund expenditure authority. This includes an increase in other fund expenditure authority of \$118,540 within the One Call Notification Board due to the costs of incoming locate tickets increasing. A funding swap from other fund expenditure authority to federal fund expenditure authority of \$46,728 within Pipeline Safety and \$45,000 within the One Call Notification Board are to align the budget with federal dollars being received. A decrease in federal fund expenditure authority within Fixed Utilities of \$50,000 is due to American Recovery and Reinvestment Act (ARRA) federal fund expenditure authority which is no longer needed. Increases within Pipeline Safety of \$13,416 in federal fund expenditure authority and \$7,546 in other fund expenditure authority are to help align budget authority with anticipated travel expenditures. Also, an increase of \$6,227 in federal fund expenditure authority and a decrease of \$1,502 in other fund expenditure authority are to align the budget with anticipated expenditures throughout the department. Also included are increases of \$11 in general funds, \$568 in federal fund expenditure authority, and \$3,477 in other fund expenditure authority due to changes in bureau billings throughout the department. The total FY2014 recommended budget is \$475,555 in general funds, \$478,495 in federal fund expenditure authority, \$3,351,184 in other fund expenditure authority, and 33.2 FTE.

ATTORNEY GENERAL

The Governor's FY2014 budget recommendation for the Office of the Attorney General includes \$9,517,728 in general funds, \$4,149,293 in federal fund expenditure authority, and \$8,241,262 in other fund expenditure authority, for a total of \$21,908,283 and 174.0 FTE. This budget recommendation consists of increases of \$305,638 in general funds and \$359,158 in other fund expenditure authority, and decreases of \$255,357 in federal fund expenditure authority and 0.5 FTE. Included in this budget is an increase in total funds of \$80,649 for discretionary 2.5% pay increases which were given to eligible employees in FY2013. Also included in this budget recommendation is an increase of \$104,306 in total funds for a discretionary 2.5% pay increase for eligible employees during FY2014. This budget also includes an increase of \$93,230 in total funds due changes in bureau billings.

LEGAL SERVICES

Included in this budget recommendation is an increase of \$74,376 in other fund expenditure authority and 1.0 FTE for an additional attorney to defend the state in prisoner litigation cases. Also included in this budget recommendation are increases of 1.0 FTE and \$45,645 in other fund expenditure authority for an additional Consumer Fraud Investigator. This budget contains a reduction of 5.5 FTE and \$241,937 of American Recovery and Reinvestment Act (ARRA) federal fund expenditure authority as funds run out in FY2013. Included in this budget is the movement out of \$740,230 of general funds, \$142,816 in federal fund expenditure authority, \$309,210 in other fund expenditure authority, and 12.0 FTE out of the Drug Grant Program to the Division of Criminal Investigation (DCI).

CRIMINAL INVESTIGATION

Included in this budget is an increase of \$71,634 in general funds and 1.0 FTE for an additional DCI agent to be stationed in the Northern Black Hills. The Governor is recommending the reduction of 1.0 FTE and \$39,997 of ARRA federal fund expenditure authority as funds run out in FY2013. Within this budget the Governor is recommending 2.0 FTE that were previously funded with ARRA funds continue to serve within the Record Check program and the Sex Offender Compliance Unit. These 2.0 FTE will be funded with \$71,739 in federal fund expenditure authority and \$92,880 in other fund expenditure authority. Also included in this budget is an increase of \$58,816 in general funds due to lost federal Byrne Grant funds and to reinstate funds for computer replacement. This recommendation also includes the movement of \$740,230 in general funds, \$142,816 in federal fund expenditure authority, \$309,210 in other fund expenditure authority, and 12.0 FTE from the Drug Grant Program within Legal Services to DCI.

LAW ENFORCEMENT TRAINING

The total budget for the Division of Law Enforcement Training is \$352,028 in general funds and \$1,747,079 in other fund expenditure authority, for a total of \$2,099,107 and 11.5 FTE. Included in this budget are increases of 1.0 FTE and \$56,787 in other fund expenditure authority to retain an employee previously funded with ARRA funds. This FTE will continue to serve as a Training Instructor.

911 TRAINING

The total recommended budget for 911 Training is \$208,590 in other fund expenditure authority and 2.0 FTE.

INSURANCE FRAUD UNIT - INFORMATIONAL

The total recommended FY2014 budget is \$235,128 in other fund expenditure authority and 3.0 FTE.

SECRETARY OF STATE

The Governor's recommendation for the Secretary of State's FY2014 budget is \$888,838 in general funds, \$3,131,963 in federal fund expenditure authority, \$458,940 in other fund expenditure authority, and 15.6 FTE. This includes a decrease of \$13,000 in general funds due to efficiencies. Also, increases of \$2,372 in general funds, \$56 in federal fund expenditure authority, and \$538 in other fund expenditure authority are recommended due to changes in bureau billings.

SCHOOL AND PUBLIC LANDS

The Governor's recommendation for the FY2014 School and Public Lands' budget is \$498,227 in general funds, \$225,000 in other fund expenditure authority, and 6.0 FTE. A decrease of \$500,000 in general funds for dam maintenance and repair is recommended. Also, an increase of \$1,228 in general funds is due to changes in bureau billings.

STATE AUDITOR

The Governor's FY2014 recommendation includes an increase of \$2,331 in general funds. Included is a decrease of \$310 in general funds to align the budget with anticipated expenditures in contractual services and capital outlay. Also, an increase of \$2,641 in general funds is due to changes in bureau billings. The total FY2014 recommended budget is \$1,138,327 in general funds, \$100,000 in other fund expenditure authority, and 17.0 FTE.

STATE TREASURER

The Governor's recommended budget includes increases of \$678 in general funds and \$1,323,950 in other fund expenditure authority. Included are increases of \$678 in general funds and \$758 in other fund expenditure authority due to changes in bureau billings. The total FY2014 recommended budget consists of \$469,304 in general funds, \$13,010,709 in other fund expenditure authority, and 39.0 FTE.

TREASURY MANAGEMENT

The Governor's total recommended FY2014 budget for Treasury Management includes an increase of

\$678 in general funds. The total budget within Treasury Management is \$469,304 in general funds and 5.5 FTE.

UNCLAIMED PROPERTY - INFORMATIONAL

The Governor's recommendation includes an increase of \$758 in other fund expenditure authority. The total recommended FY2014 budget for Unclaimed Property is \$2,902,199 in other fund expenditure authority and 3.5 FTE.

INVESTMENT OF STATE FUNDS

The Governor is recommending an increase of \$519,707 in other fund expenditure authority and 2.0 FTE within Investment of State Funds for the South Dakota Investment Council (SDIC). This is for personal services promotional development and salary adjustments based on the SDIC's long-term compensation plan. The total recommended FY2014 budget for the Investment of State Funds is \$6,398,804 in other fund expenditure authority and 30.0 FTE.

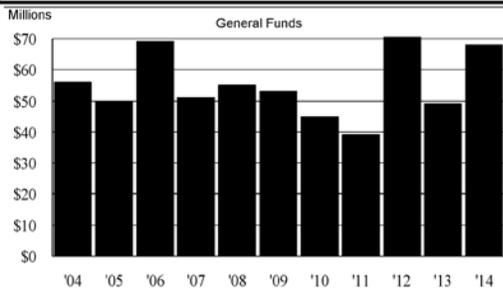
PERFORMANCE BASED COMPENSATION

The Governor is recommending an increase of \$803,485 in other fund expenditure authority within Performance Based Compensation for the South Dakota Investment Council (SDIC). The total recommended FY2014 budget for the Performance Based Compensation is \$3,709,706 in other fund expenditure authority.

