

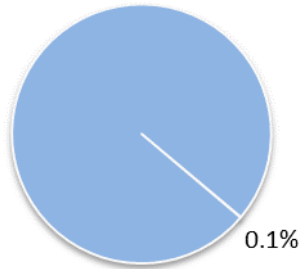
FY18 Budget Briefing

Bureau of Finance and Management

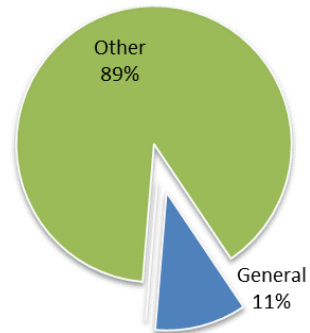
Information contained in this document is based on the Governor's original recommended FY18 budget.

This document may not correspond with the final FY18 budget adopted by the Legislature.

Agency Share of Budgeted General Funds

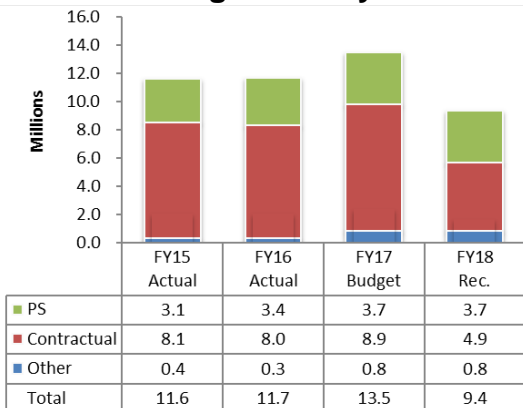


Sources of Funds

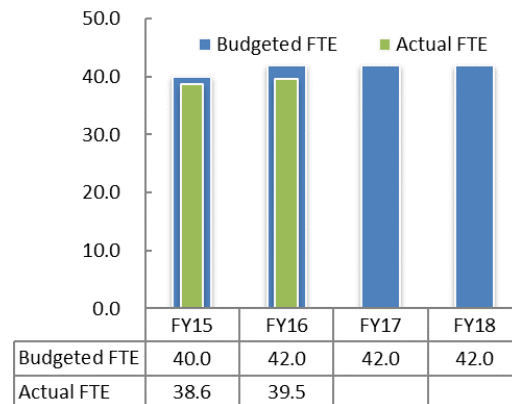


Graphics Exclude Compensation and Billing Pools

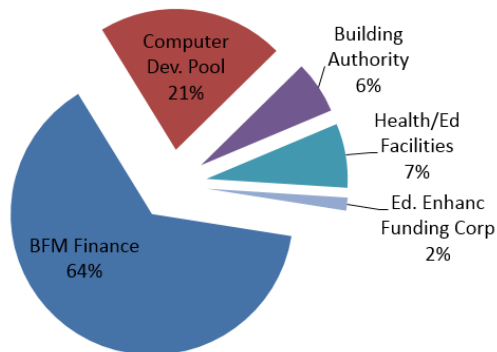
Budget History



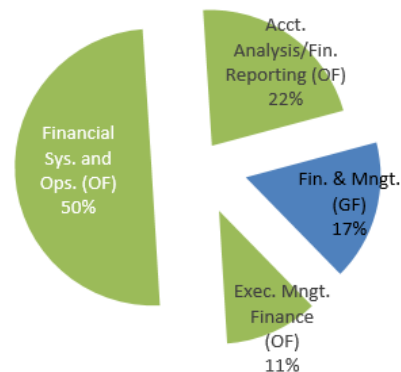
FTE



Distribution of Total Agency Funds



Distribution of Finance Office Funds



Key Personnel

- Liza Clark, Commissioner
- Jim Terwilliger, Deputy
- Colin Keeler, Financial Systems
- Terry Miller, Finance Officer
- Keith Senger, Accounting Analysis and Financial Reporting

Budget by Program, Fund and Object

	FY 2016 Actual	FY 2017 Approp	FY 2018 Request	FY 2018 Gov Rec	Δ From FY 2017
BY PROGRAM					
Finance and Management	890,954	937,069	937,069	1,007,069	70,000
Executive Mgt. Finance Office	612,476	676,559	676,559	676,559	0
Financial Systems and Operations	3,288,543	3,067,724	2,981,340	2,981,340	(86,384)
Accounting Analysis/Financial Reporting	1,132,998	1,304,793	1,304,793	1,304,793	0
Sale/Leaseback (BFM)	4,500,000	4,000,000	0	0	(4,000,000)
Computer Services and Development	0	2,000,000	2,000,000	2,000,000	0
Building Authority - Informational	497,473	581,215	564,547	564,547	(16,668)
Health & Ed Facilities Authority - Info	683,814	735,864	689,887	689,887	(45,977)
Market Adjustments	0	392,120	0	9,605,615	9,213,495
Adjust Artificial Minimums	0	0	0	1,685,668	1,685,668
Health Insurance	0	0	0	4,619,528	4,619,528
Bureau Billings for Expansion	0	0	0	908,488	908,488
Educ. Enhancement Funding Corp - Info	105,541	184,029	139,605	139,605	(44,424)
Total:	11,711,797	13,879,373	9,293,800	26,183,099	12,303,726
BY FUND CATEGORY					
General	5,390,954	5,081,159	937,069	7,549,073	2,467,914
Federal	0	33,924	0	3,198,632	3,164,708
Other	6,320,843	8,764,290	8,356,731	15,435,394	6,671,104
Total:	11,711,797	13,879,373	9,293,800	26,183,099	12,303,726
BY OBJECT EXPENDITURE					
Personnel Costs	3,404,304	4,054,122	3,659,543	18,893,737	14,839,615
Operating Expenditures	8,307,493	9,825,251	5,634,257	7,289,362	(2,535,889)
Total:	11,711,797	13,879,373	9,293,800	26,183,099	12,303,726
Full-Time Equivalent (FTE)	39.5	42.0	42.0	42.0	0.0

