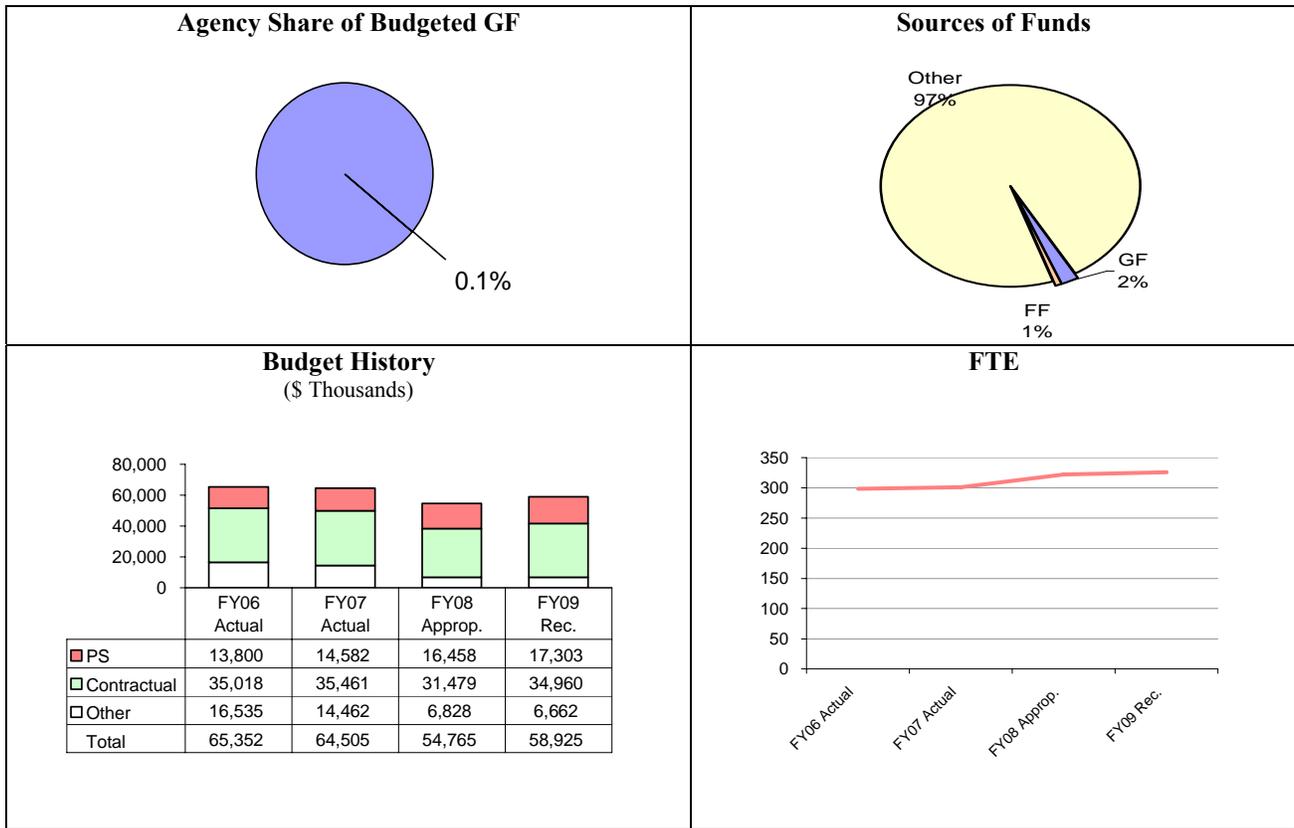


# FY09 Budget Briefing

## Department of Revenue and Regulation



### Key Responsibilities

- To provide the revenue necessary for the support of state and local government programs through the fair and consistent application of the tax laws and through a comprehensive program of education that explains the responsibilities and rights of taxpayers;
- To operate the state lottery in a secure, efficient, and profitable manner;
- To provide for the safety and well-being of consumers and the general public by regulating the banking, securities, insurance, gaming, and racing industries; and
- To protect the interest of the public when engaged in a real estate transaction; to promote ethical standards for abstractors; and to assist in cleanup of petroleum spills.