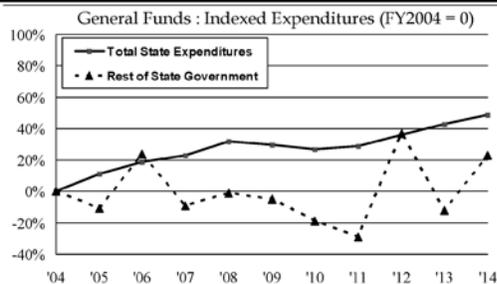
REMAINDER OF STATE GOVERNMENT

The budgets included in this category are the Departments of Executive Management, Military, Veterans' Affairs, Revenue, Tourism, Tribal Relations, Transportation, Labor and Regulation, and Public Safety. General funds account for an increase of \$22.0 million out of the \$95.2 million in total ongoing increases. This budget represents an increase of \$42.4 million out of the \$75.2 million in total ongoing fund increases for FY2014. In terms of the total ongoing state budget, this category is 4.8% of the general funds and 25.2% of the total ongoing funds, which amounts to \$1.0 billion in total ongoing funding.

Remainder of State Government



Remainder of State Government



EXECUTIVE MANAGEMENT

The Governor's recommendation for the Department of Executive Management includes increases of \$21,272,406 in general funds, \$11,971,820 in federal fund expenditure authority, \$27,553,397 in other fund expenditure authority, and 27.4 FTE. The total FY2014 budget includes \$47,795,650 in general funds, \$30,572,158 in federal fund expenditure authority, \$143,497,575 in other fund expenditure authority, and 783.5 FTE.

GOVERNOR'S OFFICE

The total recommended budget for the Governor's Office including the Lt. Governor is \$2,194,964 in general funds, \$259,843 in federal fund expenditure authority, and 22.0 FTE. An increase of \$8,611 in general funds is due to changes in bureau billings. A decrease of \$25,409 in federal fund expenditure authority is due to no longer spending Health Insurance Exchange planning grant funds.

OFFICE OF ECONOMIC DEVELOPMENT

The Governor's total recommended budget for the Office of Economic Development is \$6,217,100 in general funds, \$13,962,570 in federal fund expenditure authority, \$29,157,929 in other fund expenditure authority, and 138.5 FTE. Increases of \$5,279 in general funds, \$224 in federal fund expenditure authority, and \$1,030 in other fund

expenditure authority are recommended due to changes in bureau billings.

The Governor is recommending a total budget of \$3,850,933 in general funds, \$200,000 in other fund expenditure authority, and 2.0 FTE for the Office of Research Commerce. This includes an increase of \$200,000 in other fund expenditure authority for proof-of-concept projects.

The total recommended FY2014 South Dakota Housing Development Authority budget consists of \$2,144,114 in federal fund expenditure authority, \$7,989,056 in other fund expenditure authority, and 65.0 FTE. This includes an increase of \$50,000 in other fund expenditure authority due to increased health insurance costs.

The total recommended FY2014 budget for the South Dakota Science and Technology Authority is \$4,252,182 in other fund expenditure authority and 28.4 FTE. Increases of 21.4 FTE and \$3,125,988 in other fund expenditure authority are to reflect anticipated expenses.

The Governor is recommending a total budget of \$57,565 in other fund expenditure authority for the South Dakota Energy Infrastructure Authority.

The total recommended FY2014 budget for the South Dakota Ellsworth Development Authority budget is \$177,469 in federal fund expenditure authority, \$203,229 in other fund expenditure authority, and 2.5 FTE.

BUREAU OF FINANCE AND MANAGEMENT

The Governor recommends increases of \$19,073,319 in general funds, \$11,993,769 in federal fund expenditure authority, and \$23,655,362 in other fund expenditure authority. Included in these increases is an employee compensation pool for state employees which consists of \$20,094,575 in general funds, \$11,993,769 in federal fund expenditure authority, and \$23,411,765 in other fund expenditure authority. A general fund decrease of \$1,022,565 is attributable to the Bureau of Finance and Management's sale/leaseback payment schedule. Also, increases of \$1,309 in general funds and \$21,362 in other fund expenditure authority are recommended due to changes in bureau billings. Increases in other fund expenditure authority of \$70,167 for the SD Building Authority and \$152,068 for the Health and Educational Facilities Authority are to align the budgets with anticipated expenditures. The recommended FY2014 budget is \$25,907,764 in general funds, \$11,993,769 in federal fund expenditure authority, \$30,489,382 in other fund expenditure authority, and 36.0 FTE.

BUREAU OF ADMINISTRATION

The Governor recommends an increase of \$2,819,755 in general funds and a decrease of \$75,575 in other fund expenditure authority. This recommendation includes an increase of \$2,857,949 in general funds for statewide maintenance and repair of state buildings. This is a four year plan to reach an M&R budget which is 2% of the value of the buildings. A decrease of \$39,155 in general funds and an increase of \$1,444 in other fund expenditure authority are for the sale/leaseback payments. Also, increases of \$961 in general funds and \$10,530 in other fund expenditure authority are recommended due to changes in bureau billings. Since the central supply program was discontinued in FY2013, a decrease of \$87,549 in other fund expenditure authority is recommended. The FY2014 recommended budget is \$6,924,534 in general funds, \$500,000 in federal fund expenditure authority, \$29,559,676 in other fund expenditure authority, and 163.0 FTE.

BUREAU OF INFORMATION AND TELECOMMUNICATIONS

The Governor recommends increases of \$6,422 in general funds, \$3,236 in federal fund expenditure authority, \$487,277 in other fund expenditure authority, and 5.0 FTE. Increases of \$236,080 in other fund expenditure authority and 3.0 FTE are to address security functions. Recommended increases of \$170,128 in other fund expenditure authority and 2.0 FTE are to hire computer specialists to manage 3rd party contractors maintaining the Department of Social Services MEDx system. Increases of \$6,422 in general funds, \$3,236 in federal fund expenditure authority, and \$81,069 in other fund expenditure authority are recommended due to changes in bureau billings. The Governor's total recommended FY2014 budget for the Bureau of Information and Telecommunications is \$6,309,544 in general funds, \$3,355,305 in federal fund expenditure authority, \$39,137,277 in other fund expenditure authority, and 353.5 FTE.

BUREAU OF HUMAN RESOURCES

The Governor's recommended changes for the Bureau of Human Resources includes a decrease of \$640,980 in general funds and increases of \$109,315 in other fund expenditure authority and 1.0 FTE. The recommendation includes a decrease of \$642,836 in general funds for the Risk Pool as participants are expected to switch to the Health Insurance Exchange health plans. Also recommended are increases of 1.0 FTE and \$71,190 in other fund expenditure authority for an additional Human Resources Manager position. Also, increases of \$1,856 in general funds and

\$38,125 in other fund expenditure authority are recommended due to changes in bureau billings. The total FY2014 budget consists of \$241,744 in general funds, \$500,671 in federal fund expenditure authority, \$15,153,311 in other fund expenditure authority, and 70.5 FTE.

MILITARY

The recommended FY2014 budget for the Department of the Military contains \$3,229,922 in general funds, \$15,721,428 in federal fund expenditure authority, \$26,793 in other fund expenditure authority, and 105.4 FTE. The FY2014 budget reflects an increase of \$438,186 in general funds, a decrease of \$6,796,713 in federal fund expenditure authority, and 2.0 additional FTE.