Request and Recommendation Summary

Decision Unit	Agency Request			Governor's Recommendation		
	FTE	General	Total	FTE	General	Total
FY 2017 Original Appropriation	42.0	17,227,886	44,752,864	42.0	17,227,886	44,752,864
Pool Distributions/Transfers	0.0	(12,146,727)	(30,873,491)	0.0	(12,146,727)	(30,873,491)
FY 2017 Estm. Expenditures	42.0	5,081,159	13,879,373	42.0	5,081,159	13,879,373
FY 2018 Base	42.0	5,081,159	13,879,373	42.0	5,081,159	13,879,373
Operating Expense Inflation	0.0	0	(804)	0.0	0	(804)
Payments to State Agencies	0.0	0	454	0.0	0	454
Nondiscretionary Adjustments	0.0	(4,000,000)	(4,000,000)	0.0	(4,000,000)	(4,000,000)
Transfers Between Programs	0.0	0	(86,384)	0.0	0	(86,384)
Other Adjustments	0.0	(144,090)	(498,839)	0.0	0	(106,719)
FY 2018 Program Maintenance (MCO)	42.0	937,069	9,293,800	42.0	1,081,159	9,685,920
1. Economic Consulting	0.0	0	0	0.0	20,000	20,000
2. Municipal Financial Advisor Contract	0.0	0	0	0.0	50,000	50,000
Salary Policy Pool and Bureau Billing Pool	0.0	0	0	0.0	6,397,914	16,427,179
FY 2018 Total	42.0	937,069	9,293,800	42.0	7,549,073	26,183,099
Change from Original Appropriation	0.0	(4,144,090)	(4,585,573)	0.0	2,467,914	12,303,726
% Change from Original Appropriation	0.0%	(81.6%)	(33.0%)	0.0%	48.6%	88.6%

Budget By Decision Unit

	FTE	General	Federal	Other	Total
FY 2017 GBill Appropriation	42.0	17,227,886	6,095,224	21,429,754	44,752,864
Pool Distributions/Transfers	0.0	(12,146,727)	(6,061,300)	(12,665,464)	(30,873,491)
FY 2017 Estm. Expenditures	42.0	5,081,159	33,924	8,764,290	13,879,373
FY 2018 Base					
Agency Request	42.0	5,081,159	33,924	8,764,290	13,879,373
Governor's Rec.	42.0	5,081,159	33,924	8,764,290	13,879,373
Operating Expense Inflation					
Agency Request	0.0	0	0	(804)	(804)
Governor's Rec.	0.0	0	0	(804)	(804)
Payments to State Agencies					
Agency Request	0.0	0	0	454	454
Governor's Rec.	0.0	0	0	454	454
Nondiscretionary Adjustments					
Agency Request	0.0	(4,000,000)	0	0	(4,000,000)
Governor's Rec.	0.0	(4,000,000)	0	0	(4,000,000)
Transfers Between Programs					
Agency Request	0.0	0	0	(86,384)	(86,384)
Governor's Rec.	0.0	0	0	(86,384)	(86,384)
Other Adjustments					
Agency Request	0.0	(144,090)	(33,924)	(320,825)	(498,839)
Governor's Rec.	0.0	0	0	(106,719)	(106,719)
FY 2018 Maintenance of Current Operations (MCO)					
Agency Request	42.0	937,069	0	8,356,731	9,293,800
Governor's Rec.	42.0	1,081,159	33,924	8,570,837	9,685,920

<u>Line Items</u>	<u>FTE</u>	<u>General</u>	<u>Federal</u>	<u>Other</u>	<u>Total</u>
1. Economic Consulting					
Agency Request	0.0	0	0	0	0
<i>Governor's Rec.</i>	<i>0.0</i>	<i>20,000</i>	<i>0</i>	<i>0</i>	<i>20,000</i>
2. Municipal Financial Advisor Contract					
Agency Request	0.0	0	0	0	0
<i>Governor's Rec.</i>	<i>0.0</i>	<i>50,000</i>	<i>0</i>	<i>0</i>	<i>50,000</i>
Salary Policy Pool and Bureau Billing Pool					
Agency Request	0.0	0	0	0	0
<i>Governor's Rec.</i>	<i>0.0</i>	<i>6,397,914</i>	<i>3,164,708</i>	<i>6,864,557</i>	<i>16,427,179</i>
FY 2018 Total					
Agency Request	42.0	937,069	0	8,356,731	9,293,800
<i>Governor's Rec.</i>	<i>42.0</i>	<i>7,549,073</i>	<i>3,198,632</i>	<i>15,435,394</i>	<i>26,183,099</i>
Agency Request					
Chg from Original Approp.	0.0	(4,144,090)	(33,924)	(407,559)	(4,585,573)
% Chg. from Original Approp.	0.0%	(81.6%)	(100.0%)	(4.7%)	(33.0%)
<i>Governor's Recommendation</i>					
<i>Chg. from Original Approp.</i>	<i>0.0</i>	<i>2,467,914</i>	<i>3,164,708</i>	<i>6,671,104</i>	<i>12,303,726</i>
<i>% Chg. from Original Approp.</i>	<i>0.0%</i>	<i>48.6%</i>	<i>9,328.8%</i>	<i>76.1%</i>	<i>88.6%</i>

FINANCE AND MANAGEMENT

The mission of the Bureau of Finance and Management is to promote efficient and effective management of the state of South Dakota, to advise the Governor on the overall fiscal policy, to complete and present the annual fiscal plan, and to manage the central accounting and payroll systems.

