

Budget Overview

South Dakota

Bureau of Finance and Management

January 8, 2018

BFM Budget Team

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Presentation Overview

- Revised FY2018 Revenue Estimates
- Mid-Year Adjustments to FY2018
- Recommended FY2018 General Bill Amendments
- Recommended FY2018 Emergency Special Appropriations
- FY2019 Ongoing Revenue Estimates
- FY2019 Ongoing General Fund Recommendations

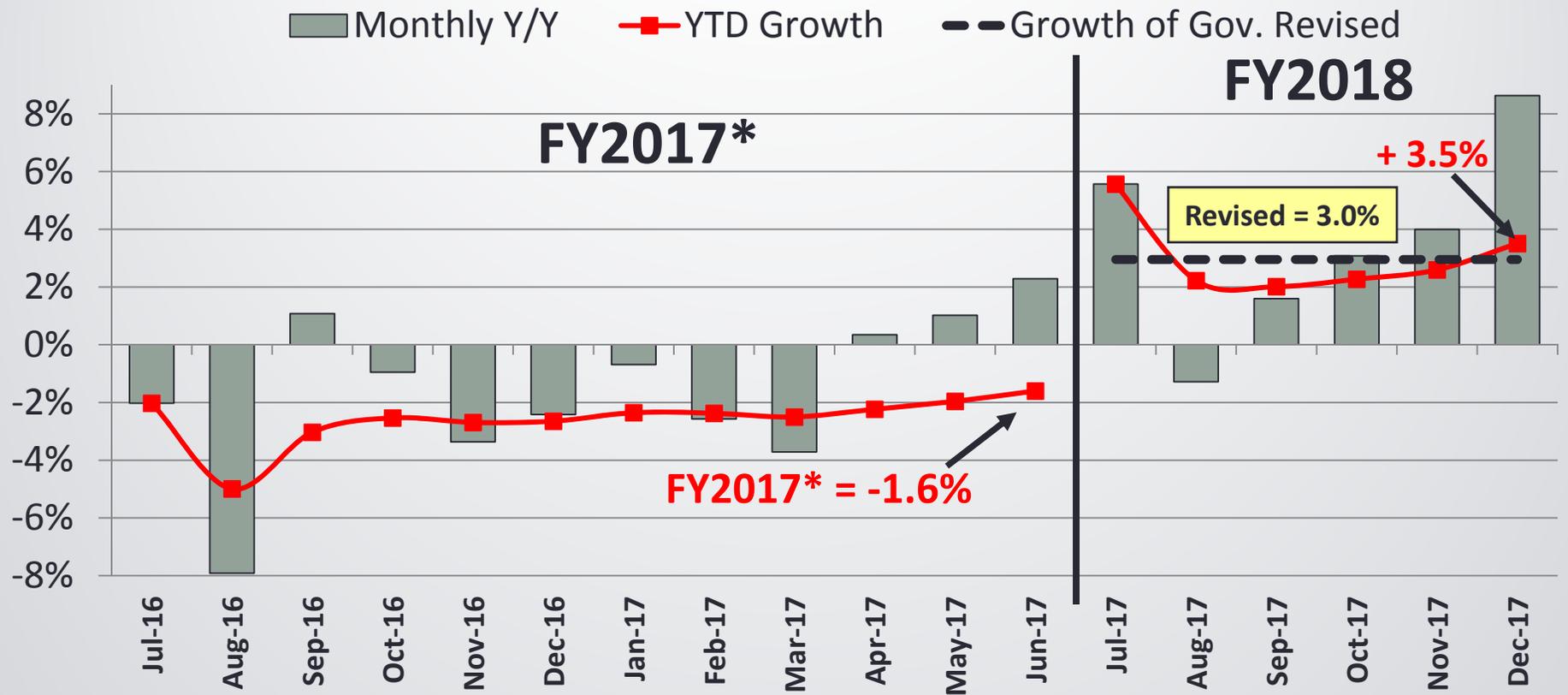
FY2018
Revenue Estimates

Ongoing Revenue Estimates: FY2018

(millions)