OFFICE OF THE ADJUTANT GENERAL

The Governor's FY2014 total budget recommendation for the Office of the Adjutant General is \$922,567 in general funds, \$10,306 in federal fund expenditure authority, \$26,793 in other fund expenditure authority, and 6.3 FTE. Included in this budget is an increase of \$36,344 in general funds for tuition assistance for National Guard members. This increase is necessary due to annual increases in tuition rates.

ARMY GUARD

The Governor's recommendation for the Army Guard includes an increase of \$403,546 in general funds, a decrease of \$6,787,298 in federal fund expenditure authority, and an increase of 2.0 FTE. The Governor is recommending an increase of 2.0 FTE for a Fire and Emergency Manager and a Senior Building Maintenance Worker. These services are currently contracted out; the division will realize a savings of \$9,701 in federal expenditures by eliminating these contracts and hiring 2.0 State employees. Also included in this budget recommendation is an increase of \$399,257 in general funds and \$1,597,028 in federal fund expenditure authority for statewide maintenance and repair (M&R) on our armories. This is a four year plan to reach an M&R budget which is 2% of the value of the buildings. This budget also includes a decrease of \$8,389,000 in federal fund expenditure authority for Military Construction projects. These projects are complete so the expenditure authority will not be needed in FY2014 budget. The total FY2014 recommended budget for the Army Guard is \$12,751,539 and 52.1 FTE.

AIR GUARD

The Governor's total FY2014 budget recommendation for the Air Guard is \$364,676 in

general funds, \$4,902,262 in federal fund expenditure authority, and 47.0 FTE.

VETERANS' AFFAIRS

The recommended FY2014 budget for the Department of Veterans' Affairs contains \$3,282,391 in general funds, \$867,408 in federal fund expenditure authority, \$4,692,017 in other fund expenditure authority, and 104.7 FTE. The total budget for the department is \$8,841,816.

VETERANS' BENEFITS AND SERVICES

The total recommended FY2014 budget for Veterans' Benefits and Services is \$1,075,011 in general funds, \$245,035 in federal fund expenditure authority, and \$61,000 in other fund expenditure authority, for a total of \$1,381,046 and 19.0 FTE. Included in this budget is an increase of \$79,357 in general funds and 0.5 FTE to fully fund the new Cabinet Position.

STATE VETERANS' HOME

The Governor's recommendation for the State Veterans' Home includes increases of \$25,797 in general funds, \$39,031 in other fund expenditure authority, along with a federal fund expenditure authority decrease of \$22,378,937. The Governor is recommending an increase in total funds of \$63,974 for food services and utilities. Included in this recommendation is a decrease of \$22,378,937 in federal fund expenditure authority related to the construction of the new Vets' Home in Hot Springs. This expenditure authority is in a recommended special appropriation instead of the base budget.

REVENUE

The Governor's recommended FY2014 budget for the Department of Revenue totals \$60,776,990 consisting of \$1,069,874 in general funds, \$59,707,116 in other fund expenditure authority, and 246.5 FTE. Increases include \$3,300 in general funds and \$87,309 in other fund expenditure authority due to changes in bureau billings throughout the department. The Governor is recommending total increases of \$3,300 in general funds, \$87,309 in other fund expenditure authority, and 1.0 FTE for the Department.

SECRETARIAT

The total FY2014 Governor's recommended budget for the Secretariat Division consists of \$3,733,479 in other fund expenditure authority and 37.5 FTE.

BUSINESS TAX

The total FY2014 Governor's recommended budget for Business Tax consists of \$3,398,443 in other fund expenditure authority and 47.0 FTE.

MOTOR VEHICLES

The total FY2014 Governor's recommended budget for Motor Vehicles consists of \$5,266,041 in other fund expenditure authority and 46.0 FTE.

PROPERTY AND SPECIAL TAXES

The total FY2014 Governor's recommended budget for Property and Special Taxes consists of \$1,069,874 in general fund and 14.0 FTE.

AUDITS

The total FY2014 Governor's recommended budget consists of \$3,871,956 in other fund expenditure authority and 55.0 FTE.

LOTTERY

The total FY2014 Governor's recommended budget for Lottery is \$32,936,156 of other fund expenditure authority and 31.0 FTE. An increase of 1.0 FTE is recommended to address the workload in Video Lottery as a result of the new line games.

COMMISSION ON GAMING – INFORMATIONAL

The total FY2014 Governor's recommended budget for the Commission on Gaming is \$10,501,041 in other fund expenditure authority and 16.0 FTE.

TOURISM

The Governor's recommended budget for the Department of Tourism consists of \$1,781,046 in general funds, \$1,759,950 in federal fund expenditure authority, \$16,508,823 in other fund expenditure authority, and 72.0 FTE. The recommended changes include increases of \$49,405 in general funds, \$2,406 in federal fund expenditure authority, and \$1,112,112 in other fund expenditure authority. Included are increases of \$49,405 in general funds, \$2,406 in federal fund expenditure authority, and \$8,112 in other fund expenditure authority due to changes in bureau billings throughout the department.

TOURISM

The Tourism budget is funded by revenues generated from Deadwood Gaming, a gross

receipts tax on hotel rooms and other tourist activities, and the Co-op Revolving Fund. The Governor recommends an increase of \$1,104,000 in other fund expenditure authority due to anticipated increases in revenue. The total FY2014 recommended budget consists of \$13,104,885 in other fund expenditure authority and 25.0 FTE.

ARTS

The total recommended FY2014 Arts budget consists of \$878,000 in federal fund expenditure authority, \$791,006 in other fund expenditure authority, and 3.0 FTE.

HISTORY

The total recommended FY2014 History budget consists of \$1,781,046 in general funds, \$881,950 in federal fund expenditure authority, \$2,612,932 in other fund expenditure authority, and 44.0 FTE.

TRIBAL RELATIONS

The Governor's recommended change to the FY2014 budget consists of an increase of \$16,420 in general funds. This includes an increase of \$14,971 in general funds related to travel. Also included is an increase of \$1,440 in general funds to cover office expenses. An increase of \$9 in general funds is due to changes in bureau billings. The total recommended FY2014 budget for the Department of Tribal Relations budget is \$379,295 in general funds, \$100,000 in federal fund expenditure authority, \$100,000 in other fund expenditure authority, and 5.0 FTE.

TRANSPORTATION

The recommended FY2014 budget for the Department of Transportation contains \$484,066 in general funds, \$379,832,593 in federal fund expenditure authority, \$211,909,073 in other fund expenditure authority, and 1,026.3 FTE. The FY2014 budget reflects increases of \$1,908,000 in federal fund expenditure authority and \$4,656,755 in other fund expenditure authority.

GENERAL OPERATIONS

The Governor's total FY2014 recommended budget for General Operations includes \$484,066 in general funds, \$32,763,720 in federal fund expenditure authority, \$135,814,788 in other fund expenditure authority, and 1,026.3 FTE. This includes an increase of \$3,961,679 in other fund expenditure authority for depreciable equipment and radios. Also included is an increase of \$155,860 in other fund expenditure authority for

diesel fuel. An increase of \$86,116 in other fund expenditure authority is due to higher paint supply costs. Recommended increases of \$1,800,000 in federal fund expenditure authority and \$300,000 in other fund expenditure authority are for relocating a railroad line. Increases of \$108,000 in federal fund expenditure authority and \$68,400 in other fund expenditure authority are for equipment and printing roadmaps. A decrease of \$97,301 in other fund expenditure authority is based on overall utility usage. An increase of \$182,001 in other fund expenditure authority is due to changes in bureau billings.