Total by Program, Fund and Object

	FY 2016 Actual	FY 2017 Approp	FY 2018 Request	FY 2018 Gov Rec	Δ From FY 2017
BY PROGRAM					
Finance and Management	890,954	937,069	937,069	1,007,069	70,000
Executive Mgt. Finance Office	612,476	676,559	676,559	676,559	0
Financial Systems and Operations	3,288,543	3,067,724	2,981,340	2,981,340	(86,384)
Accounting Analysis/Financial Reporting	1,132,998	1,304,793	1,304,793	1,304,793	0
Total:	5,924,970	5,986,145	5,899,761	5,969,761	(16,384)
BY FUND CATEGORY					
General	890,954	937,069	937,069	1,007,069	70,000
Federal	0	0	0	0	0
Other	5,034,016	5,049,076	4,962,692	4,962,692	(86,384)
Total:	5,924,970	5,986,145	5,899,761	5,969,761	(16,384)
BY OBJECT EXPENDITURE					
Personnel Costs	2,770,541	3,186,906	3,186,906	3,186,906	0
Operating Expenditures	3,154,428	2,799,239	2,712,855	2,782,855	(16,384)
Total:	5,924,970	5,986,145	5,899,761	5,969,761	(16,384)
Full-Time Equivalent (FTE)	34.5	36.0	36.0	36.0	0.0

Request and Recommendation Summary

Decision Unit	Agency Request			Governor's Recommendation		
	FTE	General	Total	FTE	General	Total
FY 2017 Original Appropriation	36.0	910,784	5,904,808	36.0	910,784	5,904,808
Pool Distributions/Transfers	0.0	26,285	81,337	0.0	26,285	81,337
FY 2017 Estm. Expenditures	36.0	937,069	5,986,145	36.0	937,069	5,986,145
FY 2018 Base	36.0	937,069	5,986,145	36.0	937,069	5,986,145
Transfers Between Programs	0.0	0	(86,384)	0.0	0	(86,384)
FY 2018 Program Maintenance (MCO)	36.0	937,069	5,899,761	36.0	937,069	5,899,761
1. Economic Consulting	0.0	0	0	0.0	20,000	20,000
2. Municipal Financial Advisor Contract	0.0	0	0	0.0	50,000	50,000
FY 2018 Total	36.0	937,069	5,899,761	36.0	1,007,069	5,969,761
Change from Original Appropriation	0.0	0	(86,384)	0.0	70,000	(16,384)
% Change from Original Appropriation	0.0%	0.0%	(1.4%)	0.0%	7.5%	(0.3%)

Budget By Decision Unit

	FTE	General	Federal	Other	Total
FY 2017 GBill Appropriation	36.0	910,784		4,994,024	5,904,808
Pool Distributions/Transfers	0.0	26,285	0	55,052	81,337
FY 2017 Estm. Expenditures	36.0	937,069	0	5,049,076	5,986,145

FY 2018 Base

Agency Request	36.0	937,069	0	5,049,076	5,986,145
<i>Governor's Rec.</i>	36.0	937,069	0	5,049,076	5,986,145

Transfers Between Programs

The agency requests a decrease in the computer software maintenance budget due to a change in the payment of an expense. The cost of the annual system maintenance for ImageNow is moving to the Bureau of Human Resources (BHR). *The Governor recommends this request.*

Agency Request	0.0	0	0	(86,384)	(86,384)
<i>Governor's Recommendation</i>	0.0	0	0	(86,384)	(86,384)

FY 2018 Maintenance of Current Operations (MCO)

Agency Request	36.0	937,069	0	4,962,692	5,899,761
<i>Governor's Rec.</i>	36.0	937,069	0	4,962,692	5,899,761

1. Economic Consulting

Agency Request	0.0	0	0	0	0
<i>Governor's Recommendation</i>	0.0	20,000	0	0	20,000

2. Municipal Financial Advisor Contract

The Governor recommended an increase of \$50,000 in general funds for a municipal financial advisor to provide financial advice to the state, as well as the South Dakota Building Authority and the South Dakota Health and Educational Facilities Authority.

Agency Request	0.0	0	0	0	0
<i>Governor's Recommendation</i>	0.0	50,000	0	0	50,000

FY 2018 Total

Agency Request	36.0	937,069	0	4,962,692	5,899,761
<i>Governor's Rec.</i>	36.0	1,007,069	0	4,962,692	5,969,761

Agency Request					
Chg from Original Approp.	0.0	0	0	(86,384)	(86,384)
% Chg. from Original Approp.	0.0%	0.0%	0.0%	(1.7%)	(1.4%)
<i>Governor's Recommendation</i>					
Chg. from Original Approp.	0.0	70,000	0	(86,384)	(16,384)
% Chg. from Original Approp.	0.0%	7.5%	0.0%	(1.7%)	(0.3%)

SALE/LEASEBACK - BFM

The purpose of this budget is to make lease payments pursuant to the lease entered between the Board of Charities and Corrections and the South Dakota Building Authority dated December 1, 1986. **The final payment will be made this year (December FY2017).** The FY2018 budget and future budgets will not include the annual payment.

Total by Program, Fund and Object

	FY 2016 Actual	FY 2017 Approp	FY 2018 Request	FY 2018 Gov Rec	Δ From FY 2017
BY FUND CATEGORY					
General	4,500,000	4,000,000	0	0	(4,000,000)
Federal	0	0	0	0	0
Other	0	0	0	0	0
Total:	4,500,000	4,000,000	0	0	(4,000,000)
BY OBJECT EXPENDITURE					
Personnel Costs	0	0	0	0	0
Operating Expenditures	4,500,000	4,000,000	0	0	(4,000,000)
Total:	4,500,000	4,000,000	0	0	(4,000,000)
Full-Time Equivalent (FTE)	0.0	0.0	0.0	0.0	0.0

