

Members of the Interim JCA –

We have reviewed the Governor’s year-end statement regarding FY11 budget performance as distributed under separate cover by BFM (<http://www.sd.gov/governor/docs/FY11yearendpressreleasefinal.pdf>).

Our conclusions are as follows:

1. After taking into account the Department of Revenue reporting errors, we concur with the FY11 revenue figures as released by the Governor, i.e., that total General Fund receipts are \$10,277,263 higher than the March estimate adopted by the JCA. We believe the explanation offered by BFM for this situation to be complete and accurate. However, in the interest of appropriate legislative oversight, we are taking the following actions:
 - a. Over the summer we have arranged with BFM to participate in a joint review of the reporting procedures and checks and balances related to collections and deposit into the General Fund of Sales Taxes and Contractor’s Excise Taxes.
 - b. We have already purchased, installed, and loaded with data a new time series analysis software. Utilization learning and testing of the tool is already well underway. We believe this instrument will assist by providing us a better method of identifying and evaluating abnormalities in the various data sets for in-depth follow-up.
 - c. We will report progress on these items to the Interim Joint Appropriations Committee at its October meeting.
2. We have no reason to take issue with the reported \$1,946,939 in reversions.
3. \$1,823,731 was taken from the Large Project Fund as one-time receipts.
 - a. Our impression is that these funds exceeded the requirements of the Large Projects Fund at the time of their original deposit, making them available for this purpose. We are concerned with the precedent this sets.
 - b. It is at least arguable that these funds are “Continuing” rather than “One-Time” to the extent they were merely placed here pending some alternative use.
4. A total of \$12,224,202 was added to the \$13, 876,906 already programmed to be applied to the refund of bank franchise tax overpayments in FY11, completely discharging this liability for FY11 and FY12.
 - a. As required by federal law related to stimulus funds, these actions bring the FY11 General Fund balance to zero.
 - b. This also increased the budgeted FY12 surplus from \$2.5 million to \$16 million.
 - c. No recommendation for additional FY12 uses of these funds has been brought forward at this time.