CONSTRUCTION CONTRACTS - INFORMATIONAL

No changes are recommended in the Construction Contracts budget. The total budget for Construction Contracts is \$423,163,158, consisting of \$347,068,873 in federal fund expenditure authority and \$76,094,285 in other fund expenditure authority. The Construction Contracts division makes up 71% of the Department of Transportation's budget.

LABOR & REGULATION

The Governor's recommendation for the Department of Labor and Regulation is \$895,166 in general funds, \$35,785,949 in federal fund expenditure authority, \$11,948,430 in other fund expenditure authority, and 482.7 FTE. The budget increase for the Department includes \$1,900 in general funds, \$137,199 in federal fund expenditure authority, and \$174,705 in other fund expenditure authority. The Governor is recommending an increase of \$174,219 in total funds due to changes in bureau billings throughout the department.

ADMINISTRATION

The total recommended budget is \$280,000 in general funds, \$18,939,654 in federal fund expenditure authority, \$136,981 in other fund expenditure authority, and 53.5 FTE.

UNEMPLOYMENT INSURANCE

The total recommended FY2014 budget is \$5,133,582 in federal fund expenditure authority and 92.0 FTE.

EMPLOYMENT SERVICES

The total recommended budget is \$10,693,751 in federal fund expenditure authority and 186.0 FTE.

STATE LABOR LAW ADMINISTRATION

The total recommended budget is \$615,166 in general funds, \$413,947 in federal fund expenditure authority, \$445,801 in other fund expenditure authority, and 19.0 FTE.

PROFESSIONAL AND OCCUPATIONAL LICENSING - INFORMATIONAL

This division is comprised of the informational budgets of the professional and occupational licensing boards. There are eight boards with a total recommended budget for FY2014 of \$3,438,661 in other fund expenditure authority and 43.0 FTE. The boards include: Board of Accountancy, Board of Barber Examiners, Cosmetology Commission, Plumbing Commission, Board of Technical Professions, the Electrical Commission, the Abstractors Board of Examiners, and the Real Estate Commission.

BANKING

The recommended total FY2014 budget is \$1,983,181 in other fund expenditure authority and 22.5 FTE.

SECURITIES

The total FY2014 recommended budget consists of \$437,327 in other fund expenditure authority and 5.7 FTE.

INSURANCE

The total recommended FY2014 budget consists of \$605,015 in federal fund expenditure authority, \$1,779,662 in other fund expenditure authority, and 28.0 FTE.

SOUTH DAKOTA RETIREMENT SYSTEM

The recommended budget for the South Dakota Retirement System is \$3,726,817 in other fund expenditure authority and 33.0 FTE. Included in this recommendation is an increase of \$63,210 in other fund expenditure authority to hire an Accountant. This position is necessary due to revised accounting standards for pensions. Also included in this recommendation is an increase of \$63,375 in other fund expenditure authority to cover inflationary costs for actuarial services and additional benchmarking analysis.

PUBLIC SAFETY

The Department of Public Safety FY2014 Governor's recommended budget includes \$3,500,367 in general funds, \$22,917,585 in federal

fund expenditure authority, and \$33,069,134 in other fund expenditure authority, for a total of \$59,487,086 and 418.0 FTE. Included in this budget is an increase of \$51,542 in total funds due to changes in bureau billings.

ADMINISTRATION

The Division of Administration's total recommended budget is \$122,354 in general funds, \$129,964 in federal fund expenditure authority, and \$653,402 in other fund expenditure authority, for a total of \$905,720 and 8.5 FTE.

HIGHWAY PATROL

The Division of Highway Patrol includes the South Dakota Highway Patrol, Accident Records, Highway Safety, and State Radio. The Governor is recommending an increase of \$86,508 in federal fund expenditure authority and 3.0 FTE to hire additional troopers. This increase will allow the Highway Patrol to take advantage of the COPS Hiring Grant, which is aimed at hiring veterans or laid off law enforcement officers. The total FY2014 recommendation includes \$1,216,615 in general funds, \$7,354,748 in federal fund expenditure authority, and \$20,158,145 in other fund expenditure authority, for a total of \$28,729,508 and 277.0 FTE.

EMERGENCY SERVICES AND HOMELAND SECURITY

The Division of Emergency Services and Homeland Security includes Emergency Management, Emergency Medical Services, the State Fire Marshal, and the Office of Homeland Security. The Governor is recommending increases of \$30,718 in general funds, a like amount in federal fund expenditure authority, and 1.0 FTE within Emergency Management for a Preparedness Team Leader. The FY2014 budget recommendation for the Division of Emergency Services and Homeland Security includes \$1,516,061 in general funds, \$15,341,030 in federal fund expenditure authority, and \$301,940 in other fund expenditure authority, for a total of \$17,159,031 and 36.0 FTE.

LEGAL AND REGULATORY SERVICES

The Division of Legal and Regulatory Services includes Weights and Measures, Driver Licensing, and Inspections. The FY2014 recommended budget includes \$645,337 in general funds, \$91,843 in federal fund expenditure authority, and \$7,061,112 in other fund expenditure authority, for a total budget of \$7,798,292 and 95.5 FTE. Included in this budget is an increase of 5.0 FTE and \$203,674 of other fund expenditure authority within Driver Licensing. This recommendation will

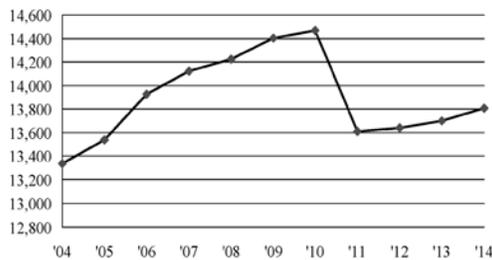
allow the division to hire 4.0 additional examiners statewide and 1.0 Driver Licensing Trainer who will provide ongoing and new-hire training. Recommended increase of \$72,090 in other fund expenditure authority is needed due to a 5% salary increase that went into effect in August of 2012 for Driver License Examiners and Senior Examiners. An increase of \$43,287 in general funds in Weights and Measures for additional octane inspections and capital assets.

**911 COORDINATION BOARD -
INFORMATIONAL**

The total budget for the 911 Coordination Board is \$4,894,535 in other fund expenditure authority and 1.0 FTE. No changes are being recommended in FY2014.

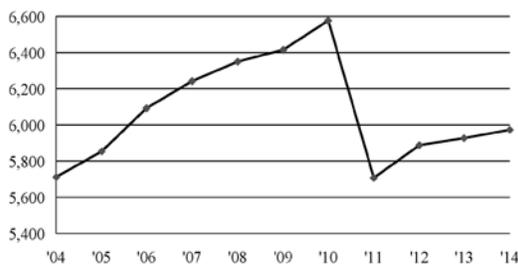
FTE CHANGE

**FTE History
All of State Government**



The total appropriated FTE increased from 13,304.9 in FY2004 to a recommended level of 13,810.0 for FY2014. This is an increase of 505.1 FTE or 3.8% over the decade. The recommended change in ongoing FTE for FY2014 is an increase of 107.7 across state government.