Request and Recommendation Summary

Decision Unit	Agency Request			Governor's Recommendation		
	FTE	General	Total	FTE	General	Total
FY 2017 Original Appropriation	0.0	4,000,000	4,000,000	0.0	4,000,000	4,000,000
Pool Distributions/Transfers	0.0	0	0	0.0	0	0
FY 2017 Estm. Expenditures	0.0	4,000,000	4,000,000	0.0	4,000,000	4,000,000
FY 2018 Base	0.0	4,000,000	4,000,000	0.0	4,000,000	4,000,000
Nondiscretionary Adjustments	0.0	(4,000,000)	(4,000,000)	0.0	(4,000,000)	(4,000,000)
FY 2018 Program Maintenance (MCO)	0.0	0	0	0.0	0	0
FY 2018 Total	0.0	0	0	0.0	0	0
Change from Original Appropriation	0.0	(4,000,000)	(4,000,000)	0.0	(4,000,000)	(4,000,000)
% Change from Original Appropriation	0.0%	(100.0%)	(100.0%)	0.0%	(100.0%)	(100.0%)

Budget By Decision Unit

	FTE	General	Federal	Other	Total
FY 2017 GBill Appropriation	0.0	4,000,000			4,000,000
Pool Distributions/Transfers	0.0	0	0	0	0
FY 2017 Estm. Expenditures	0.0	4,000,000	0	0	4,000,000
FY 2018 Base					
Agency Request	0.0	4,000,000	0	0	4,000,000
Governor's Rec.	0.0	4,000,000	0	0	4,000,000

Nondiscretionary Adjustments

The final payment was made in December of 2016. The FY 2018 budget and future budgets will not include the annual payment.

Sale/Leaseback History

- In the 1980's, the Legislature sold most state-owned buildings and leased them back for state use. This was a revenue generating initiative for the state to use the investment income on the money received from the sale of the buildings. Part of the investment income was to be used to pay for the leases, and the other portion would be realized as net earnings.
- The state sold its office buildings valued at approximately \$200,000,000 to the South Dakota Building Authority (SDBA).
- To pay for the buildings, the SDBA sold bonds. Bond payments by SDBA to the bondholders would be made from payments by the state for the use of the same buildings.
- The state then took the \$200,000,000 and purchased an annuity contract for \$183,500,000 on the lives of a pool of retired state employees in the South Dakota Retirement System. The revenue stream to the state from the annuity contract would be used to make payments to the SDBA. Of the remaining \$16.5 million, \$14.5 million was used to fund one-time capital projects, and \$2 million was held in reserve to protect against the pool of retired employees dying faster than actuarial projections.
- At the end of the 30-year contract (December 2016), the state will resume ownership of the buildings from the South Dakota Building Authority.
- The Building Authority provides for the payment of the original sale/leaseback (Foss, Anderson, State Library, Commerce Building, Becker-Hansen, and Soldiers' and Sailors' War Memorial buildings). The original closing date was December 18, 1986. The activity was refinanced in 1996 to take advantage of a more favorable interest rate. The refinancing in 1996 did not change the final payment date of 12/1/16.

This is only a portion of the sale-leaseback program; the remaining portion is reported through the Bureau of Administration.

	FTE	General	Federal	Other	Total
Agency Request	0.0	(4,000,000)	0	0	(4,000,000)
Governor's Recommendation	0.0	(4,000,000)	0	0	(4,000,000)
FY 2018 Maintenance of Current Operations (MCO)					
Agency Request	0.0	0	0	0	0
Governor's Rec.	0.0	0	0	0	0
FY 2018 Total					
Agency Request	0.0	0	0	0	0
Governor's Rec.	0.0	0	0	0	0
Agency Request					
Chg from Original Approp.	0.0	(4,000,000)	0	0	(4,000,000)
% Chg. from Original Approp.	0.0%	(100.0%)	0.0%	0.0%	(100.0%)
<i>Governor's Recommendation</i>					
Chg. from Original Approp.	0.0	(4,000,000)	0	0	(4,000,000)
% Chg. from Original Approp.	0.0%	(100.0%)	0.0%	0.0%	(100.0%)

COMPUTER SERVICES AND DEVELOPMENT

The purpose of this pool is to provide for the development and maintenance of computer systems in other state agencies.

Total by Fund and Object

OPERATING BUDGET	FY 2016 Actual	FY 2017 Approp	FY 2018 Request	FY 2018 Gov Rec	Inc/(Dec)
BY FUND CATEGORY					
General	0	0	0	0	0
Federal	0	0	0	0	0
Other	0	2,000,000	2,000,000	2,000,000	0
Total:	0	2,000,000	2,000,000	2,000,000	0
BY OBJECT EXPENDITURE					
Personnel Costs	0	0	0	0	0
Operating Expenditures	0	2,000,000	2,000,000	2,000,000	0
Total:	0	2,000,000	2,000,000	2,000,000	0
Full-Time Positions (FTE)	0.0	0.0	0.0	0.0	0.0

Request and Recommendation Summary

Decision Unit	Agency Request			Governor's Recommendation		
	FTE	General	Total	FTE	General	Total
FY 2017 Original Appropriation	0.0	0	2,000,000	0.0	0	2,000,000
Pool Distributions and Transfers	0.0	0	0	0.0	0	0
FY 2017 Estm. Expenditures	0.0	0	2,000,000	0.0	0	2,000,000
FY 2018 Base	0.0		2,000,000	0.0		2,000,000
FY 2018 Program Maintenance	0.0	0	2,000,000	0.0	0	2,000,000
FY 2018 Total	0.0	0	2,000,000	0.0	0	2,000,000
Change from Original Appropriation	0.0	0	0	0.0	0	0
% Change from Original Appropriation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Budget By Decision Unit

	FTE	General	Federal	Other	Total
FY2017 GBill Appropriation	0.0	0	0	2,000,000	2,000,000
Pool Distributions and Transfers	0.0	0	0	0	0
FY 2017 Estm. Expenditures	0.0	0	0	2,000,000	2,000,000
FY 2018 Base					
Agency Request	0.0	0	0	2,000,000	2,000,000
Governor's Rec.	0.0	0	0	2,000,000	2,000,000