### Key Personnel

- Paul Kinsman, Secretary
- David Wiest, Deputy Secretary
- Joan Serfling, Director of Administrative Services

## Department of Revenue and Regulation Total

For FY09, the Governor recommends an increase of \$4,159,939 from all funds and an increase of 4.0 FTEs from FY08. The FY09 recommended budget consists of \$1,325,628 from general funds, \$546,000 in federal fund expenditure authority, and \$57,052,898 in other fund expenditure authority, for a total budget of \$58,924,526 and 326.1 FTEs.

	Actual FY07	Budgeted FY08	Agency Req. FY09	Gov Rec. FY09	Inc/Dec FY09	% Change From FY08
Personal Services	14,581,641	16,458,391	16,903,878	17,302,577	844,186	5.1%
Travel	970,243	1,110,983	1,135,283	1,129,083	18,100	1.6%
Contractual Services	35,461,130	31,478,599	34,960,149	34,959,769	3,481,170	11.1%
Supplies & Materials	2,649,391	2,862,475	2,862,825	2,862,825	350	0.0%
Grants And Subsidies	10,280,797	2,000,000	2,000,000	2,000,000	-	0.0%
Capital Outlay	280,938	636,139	459,552	452,272	(183,867)	(28.9%)
Other	280,665	218,000	218,000	218,000	-	0.0%
<b>Total</b>	<b>64,504,805</b>	<b>54,764,587</b>	<b>58,539,687</b>	<b>58,924,526</b>	<b>4,159,939</b>	<b>7.6%</b>
<b>Funding Types</b>						
General	976,125	1,107,244	1,294,844	1,325,628	218,384	19.7%
Federal	-		546,000	546,000	546,000	0.0%
Other	63,528,680	53,657,343	56,698,843	57,052,898	3,395,555	6.3%
<b>Total</b>	<b>64,504,805</b>	<b>54,764,587</b>	<b>58,539,687</b>	<b>58,924,526</b>	<b>4,159,939</b>	<b>7.6%</b>
FTE	301.0	322.1	328.6	326.1	4.0	1.2%

The Governor's recommendation throughout this analysis also includes funding for Performance And Compensation Equity (PACE) movement of 2.5% for those employees who are paid under the job-worth of their pay range, a 2.5% across-the-board increase for all permanent employees, and an increase in the employer paid portion of the state health insurance plan. The recommended amounts for each segment of the compensation package are as follows:

	General Funds	Federal Funds	Other Funds	Total
2.5% PACE Movement	6,121	0	108,340	114,461
2.5% Across-the-Board	20,409	0	354,081	374,490
Health Insurance	4,254	0	73,234	77,488
	<b>30,784</b>	<b>0</b>	<b>535,655</b>	<b>566,439</b>

## Major Expansions and Reductions

Program	Agency Request			Governor's Recommendation		
	State General Fund	All Funds	FTE	State General Fund	All Funds	FTE
<b>Motor Vehicles</b>						
Operating Expenses	-	1,077,500	0.0	-	1,077,500	0.0
<b>Audits</b>						
Personal Services	159,220	159,220	2.0	159,220	159,220	2.0
Operating Expenses	28,380	13,880	0.0	28,380	13,880	0.0
<b>Banking</b>						
Personal Services	-	243,814	3.5	-	76,074	1.0
Operating Expenses	-	(167,848)	0.0	-	(181,708)	0.0
<b>Video Lottery</b>	-	2,400,000	0.0	-	2,400,000	0.0
<b>Abstractors Board of Examiners- OE</b>	-	2,950	0.0	-	2,950	0.0
<b>Commission on Gaming</b>						
Personal Services	-	42,453	1.0	-	42,453	1.0
Operating Expenses	-	3,131	0.0	-	3,131	0.0
<b>Governor's Salary Policy</b>	-	-	0.0	30,784	566,439	0.0
<b>Total</b>	<b>187,600</b>	<b>3,775,100</b>	<b>6.5</b>	<b>218,384</b>	<b>4,159,939</b>	<b>4.0</b>

### Motor Vehicles:

- **Contractual Services-** The agency requests an increase of \$1,250,000 (\$546,000 federal, \$704,000 other) for FY09. The major increases and decreases are:
  - \$1,500,000 increase in computer services. South Dakota is a member jurisdiction of the IRP, which is a reciprocity agreement for the purpose of prorating the assessment and collection of truck registration fees among the participating jurisdictions. Currently, approximately 9,000 power units and 25,000 trailers are registered through this system in South Dakota. The state is also a member of IFTA, which is a compact among 58 states and provinces that simplifies how interstate motor carriers report and pay fuel taxes. Currently, 2,900 motor carriers license through this program in South Dakota.