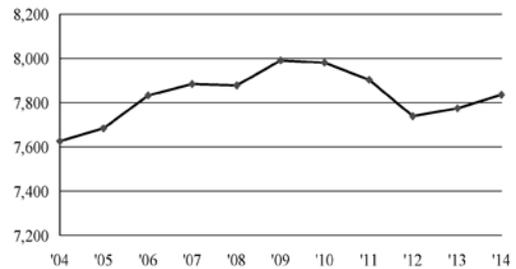
**FTE History for Offices
Outside Control of Governor**



For offices outside the control of the Governor, total appropriated FTE grew from 5,712.6 in FY2004 to a recommended level of 5,974.4 for FY2014. This is an increase of 261.8 FTE, or 4.6%, over the decade. The recommended changes for these

offices in the FY2014 budget are a net increase of 47.0 FTE. This includes increases of 34.0 FTE for the Board of Regents, 9.5 FTE within the Unified Judicial System, 2.0 FTE in the Investment Council, and 2.0 FTE in the Department of Legislative Audit, and a decrease of 0.5 FTE in the Attorney General's Office.

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



The agencies under direct control of the Governor had total appropriated FTE of 7,592.3 in FY2004. The FY2014 budget recommendation brings the FTE to a level of 7,835.6. This is an increase of 243.3 FTE, or 3.2%, over the decade. The recommended increase of 60.7 FTE in the FY2014 budget includes increases of 21.4 FTE within the Science and Technology Authority, 14.5 FTE in the Department of Corrections, 9.0 FTE in the Department of Public Safety, 8.0 FTE in the Department of Health, 5.0 FTE in the Bureau of Information and Telecommunications, 2.3 FTE in the Department of Agriculture, 2.0 FTE in the Department of the Military, 2.0 FTE in the Department of Social Services, 1.0 FTE in the Bureau of Human Resources, 1.0 FTE in the Department of Revenue, 1.0 FTE in the Department of Education, and 0.5 FTE in the Department of Veterans' Affairs, with a reduction of 7.0 FTE in the Department of Human Services.

SPECIAL APPROPRIATION RECOMMENDATIONS

FY2014 SPECIAL APPROPRIATIONS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
GFP Outdoor Heritage Projects		\$ 4,000,000			\$ 4,000,000
Pine Beetle Suppression		\$ 2,000,000			\$ 2,000,000
Homestake Mine Ross Shaft Construction		\$ 2,000,000			\$ 2,000,000
Railroad Trust Fund		\$ 1,000,000			\$ 1,000,000
Tax Refunds for Elderly and Disabled Persons		\$ 500,000			\$ 500,000
Physician Tuition Reimbursement Program		\$ 208,800			\$ 208,800
Clover Hall Replacement				\$ 4,000,000	\$ 4,000,000
Conservation grant				\$ 500,000	\$ 500,000
Construction/Demolition at State Treatment & Rehabilitation Academy				\$ 215,000	\$ 215,000
TOTAL FY2014 SPECIAL APPROPRIATIONS	0.0	\$ 9,708,800	\$ -	\$ 4,715,000	\$ 14,423,800

NOTE: FY2014 special appropriations become available for expenditure on July 1, 2013, and are included in the FY2014 column of the General Fund Condition Statement.

Governor Dugaard is recommending total special appropriations of \$9,708,800 in general funds and \$4,715,000 in other fund expenditure authority for a total of \$14,423,800. The following paragraphs highlight each recommended special appropriation.

- ◆ **GFP Outdoor Heritage Projects:** The Governor is recommending \$4,000,000 in general funds for the development of Blood Run Nature Area, a visitor center/theatre within Custer State Park, and a trail connecting Mount Rushmore with the George S. Mickelson Trail.
- ◆ **Pine Beetle Suppression:** The Governor is recommending \$2,000,000 in general funds for the Fire Suppression Fund for pine beetle suppression within the Black Hills.
- ◆ **Homestake Mine Ross Shaft Construction:** The Governor is recommending \$2,000,000 in general funds for the South Dakota Science and Technology Authority to replace steel in the Ross Shaft. This upgrade will enable the underground lab to accommodate the excavations necessary for future experiments, and will extend the life of the lab into the future.
- ◆ **Railroad Trust Fund:** The Governor is recommending \$1,000,000 in general funds for the Railroad Trust fund to provide loans for railroad projects.
- ◆ **Tax Refunds for Elderly and Disabled Persons:** The Governor is recommending \$500,000 in general funds for tax refunds for elderly and disabled individuals who meet income guidelines.
- ◆ **Physician Tuition Reimbursement Program:** The Governor is recommending \$208,800 in general funds to reimburse four participants who have complied with the requirements of the South Dakota Physician, Midlevel, or Dentist Tuition Reimbursement program per SDCL 1-16A-71.1, SDCL 1-16A-73.6, or SDCL 1-16A-73.20.
- ◆ **Clover Hall Replacement:** The Governor is recommending \$4,000,000 in other fund expenditure authority for the construction of a new facility on the State Fair grounds to replace Clover Hall which has become unusable due to deterioration.
- ◆ **Conservation grant:** The Governor is recommending \$500,000 in other fund expenditure authority for the continued assistance of promoting conservation practices to reduce erosion, improve cropland and grazing conditions, improve surface water, and enhance habitat.
- ◆ **Construction and Demolition at the State Treatment & Rehabilitation Academy (STAR):** The Governor is recommending \$215,000 in other fund expenditure authority for the demolition of the old maintenance building and two other buildings, and the construction of a new maintenance building at STAR Academy.

<u>FY2013 EMERGENCY SPECIAL APPROPRIATIONS</u>	<u>FTE</u>	<u>GENERAL FUNDS</u>	<u>FEDERAL FUNDS</u>	<u>OTHER FUNDS</u>	<u>TOTAL</u>
Human Services Center Buildings Restore & Demolish		\$ 6,000,000			\$ 6,000,000
Wildland Fire Suppression Fund		\$ 4,200,000			\$ 4,200,000
State Veteran's Home		\$ 1,306,236	\$ 23,599,934	\$ 14,766,889	\$ 39,673,059
Rapid City Wildland Fire Remodel		\$ 500,000	\$ 300,000		\$ 800,000
DOM Land Purchase in Sioux Falls		\$ 355,000			\$ 355,000
DOM Motor Pool Building in Sioux Falls			\$ 650,000		\$ 650,000
Water Omnibus Bill			\$ 200,000	\$ 16,975,000	\$ 17,175,000
Inmate Housing Facility on State Fair Grounds				\$ 100,000	\$ 100,000
TOTAL FY2013 EMERGENCY SPECIAL APPROPRIATIONS	0.0	\$ 12,361,236	\$ 24,749,934	\$ 31,841,889	\$ 68,953,059

NOTE: FY2013 emergency special appropriations become available for expenditure upon passage of the bill and are included in the FY2013 column of the General Fund Condition Statement.

Governor Dugaard is recommending total emergency special appropriations of \$12,361,236 in general funds, \$24,749,934 in federal fund expenditure authority, and \$31,841,889 in other fund expenditure authority. The following paragraphs highlight each recommended emergency special appropriation.