	FTE	General	Federal	Other	Total
FY 2018 Program Maintenance					
Agency Request	0.0	0	0	2,000,000	2,000,000
<i>Governor's Rec.</i>	<i>0.0</i>	<i>0</i>	<i>0</i>	<i>2,000,000</i>	<i>2,000,000</i>
FY 2018 Total					
Agency Request	0.0	0	0	2,000,000	2,000,000
<i>Governor's Rec.</i>	<i>0.0</i>	<i>0</i>	<i>0</i>	<i>2,000,000</i>	<i>2,000,000</i>

Agency Request					
Chg from Original Approp.	0.0	0	0	0	0
% Chg. from Original Approp.	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Governor's Recommendation</i>					
<i>Chg. from Original Approp.</i>	<i>0.0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>% Chg. from Original Approp.</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>

History

This pool has been in place since FY1993 and was created for one-time development of computer projects in state agencies. The FY2016 actual expenditures above show as zero because the authority is transferred and expended from other budget units, or the authority reverted. It is not expended from this budget unit.

The Commissioner of the Bureau of Finance and Management determines which projects will be funded and transfers the spending authority to that agency.

<u>Budget History</u>	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY1993	163,522	0	717,364	880,886
FY1994-98	0	0	717,364	880,886
FY1999-01	500,000	0	1,717,364	2,217,364
FY2002	400,000	0	1,717,364	2,117,364
FY2003-14	0	0	1,717,364	1,717,364
FY2015-17	0	0	2,000,000	2,000,000

Computer Development Pool Projections

The information below outlines the actual projects funded in FY2014, FY2015, FY2016, current projects in FY2017 and the planned projects for FY2018. Updated information requested from BFM on 12-20-2016 and will be posted as a separate document as soon as possible.

0113 Development Pool Projections

		<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>
Development Pool Budgeted Authority		\$1,717,469	\$2,000,000	\$2,000,000	\$2,000,000
<u>Item</u>	<u>Agency</u>	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>
Hyperion Financial Management (CAFR)		346,000			
HFM First Year Maintenance (CAFR)		75,880			
HFM Implementation (CAFR)	BFM	345,589	49,715		
RB12 transformation	BFM	350,000	260,000		
SDRS transformation	SDRS	600,000	900,000	(1) 60,000	
Lawson Security	BFM			70,000	
Xerox/ATOS Hosting Renewal	BFM		113,449		
Infor Workforce Management	DSS/DHS			321,500	
Infor HRIS Required Upgrades/ Expansion / Hosting	BFM/BHR			500,000	250,000
e-Procurement Integration	BOA/BFM			?	
Total		1,717,469	1,323,164	951,500	250,000
Unused		-	676,836	1,048,500	1,750,000

Spent or Encumbered
Committed
Planned

(1) In the FY16 budget request, the estimated FY15 expenditure for the SDRS transformation was \$600,000 -- an average of \$300,000.

SOUTH DAKOTA BUILDING AUTHORITY - INFORMATIONAL

The mission of the South Dakota Building Authority is to finance the construction and/or improvements to hospitals, housing facilities, penitentiaries, administrative facilities, classrooms, dining halls, field houses, parking facilities, union buildings, libraries, recreational areas, laboratories, offices, and similar facilities for use by the State of South Dakota. The South Dakota Building Authority is continuously appropriated and is included as an informational budget unit. The Authority is funded with bond administration fees.

[South Dakota Building Authority 2016 Annual Report](#)

Total by Program, Fund and Object

	FY 2016 Actual	FY 2017 Approp	FY 2018 Request	FY 2018 Gov Rec	Δ From FY 2017
BY FUND CATEGORY					
General	0	0	0	0	0
Federal	0	0	0	0	0
Other	497,473	581,215	564,547	564,547	(16,668)
Total:	497,473	581,215	564,547	564,547	(16,668)
BY OBJECT EXPENDITURE					
Personnel Costs	159,550	2,568	2,500	2,500	(68)
Operating Expenditures	337,923	578,647	562,047	562,047	(16,600)
Total:	497,473	581,215	564,547	564,547	(16,668)
Full-Time Equivalent (FTE)	1.3	0.0	0.0	0.0	0.0

Request and Recommendation Summary

Decision Unit	Agency Request			Governor's Recommendation		
	FTE	General	Total	FTE	General	Total
FY 2017 Original Appropriation	0.0	0	581,101	0.0	0	581,101
Pool Distributions/Transfers	0.0	0	114	0.0	0	114
FY 2017 Estm. Expenditures	0.0	0	581,215	0.0	0	581,215
FY 2018 Base	0.0	0	581,215	0.0	0	581,215
Operating Expense Inflation	0.0	0	(804)	0.0	0	(804)
Payments to State Agencies	0.0	0	454	0.0	0	454
Other Adjustments	0.0	0	(16,318)	0.0	0	(16,318)
FY 2018 Program Maintenance (MCO)	0.0	0	564,547	0.0	0	564,547
FY 2018 Total	0.0	0	564,547	0.0	0	564,547
Change from Original Appropriation	0.0	0	(16,668)	0.0	0	(16,668)
% Change from Original Appropriation	0.0%	0.0%	(2.9%)	0.0%	0.0%	(2.9%)

Budget By Decision Unit

	FTE	General	Federal	Other	Total
FY 2017 GBill Appropriation	0.0			581,101	581,101
Pool Distributions/Transfers	0.0	0	0	114	114
FY 2017 Estm. Expenditures	0.0	0	0	581,215	581,215

FY 2018 Base

Agency Request	0.0	0	0	581,215	581,215
Governor's Rec.	0.0	0	0	581,215	581,215

Operating Expense Inflation

The agency requested and the Governor recommends Operating Expense Inflation adjustments as follows: increase in accounting consultant - \$2,196; increase in audit expenses \$2,000; and a reduction in Insurance premiums and surety bonds \$5,000. Net change is \$804 in other fund spending authority.