Source	Adopted FY2018	Revised FY2018	Dollar Change
Sales and Use Tax	\$989.0	\$979.3	(9.7)
Lottery	115.3	115.4	+ 0.1
Contractor's Excise Tax	110.6	102.7	(7.9)
Insurance Company Tax	93.0	86.9	(6.1)
Unclaimed Property	51.5	48.6	(2.8)
Licenses, Permits, & Fees	64.0	66.6	+2.6
Tobacco Taxes	55.0	55.4	+0.4
Bank Franchise Tax	10.9	11.6	+0.6
Remaining Ongoing Revenue	<u>100.7</u>	<u>103.2</u>	<u>+ 2.5</u>
Total Ongoing Revenue	\$1,590.1	\$1,569.8	(20.3)

Recent Growth in Sales Tax Collections



*FY2017 excludes 0.5% rate increase

FY2018
Mid-Year Adjustments

FY2018 Adjustments

Reduced Revenue and Increased Expenses	FY2018
Revenue Shortfall	(\$20,309,807)
Increased Expenses	(\$10,414,724)
Emergency Special Appropriations	(\$2,977,727)
Reduction of Annual Appropriations	\$16,036,797
Cash Sources	<u>\$17,665,461</u>
FY2018 Balanced Budget	\$0

FY2018
Increased Expenses

FY2018 Increased Expenses

Increased Expenses	General
State Aid to General Education	\$4,748,339
State Aid to Special Education	\$4,070,318
Statewide Utilities and Food Services	\$616,896
Technical Institute Enrollment Growth	\$358,469
Obligation Recovery Center	\$320,000
Dual Credit	\$226,982
Correctional Officers	<u>\$73,720</u>
FY2018 General Bill Amendment Increases	\$10,414,724

State Aid to General Education

- Increase of \$4,748,339 in general funds
 - Increase of 449 student enrollments
 - Increase in English Language Learners
 - Decrease in projected property valuations

State Aid to Special Education

- Increase of \$4,070,318 in general funds
 - Reduced Local Effort
 - Property Valuations
 - Lost Local Effort
 - Increase of 191 students

Statewide Utilities and Food Services

- Increase of \$616,896 in general funds
 - Board of Regents: \$264,764
 - Department of Corrections: \$258,976
 - Department of Social Services: \$79,767
 - Department of the Military: \$21,915
 - Department of Human Services: (\$8,526)

Other Increases

- Increase of \$358,469 in general funds for Technical Institute Enrollment Growth of 103 students
- Increase \$320,000 for recovery fees for the Obligation Recovery Center (Net to \$0)
- Increase of \$226,982 for 2,882 more Dual Credits than previously budgeted
- Increase of \$73,720 for two Correctional Officers at Pierre Community Work Center

**FY2018
Emergency Special
Appropriations**

FY2018 Emergency Special Appropriations

	General
Rural Healthcare Recruitment Assistance	\$837,972
Fire Suppression Fund	\$766,157
National Guard Readiness Center	\$500,000
Tax Refunds for Elderly and Disabled	\$450,000
Extraordinary Litigation Fund	<u>\$423,598</u>
Total FY2018 Emergency Special Appropriations	\$2,977,727

Healthcare Recruitment Assistance

- \$837,972 in general funds
 - Recruitment Assistance Program (RAP) \$652,972
 - Rural Health Facility Recruitment Assistance Program (RHFRAP) \$185,000
 - The total general funds needed for these programs is offset by funds that were appropriated for this purpose in previous fiscal years that were not spent

Wildland Fire Suppression Fund

- Increase of \$766,157 in general funds
 - For costs related to the suppression of wildfires in South Dakota
 - Backfills the fire suppression fund

National Guard Readiness Center

- Increase of \$500,000 in general funds
 - For year 1 of a 3 year project to construct a new facility at Rapid City Regional Airport for the units located there
 - Will provide administrative, training and storage space for the 8 Army Guard units at this facility
 - Authorized 58,714 square feet for all units. Current space is 10,600. These units are considered homeless due to the lack of space