- ◆ **Human Services Center Buildings Restore & Demolish:** The Governor is recommending \$6,000,000 in general funds for a 3-phase project to weather-tighten two historic buildings and demolish unused, deteriorating buildings at the old Human Services Center campus.
- ◆ **Wildland Fire Suppression Fund:** The Governor is recommending \$4,200,000 in general funds for the Fire Suppression Fund for costs related to the suppression of wildfires in South Dakota.
- ◆ **State Veterans' Home:** The Governor is recommending \$1,306,236 in general funds, \$23,599,934 in federal fund expenditure authority and \$14,766,889 in other fund expenditure authority for the construction of a new Veterans' Home in Hot Springs.
- ◆ **Rapid City Wildland Fire Remodel:** The Governor is recommending \$500,000 in general funds and \$300,000 in federal fund expenditure authority to be used within the Department of Agriculture for the replacement of the current Wildland Fire and Resource Conservation Forestry buildings.
- ◆ **DOM Land Purchase in Sioux Falls:** The Governor is recommending an increase of \$355,000 in general funds for the Department of the Military to purchase land from the City of Sioux Falls. This purchase will allow for the expansion of the Unit Training and Equipment Site.
- ◆ **DOM Motor Pool Building in Sioux Falls:** The Governor is recommending an increase of \$650,000 in federal fund expenditure authority for the Department of the Military for the construction of a Motor Pool Building to be located at the Sioux Falls Readiness Center.
- ◆ **Water Omnibus Bill:** The Governor is recommending \$200,000 in federal fund expenditure authority and \$16,975,000 in other fund expenditure authority for water development, solid waste, and water quality improvement projects throughout the state.
- ◆ **Inmate Housing Facility on State Fair Grounds:** The Governor is recommending \$100,000 in other fund expenditure authority for the construction of a housing facility at the State Fair grounds to be used by inmate workers.

<u>FY2013 GENERAL BILL AMENDMENTS</u>	<u>FTE</u>	<u>GENERAL FUNDS</u>	<u>FEDERAL FUNDS</u>	<u>OTHER FUNDS</u>	<u>TOTAL</u>
State Employee Health Insurance		\$ 7,916,366	\$ 4,925,785	\$ 8,472,259	\$ 21,314,410
GOED Economic Development Projects		\$ 5,000,000		\$ 5,000,000	\$ 10,000,000
Criminal Justice Initiative		\$ 2,628,500		\$ 1,000,000	\$ 3,628,500
State Aid to Special Education		\$ 2,476,483			\$ 2,476,483
Cement Plant Retirement Fund		\$ 2,000,000			\$ 2,000,000
Internal Service Rates		\$ 990,322	\$ 1,274,878	\$ 1,463,857	\$ 3,729,057
State Aid to General Education		\$ 637,940			\$ 637,940
Veterans' Services for Higher Education		\$ 600,000			\$ 600,000
GOED Research Commerce Grants		\$ 500,000			\$ 500,000
DOE JAG Program		\$ 225,000			\$ 225,000
DOE Teacher Evaluation Software		\$ 150,896			\$ 150,896
Sparsity Payments		\$ 9,310			\$ 9,310
Technical Institute Maintenance & Repair Fee				\$ 210,000	\$ 210,000
BOR Budget Authority	15.0			\$ 4,000,000	\$ 4,000,000
DOH Correctional Healthcare	3.0				\$ -
Technical Institute Funding		\$ (557,644)			\$ (557,644)
DSS Medicaid Eligibles Revision		\$ (6,027,928)	\$ (7,835,495)		\$ (13,863,423)
TOTAL FY2013 GENERAL BILL AMENDMENTS	18.0	\$ 16,549,245	\$ (1,634,832)	\$ 20,146,116	\$ 35,060,529

NOTE: FY2013 general bill amendments are changes needing to be made to the FY2013 General Appropriations Act and are included in the FY2013 column of the General Fund Condition Statement.

Governor Dugaard is recommending total general bill amendments of \$16,549,245 in general funds, (\$1,634,832) in federal fund expenditure authority, \$20,146,116 in other fund expenditure authority, and 18.0 FTE. The following paragraphs highlight the recommended changes to the FY2013 General Bill.

- ◆ **State Employee Health Insurance:** The Governor is recommending \$7,916,366 in general funds, \$4,925,785 in federal fund expenditure authority, and \$8,472,259 in other fund expenditure authority to pay for increased healthcare costs.
- ◆ **GOED Economic Development Projects:** The Governor is recommending \$5,000,000 in general funds for the Future Fund for economic development projects. Also recommended is an increase of \$5,000,000 in other fund expenditure authority to spend these additional funds.
- ◆ **Criminal Justice Initiative:** The Governor is recommending an increase of \$2,628,500 in general funds and \$1,000,000 in other fund expenditure authority for the Criminal Justice Initiative. Funding includes costs for Evidence Based Practices and training on EPB methods, the Hawaii Opportunity Probation Enforcement Pilot for drug monitoring, the Tribal Community Supervision program, the Statewide Automated Victim Information and Notification program for offender release notification, the Restitution Monitoring System development, the Community Reinvestment fund, a Rural Community Health pilot, and transitional housing for offenders.
- ◆ **State Aid to Special Education:** The Governor is recommending \$2,476,483 in general funds to cover the shortfall in State Aid to Special Education due to lower property valuation growth than budgeted within the formula.
- ◆ **Cement Plant Retirement Fund:** The Governor is recommending \$2,000,000 in general funds for the Cement Plant Retirement Fund to help cover the current shortfall.
- ◆ **Internal Service Rates:** The Governor is recommending increases of \$990,322 in general funds, \$1,274,878 in federal fund expenditure authority, and \$1,463,857 in other fund expenditure authority throughout State Government due to increases in bureau internal service fund rates. These rates are increasing due to increased operating expenses, and to begin implementing new security measures and a software upgrade in FY2013.
- ◆ **State Aid to General Education:** The Governor is recommending \$637,940 in general funds to cover the shortfall in State Aid to General Education due to more students and lower property valuation growth than budgeted in the formula.
- ◆ **Veterans' Services for Higher Education:** The Governor is recommending an increase of \$600,000 in general funds to the Department of Veterans' Affairs for universities and technical institutes to apply for funding to expand veterans' services at each campus.
- ◆ **GOED Research Commerce Grants:** The Governor is recommending \$500,000 in general funds in the Governor's Office of Economic Development to fund proof-of-concept project grants in the Research Commerce division.

- ◆ **DOE JAG Program:** The Governor is recommending \$225,000 in general funds to help implement the Jobs for America's Graduates (JAG) program at various school districts throughout the state.
- ◆ **DOE Teacher Evaluation Software:** The Governor is recommending \$150,896 in general funds for teacher evaluation software to provide consistent evaluations for our teachers at public schools across South Dakota, which is a component of the state's new accountability model.
- ◆ **Sparsity Payments:** The Governor is recommending \$9,310 in Sparsity payments due to more students enrolled in sparse schools than budgeted for in FY2013.
- ◆ **Technical Institute Maintenance and Repair Fee:** The Governor is recommending an increase of \$210,000 in other fund expenditure authority to distribute maintenance and repair fees to the technical institutes.
- ◆ **BOR Budget Authority:** The Governor is recommending an increase of 15.0 FTE and \$4,000,000 in other fund expenditure authority due to an increase in HEFF funding and growth in students.
- ◆ **DOH Correctional Healthcare:** The Governor is recommending 3.0 FTE to hire nurses within Correctional Healthcare. This will reduce emergency room and hospital visits by using technology and infirmary services instead.
- ◆ **Technical Institute Funding:** The Governor is recommending a decrease of \$557,644 in general funds due to actual student numbers being 179 less than budgeted for in FY2013.
- ◆ **DSS Medicaid Eligibles Revision:** The Governor is recommending decreases of \$6,027,928 in general funds and \$7,835,495 in federal fund expenditure authority due to updated projections which estimate fewer Medicaid eligibles than previously anticipated.