Agency Request	0.0	0	0	(804)	(804)
Governor's Recommendation	0.0	0	0	(804)	(804)

Payments to State Agencies

The agency requested and the Governor recommends minor changes in Payments to State Agencies for central services (increase of \$464) and BIT services (decrease of \$10).

Agency Request	0.0	0	0	454	454
Governor's Recommendation	0.0	0	0	454	454

Other Adjustments

The agency requested and the Governor recommends Other Adjustments totaling \$16,318 from the following: decrease in legal and other consulting (\$17,250) decrease in board commission member fees (\$68) and an increase of \$1,000 for travel. All adjustments are for other fund expenditure authority.

Agency Request	0.0	0	0	(16,318)	(16,318)
Governor's Recommendation	0.0	0	0	(16,318)	(16,318)

FY 2018 Maintenance of Current Operations (MCO)

Agency Request	0.0	0	0	564,547	564,547
Governor's Rec.	0.0	0	0	564,547	564,547

FY 2018 Total

Agency Request	0.0	0	0	564,547	564,547
Governor's Rec.	0.0	0	0	564,547	564,547

Agency Request

Chg from Original Approp.	0.0	0	0	(16,668)	(16,668)
% Chg. from Original Approp.	0.0%	0.0%	0.0%	(2.9%)	(2.9%)

Governor's Recommendation

Chg. from Original Approp.	0.0	0	0	(16,668)	(16,668)
% Chg. from Original Approp.	0.0%	0.0%	0.0%	(2.9%)	(2.9%)

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY - INFORMATIONAL

The Health and Educational Facilities Authority was created to:

- Assist private nonprofit health and educational facilities and educational institutions in South Dakota in the construction, acquisition, financing and refinancing of projects to be undertaken for health and higher education programs;
- Assist South Dakota school districts and public bodies to alleviate cash flow shortages and reduce short-term borrowing costs; finance capital improvements for vocational education;
- Assist public bodies in the financing of real property, equipment or other personal property; and
- Assist public bodies, health institutions and dedicational institutions in the investment of funds intended for use of application in connection with any purpose or program.
- The Authority consists of seven members serving five-year terms who are appointed by the Governor. All members of the Authority serve without compensation but are entitled to reimbursement for actual or necessary expenses incurred in the performance of their duties.
- This budget includes funding to attend meetings for new financings, closings and project site visits for post-issuance compliance checks, legal services, audit and accounting services, dues and memberships, rent, telecommunications services, supplies, etc.

[Health and Educational Facilities Authority 2016 Annual Report](#)

Total by Fund and Object

	FY 2016 Actual	FY 2017 Approp	FY 2018 Request	FY 2018 Gov Rec	Δ From FY 2017
BY FUND CATEGORY					
General	0	0	0	0	0
Federal	0	0	0	0	0
Other	683,814	735,864	689,887	689,887	(45,977)
Total:	683,814	735,864	689,887	689,887	(45,977)
BY OBJECT EXPENDITURE					
Personnel Costs	474,213	506,452	470,137	470,137	(36,315)
Operating Expenditures	209,601	229,412	219,750	219,750	(9,662)
Total:	683,814	735,864	689,887	689,887	(45,977)
Full-Time Equivalent (FTE)	3.7	6.0	6.0	6.0	0.0

Request and Recommendation Summary

Decision Unit	Agency Request			Governor's Recommendation		
	FTE	General	Total	FTE	General	Total
FY 2017 Original Appropriation	6.0	0	725,269	6.0	0	725,269
Pool Distributions/Transfers	0.0	0	10,595	0.0	0	10,595
FY 2017 Estm. Expenditures	6.0	0	735,864	6.0	0	735,864
FY 2018 Base	6.0	0	735,864	6.0	0	735,864
Other Adjustments	0.0	0	(45,977)	0.0	0	(45,977)
FY 2018 Program Maintenance (MCO)	6.0	0	689,887	6.0	0	689,887
FY 2018 Total	6.0	0	689,887	6.0	0	689,887
Change from Original Appropriation	0.0	0	(45,977)	0.0	0	(45,977)
% Change from Original Appropriation	0.0%	0.0%	(6.2%)	0.0%	0.0%	(6.2%)

Budget By Decision Unit

	FTE	General	Federal	Other	Total
FY 2017 GBill Appropriation	6.0			725,269	725,269
Pool Distributions/Transfers	0.0	0	0	10,595	10,595
FY 2017 Estm. Expenditures	6.0	0	0	735,864	735,864
FY 2018 Base					
Agency Request	6.0	0	0	735,864	735,864
Governor's Rec.	6.0	0	0	735,864	735,864

Other Adjustments

The agency requested and the Governor recommends Other Adjustments including **reductions of \$45,977** (\$36,315 in personal services and \$9,226 in operating expenses) to better align the budget with anticipated needs.

Agency Request	0.0	0	0	(45,977)	(45,977)
Governor's Recommendation	0.0	0	0	(45,977)	(45,977)

FY 2018 Maintenance of Current Operations (MCO)

Agency Request	6.0	0	0	689,887	689,887
Governor's Rec.	6.0	0	0	689,887	689,887

FY 2018 Total

Agency Request	6.0	0	0	689,887	689,887
Governor's Rec.	6.0	0	0	689,887	689,887

Agency Request

Chg from Original Approp.	0.0	0	0	(45,977)	(45,977)
% Chg. from Original Approp.	0.0%	0.0%	0.0%	(6.2%)	(6.2%)

Governor's Recommendation

Chg. from Original Approp.	0.0	0	0	(45,977)	(45,977)
% Chg. from Original Approp.	0.0%	0.0%	0.0%	(6.2%)	(6.2%)

EDUCATION ENHANCEMENT FUNDING CORP. - INFORMATIONAL

The mission of the Education Enhancement Funding Corporation was to issue Tobacco Settlement Asset-Backed Bonds to provide upfront cash to the State of South Dakota in exchange for an assignment of the State of South Dakota future Master Settlement Agreement tobacco payments for as long as the Educational Enhancement Funding Corporation's bonds are outstanding.