The existing system and software is maintained and supported by a contract vendor. The system provides the functionality needed by the department for the ongoing activities, reports and returns filed in South Dakota as required by the agreements. The current vendor has notified the department and the other jurisdictions using their system that the COVERS product line, support, and maintenance will be discontinued at the end of calendar year 2010. With the notification from the company that these systems will be discontinued, the department proposes to completely replace its International Registration Plan (IRP) COVERS and International Fuel Tax Agreement (IFTA) COVERSFT Systems. To support the new IRP/IFTA functionality, the new system will have connectivity to the SD Permitting System and CVIEW, as well as the new Title and Registration system that is currently being developed. With the implementation of the Uniform Carrier Registration program, all available requirements for UCR will be included in the requirements for the new IRP/IFTA system.

This project will be accomplished in two phases. The first phase will define requirements for a new IRP/IFTA system that will include all current renewal processes along with online processes for electronic filing of renewal applications and temporaries under IRP and renewal applications and tax returns under IFTA. The project will include hiring a dedicated project manager to gather and document requirements from agency staff, carriers, permit services and other users of the system.

The second phase of work will be to acquire an integrated system satisfying the requirements defined in the first phase. Acquisition options include purchase of a commercial off-the-shelf (COTS) system, purchase and customization of a COTS, and completely new, customized development. All three options will be entertained in a competitive contracting process, but purchase and customization of a commercial off-the-shelf system seems most likely.

The Department of Revenue and Regulation, Division of Motor Vehicles will lead this development effort and will assume responsibility for operation of the system after it is developed. This system will interface with Department of Transportation's permitting system and will comply with the requirements of CVISN and PRISM agreements DOT has. Based on these requirements DOT will provide approximately \$546,000 in federal funds to the department for the development of this system. The total estimated cost for this system is \$1.5 million.

- \$250,000 decrease in computer services for titles and registration to reflect the balance of the appropriation for the design and development of the new title and registration system.

The Governor recommends this request.

- Capital Outlay- The agency requests a decrease of \$172,500 in other fund expenditure authority in computer services for titles and registration to reflect the balance of the appropriation for the design and development of the new title and registration system. The Governor recommends this request.

#### **Audits:**

- Personal Services- The agency requests an increase of \$159,220 from general funds and 2.0 FTEs for FY09. Two additional FTEs are requested to audit the bank franchise tax returns and payments to the state. The bank tax revenue source provided over \$60 million dollars to the state and local governments in FY06 and \$75 million in FY07.

Currently, the department lacks personnel and the expertise needed to conduct audits on financial institutions. To conduct audits for bank tax purposes, the auditors need to have a thorough understanding of the federal tax code as it pertains to financial institutions and the application of South Dakota laws to financial institutions. The auditors would also need the expertise to understand the methods of calculation and verify the apportionment ratio for national banks with a presence in the state.

Without a history of state audit assessments on financial institutions, the department is relying on statistics from the Internal Revenue Service. The recent audit findings by the Internal Revenue Service resulted in an average increase of 2.5% of the tax originally paid. Once fully trained, it is anticipated two additional auditors would audit approximately one-third of the financial institutions annually. Based on the average collections and a three year audit cycle, it

is estimated the state could increase the total collections by \$1 million annually. The Governor recommends this request.

- The agency requests an increase of \$15,000 in travel and \$6,880 in contractual services due to the recommended increase of 2 additional auditors in the Audit Division. The agency also requests a decrease of \$8,000 in capital outlay to reflect the one-time appropriation for the additional audit staff added in FY08. The Governor recommends the requests.