GOVERNOR DAUGAARD'S RECOMMENDATION FOR STATE EMPLOYEE COMPENSATION PLAN

	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL FUNDS
<p>ACROSS-THE-BOARD INCREASE: The Governor is recommending all permanent state employees receive a 3.0% pay increase.</p>	\$ 9,265,671	\$ 5,531,383	\$ 11,439,204	\$ 26,236,258
<p>ADJUSTMENT TO JOB WORTH: The Governor is recommending the Performance and Compensation Equity (PACE) system established in FY1990 be continued to include 3.5% adjustments to employees who are paid under the job worth of their pay range. The Governor is also recommending 0% to 4.5% performance based adjustments to employees in the Career Band families established in FY2010 to move them towards market.</p>	\$ 3,292,145	\$ 2,008,293	\$ 3,543,143	\$ 8,843,581
<p>HEALTH INSURANCE INCREASE: The costs associated with the employer-paid portion of the state employee's health insurance plan for FY2014 is projected to increase by 14.7%. The Governor is also recommending additional funds to help offset the increasing cost of healthcare to employees.</p>	\$ 7,536,759	\$ 4,454,093	\$ 8,429,418	\$ 20,420,270
<p>GRAND TOTAL INCREASE FOR STATE EMPLOYEE COMPENSATION PLAN:</p>	\$ 20,094,575	\$ 11,993,769	\$ 23,411,765	\$ 55,500,109

For FY2014, the state employee compensation plan was recommended as a pool in the Bureau of Finance and Management.

**GOVERNOR'S FY2014 GENERAL FUND
BASE BUDGET RECOMMENDATIONS**

GENERAL BILL	FTE EXPANSION/ (REDUCTION)	GENERAL FUND EXPANSION/ (REDUCTION)	TOTAL GENERAL FUND RECOMMENDATION
Administration	0.0	2,819,755	6,924,534
Agriculture	2.3	67,356	5,707,986
Attorney General	(0.5)	305,638	9,517,728
Corrections	14.5	2,279,656	84,796,211
Education (Excluding State Aid and Postsecondary Education)	1.0	960,011	10,664,129
State Aid to Education		22,180,376	390,984,966
Postsecondary Vocational Education		157,685	21,554,542
Environment and Natural Resources	0.0	7,687	5,533,880
Finance and Management (excl emp comp pkg)	0.0	(1,021,256)	5,813,189
Employee Compensation Package		20,094,575	20,094,575
Game, Fish, and Parks	0.0	(10,278)	4,329,037
Gubernatorial Division (Excluding GOED)	0.0	8,611	2,194,964
Governor's Office of Economic Development	21.4	5,279	6,217,100
Health	8.0	9,360	7,190,925
Human Services	(7.0)	5,833,425	66,218,440
Information and Telecommunications	5.0	6,422	6,309,544
Labor and Regulation (Includes SD Retirement System)	0.0	1,900	895,166
Legislature	2.0	154,082	7,810,920
Military	2.0	438,186	3,229,922
Personnel	1.0	(640,980)	241,744
Public Safety	9.0	117,417	3,500,367
Public Utilities Commission	0.0	11	475,555
Regents	34.0	5,347,191	173,198,358
Revenue	1.0	3,300	1,069,874
School and Public Lands	0.0	(498,772)	498,227
Secretary of State	0.0	(10,628)	888,838
Social Services	2.0	35,468,066	422,792,643
State Auditor	0.0	2,331	1,138,327
State Treasurer (Including Investment Council)	2.0	678	469,304
Tourism & State Development	0.0	49,405	1,781,046
Transportation	0.0	0	484,066
Tribal Relations	0.0	16,420	379,295
Unified Judicial System	9.5	897,326	34,598,440
Veterans' Affairs	0.5	107,220	3,282,391
TOTAL FY2014 GENERAL BILL RECOMMENDATIONS	107.7	95,157,455	1,310,786,233
BREAKDOWN			
Executive Branch	60.7	46,518,351	647,361,489
Unified Judicial System and Other Elected Officials	13.0	859,277	57,592,303
State Aid		22,180,376	390,984,966
Postsecondary Vocational Education		157,685	21,554,542
Board of Regents	34.0	5,347,191	173,198,358
Employee Compensation Package		20,094,575	20,094,575
TOTAL FY2014 GENERAL BILL RECOMMENDATIONS	107.7	95,157,455	1,310,786,233

GENERAL FUND CONDITION STATEMENT

	ACTUAL FY2011	ACTUAL FY2012	REVISED FY2013	PROJECTED FY2014
RECEIPTS				
Sales and Use Tax	\$ 710,196,255	\$ 744,413,638	\$ 769,552,224	\$ 802,456,550
Contractor's Excise Tax	65,697,771	82,991,355	84,575,782	90,012,663
Property Tax Reduction Fund	110,380,262	102,441,742	107,925,905	112,923,432
Bank Franchise Tax	4,734,918	29,688,991	22,888,629	23,245,655
Insurance Company Tax	63,609,227	65,076,133	67,813,444	70,623,120
Other	208,427,961	211,292,038	204,693,573	221,274,174
One-Time Receipts	(14,744,054)	26,326,591	6,050,448	12,603,052
Transfer from Budget Reserves	-	20,155,015	-	-
Obligated Cash Carried Forward	-	-	75,655,964	-
TOTAL RECEIPTS	\$1,148,302,339	\$1,282,385,503	\$ 1,339,155,969	\$ 1,333,138,646
EXPENDITURES				
General Bill Excl. State Aid to Education	\$ 768,547,609	\$ 811,329,252	\$ 860,359,010	\$ 919,801,267
State Aid to Education	376,588,656	335,465,599	371,819,013	390,984,966
Special Appropriations	836,656	27,845,256	27,806,110	9,708,800
Emergency Special Appropriations	-	24,693,972	12,361,236	-
Continuous Appropriations	2,329,418	2,395,460	2,435,167	2,482,270
TOTAL EXPENDITURES	\$1,148,302,339	\$1,201,729,539	\$ 1,274,780,536	\$ 1,322,977,303
TRANSFERS				
Budget Reserve Fund	\$ -	\$ -	\$ 47,849,854	\$ -
Other Transfers from General Fund	-	5,000,000	150,000	-
TOTAL TRANSFERS	\$ -	\$ 5,000,000	\$ 47,999,854	\$ -
Beginning Unobligated Cash Balance	\$ -	\$ -	\$ -	\$ -
Net (Receipts less Expend./Transfers)	-	75,655,964	16,375,579	10,161,343
OBLIGATIONS AGAINST CASH				
Budget Reserve Fund	-	(47,849,854)	-	-
Cash Committed for FY2013 Expenses	-	(27,806,110)	-	-
Total Obligations Against Cash	-	(75,655,964)	-	-
Ending Unobligated Cash Balance	\$ -	\$ -	\$ 16,375,579	\$ 10,161,343

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. The totals may not add due to rounding.