Tax Refunds for Elderly and Disabled Persons

- Increase of \$450,000 in general funds
 - Tax refunds for elderly and disabled individuals who meet income guidelines

Extraordinary Litigation Fund

- Increase of \$423,598 in general funds
 - For costs associated with litigation against the State of South Dakota

FY2018
Reduction of Annual
Appropriations

FY2018 Reduction of Annual Expenses

Decreased Expenses	General Funds
DSS Operations	\$5,874,536
DSS Cash Utilization	\$5,770,599
DHS Operations	\$3,563,048
DOC Utilization	\$483,448
STAR Academy	\$225,000
State Radio	\$100,000
Fire Premium Refund Update	<u>\$20,166</u>
FY2018 General Bill Amendment Decreases	\$16,036,797

DSS Operations

- Decrease of \$5,874,536 in general funds
 - \$4.7M in Medicaid and CHIP
 - \$262K in Auxiliary Placement
 - \$867K in Juvenile Justice Reinvestment Initiative

DSS Cash Utilization

- Decrease of \$5,770,599 in general funds
 - \$3.0M in Temporary Assistance for Needy Families funds
 - \$2.0M in Prescription Drug Rebate funds
 - \$771K in Supplemental Nutrition Assistance Incentive funds

DHS Operations

- Decrease of \$3,563,048 in general funds
 - \$2.1M reduction in Long Term Services and Supports
 - \$854K reduction in Developmental Disabilities
 - \$627K reduction at South Dakota Developmental Center

DOC Utilization

- Decrease of \$483,448 in general funds
 - Reduction of 10 Medicaid eligible beds
 - Overall juvenile population is decreasing
 - Recommend decrease in FY19 base budget also

STAR Academy

- Decrease of \$225,000 in general funds
 - STAR Academy closed in April 2016
 - Sold at auction on January 4, 2018 for \$2.34M
 - Allows funding for operations 60 days post sale

State Radio

- Decrease of \$100,000 in general funds
 - Align the State Radio budget in the Department of Public Safety with anticipated expenditures

Fire Premium Refund Update

- Decrease of \$20,166 in general funds
 - Continuously appropriated
 - Based on actual figures

FY2018
Cash Sources

Cash Sources	FY2018
Budget Reserve to 10%	\$7,210,593
Health And Education Facilities Authority Donation	\$2,500,000
Department of Human Services Homemaker Fees	\$2,000,000
Petroleum Release Compensation Fund	\$1,300,000
Department of Education Workforce Education Fund	\$792,729
Department of Human Services Telecommunications Relay Services	\$750,000
Department of Human Services Prescription Drug Fund	\$750,000
Department of Education E-Rate Fund	\$500,000
Video Lottery Fund	\$500,000
Unified Judicial System Court Automation Fund	\$500,000
Private Activity Bond Fee	\$480,743
Finance and Management Budgetary Accounting Fund	\$261,396
Veterans' Home Operating Fund	<u>\$120,000</u>
Total One-time Proposed Cash Sources	\$17,665,461

Cash Sources

Budget Reserve Fund: \$7,210,593

- Transfers excess of 10%

Health and Educations Facilities Authority Donation: \$2,500,000

DHS Homemaker Fees: \$2,000,000

- Copays received from individuals who receive homemaker services

Cash Sources

DENR Petroleum Release Compensation Fund: \$1,300,000

- Petroleum release compensation and tank inspection fee

DOE Workforce Education Fund: \$792,729

- \$226,982 available for one-time education enhancement per SDCL 13-13-89
- \$565,747 not used by Smee School District for Native American Achievement School