**Banking:**

- Personal Services- The agency requests an increase of \$243,814 in other fund expenditure authority and 3.5 FTEs for 3 bank examiners and to expand a part-time senior secretary position to full-time to support the expanded duties associated with growth in division responsibilities. The FTE will help oversee the rapidly growing state-chartered trust companies. The 3 bank examiners are required to supervise and examine the rapidly growing bank and trust company assets in South Dakota. Growth in assets has been extraordinary and is expected to continue:

Banks			Trust Companies		
Year-End	Total Assets	Annualized Growth	Year-End	Total Assets	Annualized Growth
1999	\$ 7,418,209,000		1999	\$ 10,559,109,000	
2000	\$ 8,447,080,000	14%	2000	\$ 12,873,079,000	22%
2001	\$ 8,607,563,000	2%	2001	\$ 13,788,677,000	7%
2002	\$ 9,514,615,000	11%	2002	\$ 14,996,921,000	9%
2003	\$ 9,728,158,000	2%	2003	\$ 15,367,635,000	2%
2004	\$ 11,149,770,000	15%	2004	\$ 24,810,448,000	61%
2005	\$ 11,532,593,000	3%	2005	\$ 34,669,887,000	40%
2006	\$ 13,225,732,000	15%	2006	\$ 39,388,934,000	14%
June 2007	\$ 16,418,043,000	48%			

Based on national examination hours statistics generated by FDIC, contractual and statutory examination frequency requirements, proficiency expectations for new hires and anticipated turnover, the division projects that current bank and trust asset levels dictate a workload for 18.5 FTEs, which is 5.5 FTEs over the current level. As a result, 3 additional FTEs are requested for FY09. The Governor recommends an increase of \$76,074 (\$62,000 salary, \$14,074 benefits) and 1.0 FTE for one additional bank examiner.

- Travel- The agency requests an increase of \$9,300 in other fund expenditure authority in travel expenses for the 3 requested bank examiner positions. The Governor recommends an increase of \$3,100 in travel expenses for 1 additional bank examiner.
- Contractual Services- The agency requests a net decrease of \$177,930 in other fund expenditure authority for FY09. The major increases and decreases are:
  - \$300,000 decrease reflects the completion of the banking regulation datasystem in FY09.
  - \$133,500 increase for fees to be paid to the National Mortgage Licensing System. The division will be utilizing this system beginning with renewals in December of 2008. The cost of each record will be assessed to the division and funded by the license fees paid by licensees to the division.
  - \$12,000 decrease for one-time costs associated with the accreditation review conducted by the SDBS Accreditation Team in FY08.
  - \$570 increase for the state's liability insurance assessment for the 3 additional FTEs.
 The Governor recommends a net decrease of \$178,310 for FY09.

- Capital Outlay- The agency requests an increase of \$782 in other fund expenditure authority for FY09. The Governor recommends a decrease of \$6,498.

### **Video Lottery:**

- Contractual Services- The agency requests an increase of \$2,400,000 in other fund expenditure authority for the replacement of the video lottery central system. The current contract expires August 2009 with all contract extensions exercised. The highly sophisticated central system monitors all functions of every terminal, polls each terminal daily to collect account data and generates bi-weekly billings to collect the state's share from the machine owners. The Governor recommends this request.

### **Abstracters Board of Examiners:**

- Contractual Services- The agency requests an increase of \$2,600 to provide sufficient authority for contractual services costs associated with the board. The Governor recommends this request.
- Supplies and Materials- The agency requests an increase of \$350 to provide sufficient authority for supplies and materials costs associated with the board. The Governor recommends this request.

### **Commission on Gaming:**

- Personal Services- The agency requests an increase of \$42,453 in other fund expenditure authority and 1.0 FTE for a second System Specialist position. The System Specialist is responsible for the inspection of slot machines in Deadwood to verify the devices conform to South Dakota rules before they are offered to the public for play. In addition, any time a slot machine's programming is accessed for repair or maintenance, the inspector must re-verify the integrity of the game before it is turned back on.

In FY2007, the SD Commission on Gaming licensed 3,592 devices for use in Deadwood which was an increase of 15% over FY06 and a 33% increase over 5 years prior. This growth will continue based on the currently well publicized Casino/Convention Center project working in Deadwood, which has made a sizeable investment in site preparation. Upon completion of this projection, an additional 360 devices have been approved at this location with an anticipated opening date in FY2009.