**TOTAL STATE GOVERNMENT BUDGET
(Excluding Information Budgets)**

GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2011	ACTUAL FY 2012	BUDGETED FY 2013	REQUESTED FY 2014	GOVERNOR'S RECOMMENDED FY 2014	RECOMMENDED INC/(DEC) FY 2014
FUNDING SOURCE:						
General Funds	\$ 1,145,136,264	\$ 1,146,794,851	\$ 1,215,628,778	\$ 1,308,381,825	\$ 1,310,786,233	\$ 95,157,455
Federal Funds	1,283,447,186	1,103,936,467	1,360,473,398	1,319,719,507	1,309,694,449	(50,778,949)
Other Funds	634,457,114	645,137,340	758,176,919	775,262,154	793,802,103	35,625,184
Total	\$ 3,063,040,564	\$ 2,895,868,658	\$ 3,334,279,095	\$ 3,403,363,486	\$ 3,414,282,785	\$ 80,003,690
EXPENDITURE DETAIL:						
Personal Services	\$ 710,007,528	\$ 721,897,738	\$ 792,446,558	\$ 804,592,962	\$ 849,104,028	\$ 56,657,470
Operating Expenses	2,353,033,036	2,173,970,920	2,541,832,537	2,598,770,524	2,565,178,757	23,346,220
Total	\$ 3,063,040,564	\$ 2,895,868,658	\$ 3,334,279,095	\$ 3,403,363,486	\$ 3,414,282,785	\$ 80,003,690
Staffing Level FTE:	11,857.6	11,577.0	12,440.9	12,579.1	12,522.2	81.3

SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2013	GOVERNOR'S RECOMMENDED FY 2014	RECOMMENDED INC/(DEC) FY 2014
General Funds	\$ 59,151,758	\$ 12,191,070	(\$ 46,960,688)
Federal Funds	40,169,318	6,000,000	(34,169,318)
Other Funds	54,077,032	5,998,270	(48,078,762)
Total	\$ 153,398,108	\$ 24,189,340	(\$ 129,208,768)
Staffing Level FTE:	18.0	0.0	(18.0)

TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2013	GOVERNOR'S RECOMMENDED FY 2014	RECOMMENDED INC/(DEC) FY 2014
General Funds	\$ 1,274,780,536	\$ 1,322,977,303	\$ 48,196,767
Federal Funds	1,400,642,716	1,315,694,449	(84,948,267)
Other Funds	812,253,951	799,800,373	(12,453,578)
Total	\$ 3,487,677,203	\$ 3,438,472,125	(\$ 49,205,078)
Staffing Level FTE:	12,458.9	12,522.2	63.3

INFORMATION BUDGETS CONTAINED IN THE GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2011	ACTUAL FY 2012	BUDGETED FY 2013	REQUESTED FY 2014	GOVERNOR'S RECOMMENDED FY 2014	RECOMMENDED INC/(DEC) FY 2014
FUNDING SOURCE:						
General Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal Funds	395,251,578	395,946,103	389,866,552	384,470,638	383,245,208	(6,621,344)
Other Funds	285,803,510	309,448,033	288,718,799	291,607,229	290,542,681	1,823,882
Total	\$ 681,055,088	\$ 705,394,135	\$ 678,585,351	\$ 676,077,867	\$ 673,787,889	(\$ 4,797,462)
EXPENDITURE DETAIL:						
Personal Services	\$ 95,431,007	\$ 101,292,560	\$ 107,558,612	\$ 109,843,018	\$ 109,732,994	\$ 2,174,382
Operating Expenses	585,624,081	604,101,576	571,026,739	566,234,849	564,054,895	(6,971,844)
Total	\$ 681,055,088	\$ 705,394,135	\$ 678,585,351	\$ 676,077,867	\$ 673,787,889	(\$ 4,797,462)
Staffing Level FTE:	1,342.9	1,374.8	1,261.4	1,287.8	1,287.8	26.4

INFORMATION BUDGETS

South Dakota Building Authority
 South Dakota Health and Educational Facilities Authority
 Public Entity Pool for Liability (PEPL) Administration
 PEPL Fund Claims
 Insurance Fraud Unit
 Petroleum Release Fund
 Lottery Instant and On-Line Operations
 Real Estate Commission
 Abstractors Board of Examiners
 Commission on Gaming
 American Dairy Association
 Wheat Commission
 Oilseeds Council
 Soybean Research and Promotion
 Brand Board
 Corn Utilization Council
 Board of Veterinary Medical Examiners
 SD Pulse Crops Council
 South Dakota Housing Development Authority
 Science and Technology Authority
 SD Energy Infrastructure Authority
 SD Ellsworth Development Authority
 Division of Wildlife
 Wildlife Development and Improvement
 Snowmobile Trails Program
 Board of Chiropractic Examiners
 Board of Dentistry
 Board of Hearing Aid Dispensers
 Board of Funeral Service
 Educational Enhancement Funding Corporation
 Board of Medical and Osteopathic Examiners

Board of Nursing
 Board of Nursing Home Administrators
 Board of Examiners in Optometry
 Board of Pharmacy
 Board of Podiatry Examiners
 Board of Massage Therapy
 Board of Language and Speech Pathology
 Board of Accountancy
 Board of Barber Examiners
 Cosmetology Commission
 Plumbing Commission
 Board of Technical Professions
 Electrical Commission
 Highway Construction Contracts
 911 Coordination Board
 Tuition and Fee Fund
 Army/Air National Guard
 Board of Counselor Examiners
 Board of Psychology Examiners
 Board of Social Work Examiners
 Certification Board for Alcohol and Drug
 Professionals
 Regulated Response Fund
 Livestock Cleanup
 PUC Administration
 Grain Warehouse
 Fixed Utilities
 Pipeline Safety
 One-Call Notification Board
 State Bar Association
 Unclaimed Property Fund

TOTAL STATE GOVERNMENT BUDGET (Including Information Budgets)

GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2011	ACTUAL FY 2012	BUDGETED FY 2013	REQUESTED FY 2014	GOVERNOR'S RECOMMENDED FY 2014	RECOMMENDED INC/(DEC) FY 2014
FUNDING SOURCE:						
General Funds	\$ 1,145,136,264	\$ 1,146,794,851	\$ 1,215,628,778	\$ 1,308,381,825	\$ 1,310,786,233	\$ 95,157,455
Federal Funds	1,678,698,764	1,499,882,570	1,750,339,950	1,704,190,145	1,692,939,657	(57,400,293)
Other Funds	920,260,624	954,585,373	1,046,895,718	1,066,869,383	1,084,344,784	37,449,066
Total	\$ 3,744,095,652	\$ 3,601,262,794	\$ 4,012,864,446	\$ 4,079,441,353	\$ 4,088,070,674	\$ 75,206,228
EXPENDITURE DETAIL:						
Personal Services	\$ 805,438,535	\$ 823,190,298	\$ 900,005,170	\$ 914,435,980	\$ 958,837,022	\$ 58,831,852
Operating Expenses	2,938,657,117	2,778,072,496	3,112,859,276	3,165,005,373	3,129,233,652	16,374,376
Total	\$ 3,744,095,652	\$ 3,601,262,794	\$ 4,012,864,446	\$ 4,079,441,353	\$ 4,088,070,674	\$ 75,206,228
Staffing Level FTE:	13,200.5	12,951.9	13,702.3	13,866.9	13,810.0	107.7

SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2013	GOVERNOR'S RECOMMENDED FY 2014	RECOMMENDED INC/(DEC) FY 2014
General Funds	\$ 59,151,758	\$ 12,191,070	(\$ 46,960,688)
Federal Funds	40,169,318	6,000,000	(34,169,318)
Other Funds	54,077,032	5,998,270	(48,078,762)
Total	\$ 153,398,108	\$ 24,189,340	(\$ 129,208,768)
Staffing Level FTE:	18.0	0.0	(18.0)

TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2013	GOVERNOR'S RECOMMENDED FY 2014	RECOMMENDED INC/(DEC) FY 2014
General Funds	\$ 1,274,780,536	\$ 1,322,977,303	\$ 48,196,767
Federal Funds	1,790,509,268	1,698,939,657	(91,569,611)
Other Funds	1,100,972,750	1,090,343,054	(10,629,696)
Total	\$ 4,166,262,554	\$ 4,112,260,014	(\$ 54,002,540)
Staffing Level FTE:	13,720.3	13,810.0	89.7