DHS Telecommunication Relay Services Fund: \$750,000

- Fees on telecommunication devices

Cash Sources

DHS Prescription Drug Plan Fund: \$750,000

- Rebates on prescription drugs for those eligible for Medicare or Medicaid

DOE E-Rate Fund: \$500,000

- Rebates from federal government for telecommunications and internet access

Cash Sources

DOR Video Lottery Fund: \$500,000

- Machine revenue, license/application fees

UJS Court Automation Fund: \$500,000

- Background and criminal checks, civil/criminal fees

Private Activity Bond Fee for SD Housing Authority: \$480,743

- Fees from private activity tax exempt bonds

Cash Sources

BFM Budgetary Accounting Fund: \$261,396

- Fees from users of state's central financial systems

DVA Veteran's Home Operating Fund: \$120,000

- Revenue received for the support, care, and maintenance of members of the home

FY2018 Review

Reduced Revenue and Increased Expenses	FY2018
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Reduction of Annual Appropriations	\$16,036,797
Cash Sources	<u>\$17,665,461</u>
FY2018 Balanced Budget	\$0

FY2019 Ongoing Revenue Estimates

FY2018 Adopted vs. FY2019 Recommended Ongoing Receipts (millions)

Source	Adopted FY2018	Revised FY2018	Recommended FY2019	FY19 vs. Adopted
Sales and Use Tax	\$989.0	\$979.3	\$1,016.9	+ 27.9
Lottery	115.3	115.4	118.6	+ 3.3
Contractor's Excise Tax	110.6	102.7	108.8	(1.8)
Insurance Company Tax	93.0	86.9	90.1	(2.9)
Unclaimed Property	51.5	48.6	46.8	(4.7)
Licenses, Permits, & Fees	64.0	66.6	68.9	+ 4.9
Tobacco Taxes	55.0	55.4	55.3	+ 0.3
Bank Franchise Tax	10.9	11.6	11.9	+ 1.0
Other Ongoing Receipts	<u>100.8</u>	<u>103.3</u>	<u>105.2</u>	<u>+ 4.4</u>
Total Ongoing Receipts	\$1,590.1	\$1,569.8	\$1,622.5	+ 32.4

**FY2019 Ongoing
General Fund
Recommendations**

FY2019 Recommended Expense Overview

Major Increases/Decreases	General Funds
Education	\$20,331,660
Medical & Provider Assistance	\$11,336,127
Protecting People	\$2,576,185
State Employee Market Minimums	\$631,981
FMAP Savings	(\$9,764,332)
Miscellaneous Increase/Decreases	\$2,379,084
Building South Dakota (<i>Cost Neutral</i>)	<u>\$4,900,000</u>
TOTAL GENERAL FUND INCREASES	\$32,390,705

Education

Major Increases/Decreases	General Funds
State Aid to Education K-12 Enrollment Growth	\$16,144,060
Maintenance and Repair (BOR/Tech Inst.)	\$1,020,366
Board of Regents Utilities	\$893,832
SD Opportunity Scholarship (Year 4)	\$614,038
Technical Institute Enrollment Growth	\$557,982
Dual Credit Enrollment Growth	\$398,957
Miscellaneous Increases/Decreases	<u>\$702,425</u>
TOTAL GENERAL FUND INCREASES	\$20,331,660

State Aid to Education

- State Aid to General Education \$12.1M
 - Increase of 1,888 students over budgeted FY2018 counts
 - 1,439 over revised FY2018 counts
- State Aid to Special Education \$4.1M
 - Increase of 381 students over budgeted FY2018 counts
 - 190 over revised FY2018 counts

Maintenance and Repair

	General
Board of Regents	\$796,691
Technical Institutes	<u>\$223,675</u>
Total Maintenance and Repair in Education	\$1,020,366
Bureau of Administration	<u>\$93,701</u>
Total Maintenance and Repair	\$1,114,067

Medical & Provider Assistance

Major Increases/Decreases	General Funds
Mandatory Inflation (Various Percentages)	\$5,403,935
Enrollment and Utilization Growth	\$4,839,459
Rural Family Physician Residency	\$179,666
Mental Health Court - Treatment	\$138,500
Miscellaneous Increases/Decreases	\$774,567
SD Health Care Solutions Coalition	(\$4,586,090)
SD Health Care Solutions Coalition	<u>\$4,586,090</u>
TOTAL GENERAL FUND INCREASES	\$11,336,127