[Education Enhancement Funding Corporation 2016 Annual Report](#)

Total by Fund and Object

	FY 2016 Actual	FY 2017 Approp	FY 2018 Request	FY 2018 Gov Rec	Δ From FY 2017
BY FUND CATEGORY					
General	0	0	0	0	0
Federal	0	0	0	0	0
Other	105,541	184,029	139,605	139,605	(44,424)
Total:	105,541	184,029	139,605	139,605	(44,424)
BY OBJECT EXPENDITURE					
Personnel Costs	0	0	0	0	0
Operating Expenditures	105,541	184,029	139,605	139,605	(44,424)
Total:	105,541	184,029	139,605	139,605	(44,424)
Full-Time Equivalent (FTE)	0.0	0.0	0.0	0.0	0.0

Request and Recommendation Summary

Decision Unit	Agency Request			Governor's Recommendation		
	FTE	General	Total	FTE	General	Total
FY 2017 Original Appropriation	0.0	0	184,029	0.0	0	184,029
Pool Distributions/Transfers	0.0	0	0	0.0	0	0
FY 2017 Estm. Expenditures	0.0	0	184,029	0.0	0	184,029
FY 2018 Base	0.0	0	184,029	0.0	0	184,029
Other Adjustments	0.0	0	(44,424)	0.0	0	(44,424)
FY 2018 Program Maintenance (MCO)	0.0	0	139,605	0.0	0	139,605
FY 2018 Total	0.0	0	139,605	0.0	0	139,605
Change from Original Appropriation	0.0	0	(44,424)	0.0	0	(44,424)
% Change from Original Appropriation	0.0%	0.0%	(24.1%)	0.0%	0.0%	(24.1%)

Budget By Decision Unit - EEFC

	FTE	General	Federal	Other	Total
FY 2017 GBill Appropriation	0.0			184,029	184,029
Pool Distributions/Transfers	0.0	0	0	0	0
FY 2017 Estm. Expenditures	0.0	0	0	184,029	184,029

FY 2018 Base

Agency Request	0.0	0	0	184,029	184,029
Governor's Rec.	0.0	0	0	184,029	184,029

Other Adjustments

The agency requested and the Governor recommends Other Adjustments including *reductions of \$44,424* in operating expenses to better align the budget with anticipated needs.

Agency Request	0.0	0	0	(44,424)	(44,424)
Governor's Recommendation	0.0	0	0	(44,424)	(44,424)

FY 2018 Maintenance of Current Operations (MCO)

Agency Request	0.0	0	0	139,605	139,605
Governor's Rec.	0.0	0	0	139,605	139,605

FY 2018 Total

Agency Request	0.0	0	0	139,605	139,605
Governor's Rec.	0.0	0	0	139,605	139,605

Agency Request

Chg from Original Approp.	0.0	0	0	(44,424)	(44,424)
% Chg. from Original Approp.	0.0%	0.0%	0.0%	(24.1%)	(24.1%)

Governor's Recommendation

Chg. from Original Approp.	0.0	0	0	(44,424)	(44,424)
% Chg. from Original Approp.	0.0%	0.0%	0.0%	(24.1%)	(24.1%)

Excerpt from the [2016 Education Enhancement Funding Corporation Annual Report](#):

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Contingency 1. The EEFC purchased future Tobacco Settlement Revenues (“TSRs”) from the State of South Dakota by issuing long-term bonds. The future collection of the TSRs will be used to pay the debt service of the EEFC.

Contingency 2. South Dakota received only a portion of its expected April 2016 annual MSA payment, in part due to a dispute with certain Participating Manufacturers over the applicability of a Nonparticipating Manufacturer (“NPM”) Adjustment. The NPM Adjustment procedure is found in Section IX(d) of the Master Settlement Agreement (“MSA”).

A MSA Settling State will not be subject to an NPM Adjustment for a particular year if it is found to have "diligently enforced" its Qualifying Statute throughout that year. The nationwide arbitration involving the Participating Manufacturers and most of the MSA Settling States regarding the 2004 NPM Adjustment is commencing at this time and is therefore still pending.

Several Participating Manufacturers reduced their April 2016 annual MSA payments to many of the MSA Settling States, either withholding a portion of the payment or placing the disputed amount into a disputed payment account. Again, it is anticipated that these amounts will not be disbursed to the States until the dispute is resolved with finality.

Likewise, it is expected that several Participating Manufacturers will seek an NPM Adjustment with respect to the annual MSA payment due in April 2017. As in the past, the Participating Manufacturers might withhold the disputed amount or place it in a disputed payment account until the issue is resolved. Whether such a reduction will be made, and if so, the amount of the reduction, is not known at this time.

Interagency Billings – Bureau of Finance and Management

Below are the sources of funds the Bureau of Finance and Management used in FY2016 to pay for services provided by central government bureaus (Bureau of Information and Telecommunications, Bureau of Administration, and Bureau of Human Resources).

<u>Bureau Name</u>	<u>General</u>	<u>Federal</u>	<u>Other</u>	<u>Total</u>
Bureau of Information and Telecommunications	16,348		924,242	940,590
Bureau of Administration	38,500		216,674	255,175
Bureau of Finance and Management			4,214	4,214
Bureau of Human Resources	7,680		15,821	23,500
Total FY 2016 Interagency Payments	62,528	0	1,160,951	1,223,479

Other Fund Balances – Bureau of Finance and Management

<u>Company and Fund Name</u>	<u>Ending Cash and Investment Balance</u> <u>June 30</u>				<u>60-Month</u> <u>Average</u>	<u>Lowest Monthly Cash</u> <u>Balance in Past Five Years</u>	
	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>Cash Balance</u>	<u>Amount</u>	<u>Month</u>
Company 3005 Critical Teaching Needs Scholarship Program	1,500,000	1,500,000	1,500,000	0			
Company 3005 - SD Need-Based Grant Fund	1,500,000	1,500,000	1,500,000	0			
Company 3005 - Postsecondary Scholarship Grant Fund	0	0	0	6,500,000	na	na	na
Company 6010 - Budgetary Accounting Fund	840,464	727,935	971,453	1,073,892	1,496,347	(64,870)	May 2014
Company 9016 - Building South Dakota Fund		30,000,000	20,000,000	10,000,000	15,935,484	10,000,000	June 2016

#Average cash balance and lowest cash balance are actually less than five years due to age of fund.