Mandatory Inflation

Major Increases/Decreases	General Funds
Prescription Drugs	\$2,107,323
Medicare Crossovers	\$1,415,349
Child Care Direct Assistance	\$694,857
Medicare Part D	\$651,420
Medicare Part B	\$319,387
Medicare Part A	\$116,916
Federally Qualified and Rural Health Clinics	\$72,400
Assisted Living	<u>\$26,283</u>
TOTAL MANDATORY INFLATION	\$5,403,935

Enrollment and Utilization Growth

Major Increases/Decreases	General Funds
Medicaid Eligibles, Utilization, and Cost	\$3,805,498
Federal Revenue Adjustment at HSC	\$1,296,870
Out of Home Placements (CPS)	\$1,251,538
Subsidized Adoptions and Guardianships	\$423,723
Developmental Disabilities Eligibles Growth	\$266,954
Additional Medicaid Beds State Veterans Home	\$138,271
Auxiliary Placement Utilization	(\$261,791)
Long Term Services and Supports Utilization	<u>(\$2,081,604)</u>
TOTAL ENROLLMENT AND UTILIZATION GROWTH	\$4,839,459

South Dakota Health Care Solutions Coalition

- Projected to save \$4,586,090 in general funds in FY19 from implementation of federal policy changes
- Cost to fund Coalition recommendations \$1,866,715
- Year 3 of provider reimbursement 3 year plan \$2,719,375

Protecting People

Major Increases/Decreases	General Funds
Correctional Healthcare	\$1,336,398
DOC Community Transition Program	\$1,144,640
Mental Health Court	\$109,947
Miscellaneous Increases/Decreases	<u>(\$14,800)</u>
TOTAL GENERAL FUND INCREASES	\$2,576,185

Correctional Healthcare

- Increase in \$1,336,398 in general funds
- To cover the shortfall in Correctional Healthcare due to costs associated with providing inmate healthcare
- Average Daily Count (ADC) higher than projected in FY18

Community Transition Program

- Increase in \$1,144,640 in general funds
- Funds community placements for 71 parolees that are currently housed in community work centers (minimum units)
- Savings in food services (\$79K) and healthcare (\$273K) for inmates housed in community placements
- Helps to alleviate the prison population at community work centers
- CTP parolees are more likely to be successfully discharged from DOC

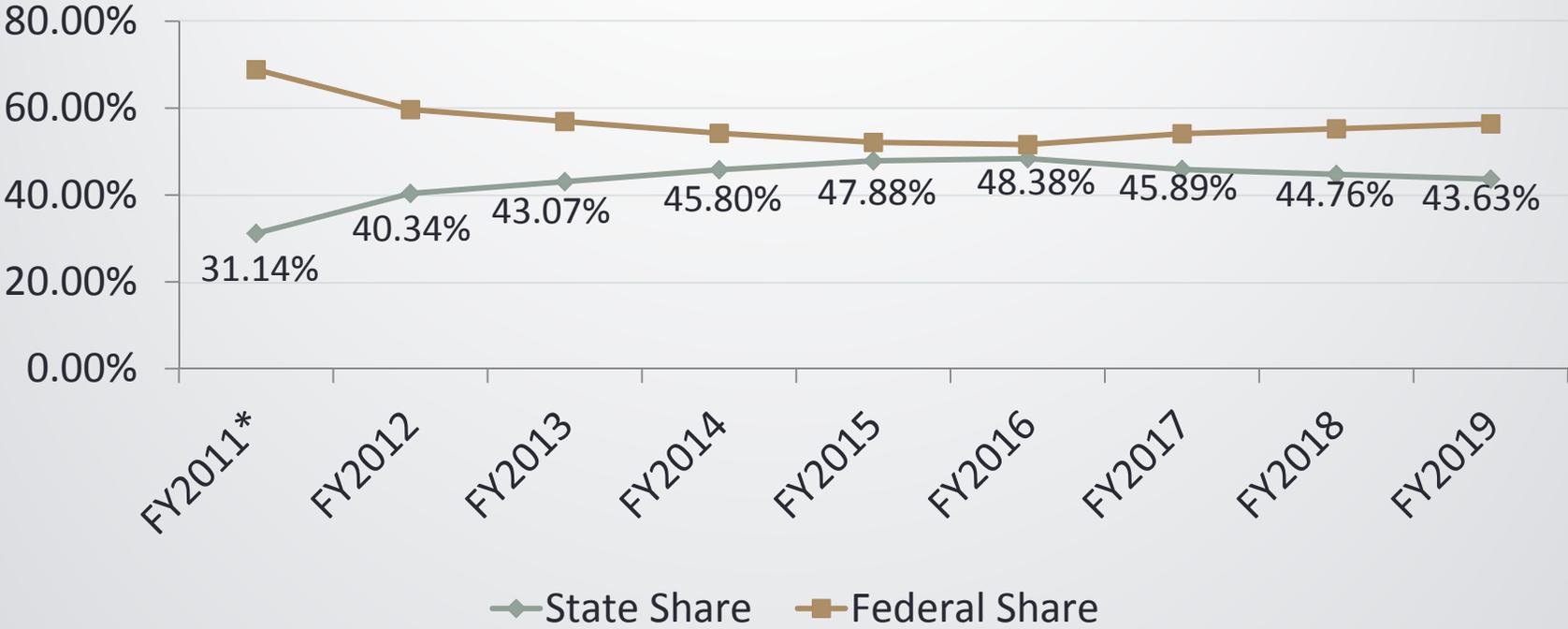
Mental Health Court

- HB 1183, passed during the 2017 Legislative Session, appropriated \$655,343 in one-time money to fund the mental health initiative.
 - Increase in \$109,947 in general funds in the Unified Judicial System for the court
 - Increase of \$138,500 in general funds in the Department of Social Services for treatment

State Workforce

Major Increases/Decreases	General Funds
No Market Adjustment Increases (2 nd Year)	\$0
No Increase to State's Share of Health Insurance	\$0
Address Employee Market Minimums	<u>\$631,981</u>
TOTAL GENERAL FUND INCREASES	\$631,981

FMAP Savings



Building South Dakota (Cost Neutral)

- Volatile and Unreliable Revenue Sources
 - Project-based Contractor's Excise Tax
 - Year End Transfers to the Budget Reserve
- Fund Building South Dakota Programs with General Funds
 - Housing Opportunity: \$1,900,000
 - Local Infrastructure Improvement Grant: \$1,500,000
 - Workforce Education: \$1,125,000
 - Economic Development Partnership: \$375,000

FY2019 Recommended Expense Overview

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Building South Dakota (<i>Cost Neutral</i>)	<u>\$4,900,000</u>
TOTAL GENERAL FUND INCREASES	\$32,390,705

FTE Recommendation

	FTE
Agencies Under the Direct Control of the Governor	35.6
Agencies Outside the Direct Control of the Governor	<u>9.0</u>
Total FTE Recommended Change	44.6

Definition of FTE and Positions

- FTE are defined in statute as certain kinds of hours worked by certain types of employees
- FTE are appropriated as a pool of hours by Budget Unit
- 1 FTE = 2,080 hours worked in FY2019

- Positions are defined in statute as a “collection of duties and responsibilities assigned by the appointing authority”
- Positions are not appropriated

Agency General Fund Overview

Agency	Amount	Agency	Amount	Agency	Amount
DOE	\$17,504,284	DOH	\$342,122	ATG	(\$43,857)
DSS	\$5,241,853	UJS	\$149,947	DPS	(\$50,000)
GOED	\$4,900,000	DVA	\$72,651	GFP	(\$120,652)
BOR	\$2,822,485	DOM	\$44,256	DHS	(\$4,011,131)
DOC	\$2,354,199	DLA	\$8,795	Cont. App.	\$1,832,087
BFM	\$1,002,637	LRC	\$952		
BOA	\$363,701	SOS	(\$23,624)		

- No general fund changes: DTR, SDDA BHR, BIT, DENR, GOV, DLR, PUC, SDRS, DOR, SPL, OSA, OST, SDIC, TOUR, and DOT.
- Total Ongoing General Fund Increase = **\$32,390,705**