COMPENSATION AND BILLING POOLS

This budget unit provides a pool of funds to be distributed to state agencies for salary, benefits, health insurance adjustments, and bureau billings.

The budget hearing for the Governor's recommended state employee salary policy is scheduled for January 18, 2017, at 11 a.m.

Total by Program, Fund and Object

	FY 2016 Actual	FY 2017 Approp	FY 2018 Request	FY 2018 Gov Rec	Δ From FY 2017
BY PROGRAM					
Market Adjustments	0	392,120	0	9,605,615	9,213,495
Adjust Artificial Minimums	0	0	0	1,685,668	1,685,668
Health Insurance	0	0	0	4,619,528	4,619,528
Bureau Billings for Expansion	0	0	0	908,488	908,488
Total:	0	392,120	0	16,819,299	16,427,179
BY FUND CATEGORY					
General	0	144,090	0	6,542,004	6,397,914
Federal	0	33,924	0	3,198,632	3,164,708
Other	0	214,106	0	7,078,663	6,864,557
Total:	0	392,120	0	16,819,299	16,427,179
BY OBJECT EXPENDITURE					
Personnel Costs	0	358,196	0	15,234,194	14,875,998
Operating Expenditures	0	33,924	0	1,585,105	1,551,181
Total:	0	392,120	0	16,819,299	16,427,179
Full-Time Equivalent (FTE)	0.0	0.0	0.0	0.0	0.0

Request and Recommendation Summary

Decision Unit	Agency Request			Governor's Recommendation		
	FTE	General	Total	FTE	General	Total
FY 2017 Original Appropriation	0.0	12,317,102	31,357,657	0.0	12,317,102	31,357,657
Pool Distributions/Transfers	0.0	(12,173,012)	(30,965,537)	0.0	(12,173,012)	(30,965,537)
FY 2017 Salary Pool Remainder	0.0	144,090	392,120	0.0	144,090	392,120
FY 2018 Base	0.0	144,090	392,120	0.0	144,090	392,120
Other Adjustments	0.0	(144,090)	(392,120)	0.0	0	0
FY 2018 Program Maintenance (MCO)	0.0	0	0	0.0	144,090	392,120
Salary Policy Pool and Bureau Billing Pool	0.0	0	0	0.0	6,397,914	16,427,179
FY 2018 Total	0.0	0	0	0.0	6,542,004	16,819,299
Change from Original Appropriation	0.0	(144,090)	(392,120)	0.0	6,397,914	16,427,179
% Change from Original Appropriation	0.0%	(100.0%)	(100.0%)	0.0%	4,440.2%	4,189.3%

Budget By Decision Unit					
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	FTE	General	Federal	Other	Total
FY 2017 GBill Appropriation	0.0	12,317,102	6,095,224	12,945,331	31,357,657
Pool Distributions/Transfers	0.0	(12,173,012)	(6,061,300)	(12,731,225)	(30,965,537)
FY 2017 Pool Remainder	0.0	144,090	33,924	214,106	392,120

FY 2018 Base					
Agency Request	0.0	144,090	33,924	214,106	392,120
<i>Governor's Rec.</i>	<i>0.0</i>	<i>144,090</i>	<i>33,924</i>	<i>214,106</i>	<i>392,120</i>

FY 2018 Maintenance of Current Operations (MCO)					
Agency Request	0.0	0	0	0	0
<i>Governor's Rec.</i>	<i>0.0</i>	<i>144,090</i>	<i>33,924</i>	<i>214,106</i>	<i>392,120</i>

Total Recommended FY 2018 Salary Policy and Bureau Billing Pools				
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	General	Federal	Other	Total
<u>Governor's FY 2018 Recommended Salary Policy</u>				
Market Adjustment	3,650,333	1,654,499	4,300,783	9,605,615
Pay for Performance		0		0
Move to Midpoint		0		0
Adjust Artificial Minimums	779,087	516,966	389,615	1,685,668
Heath Insurance	1,820,609	866,366	1,932,553	4,619,528
Total Cost of Salary Policy	6,250,029	3,037,831	6,622,951	15,910,811
<i>Remaining from FY2017 Pool</i>	<i>(144,090)</i>	<i>(33,924)</i>	<i>(214,106)</i>	<i>(392,120)</i>
Total Requested for Salary Policy	6,105,939	3,003,907	6,408,845	15,518,691
 Bureau Billing Pool	 291,975	 160,801	 455,712	 908,488
TOTAL FY 2018 Salary Policy/Bureau Billing Pools	6,397,914	3,164,708	6,864,557	16,427,179

FY 2018 Total					
Agency Request	0.0	0	0	0	0
<i>Governor's Rec.</i>	<i>0.0</i>	<i>6,542,004</i>	<i>3,198,632</i>	<i>7,078,663</i>	<i>16,819,299</i>

Agency Request					
Chg from Original Approp.	0.0	(144,090)	(33,924)	(214,106)	(392,120)
% Chg. from Original Approp.	0.0%	(100.0%)	(100.0%)	(100.0%)	(100.0%)
 <i>Governor's Recommendation</i>					
Chg. from Original Approp.	0.0	6,397,914	3,164,708	6,864,557	16,427,179
% Chg. from Original Approp.	0.0%	4,440.2%	9,328.8%	3,206.1%	4,189.3%