In the eleven other states that have commercial casinos, the average number of devices per inspector is approximately 1,500. South Dakota only has one such dedicated inspector for the 3,592 devices that were licensed in FY07. The Commission has been successful in the past servicing the industry's requests which requires inspection of devices by cross-training enforcement agents and using them during peak times, but this has been problematic due to technical training required and loss of enforcement manpower when agents are utilized as inspectors. The additional Systems Specialist FTE will allow the Commission to provide the proper regulation and timely inspection services required and expected of the Commission. The Governor recommends this request.

- Capital Outlay- The agency requests an increase of \$3,131 for replacement of computer hardware, upgrades to existing software, and for the purchase of testing equipment to verify the integrity of gaming devices. The Governor recommends this request.

## Secretariat

The total recommended budget for the Secretariat consists of \$164,225 from general funds, and \$3,614,793 in other fund expenditure authority, for a total budget of \$3,779,018 and 39.0 FTEs.

	Actual FY07	Budgeted FY08	Agency Req. FY09	Gov Rec. FY09	Inc/Dec FY09	% Change From FY08
Personal Services	2,159,880	2,198,977	2,198,977	2,273,001	74,024	3.4%
Travel	57,919	76,227	76,227	76,227	-	0.0%
Contractual Services	1,589,852	1,341,303	1,341,303	1,341,303	-	0.0%
Supplies & Materials	66,140	69,240	69,240	69,240	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	79,043	19,247	19,247	19,247	-	0.0%
Other	-	-	-	-	-	0.0%
<b>Total</b>	<b>3,952,834</b>	<b>3,704,994</b>	<b>3,704,994</b>	<b>3,779,018</b>	<b>74,024</b>	<b>2.0%</b>
<b>Funding Types</b>						
General	150,348	161,001	161,001	164,225	3,224	2.0%
Federal	-	-	-	-	-	0.0%
Other	3,802,486	3,543,993	3,543,993	3,614,793	70,800	2.0%
<b>Total</b>	<b>3,952,834</b>	<b>3,704,994</b>	<b>3,704,994</b>	<b>3,779,018</b>	<b>74,024</b>	<b>2.0%</b>
FTE	39.9	39.0	39.0	39.0	-	0.0%

## Revenues

	FY07	FY08			FY09
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Internet and Phone Filing Collections	507,779,452	585,000,000	550,000,000	(35,000,000)	595,000,000
Remittance Center Collections:					
Department Collections	795,688,698	803,000,000	790,000,000	(13,000,000)	785,000,000
Other State Agency Collections	103,222,974	103,000,000	103,000,000	0	103,000,000
Appraiser Certification:					
New Application Fees	10,590	12,365	10,590	(1,775)	10,590
Renewal Fees	80,535	78,605	80,535	1,930	80,535
Investment Council Interest	5,241	4,589	5,241	652	5,241
Reciprocity Fees	6,500	5,875	6,500	625	6,500
Temporary Fees	11,400	9,900	11,400	1,500	11,400
Upgrade Review Fees	1,725	2,300	1,725	(575)	1,725
Penalty/Discipline Fees	3,300	3,100	3,300	200	3,300
Course Fees	5,750	7,900	5,750	(2,150)	5,750
Penalty/Renewals	925	1,175	925	(250)	925
<b>Total</b>	<b>1,406,817,090</b>	<b>1,491,125,809</b>	<b>1,443,125,966</b>	<b>(47,999,843)</b>	<b>1,483,125,966</b>

- **Personal Services-** The Governor's recommended appropriation includes an increase of \$74,024 (\$3,224 general, \$70,800 other) for FY09 salary policy.

**Selected Performance Indicators**

	<u>FY07</u>	<u>FY08</u>			<u>FY09</u>
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Collections:					
Centralized Collections	\$8,650,471	\$8,000,000	\$8,750,000	\$750,000	\$8,750,000
Legal Staff:					
Department Cases Opened	568	355	550	195	550
ISB Investigations	128	55	100	45	100
Remittance Center:					
Department Documents Processed	478,180	465,000	476,000	11,000	475,000
Other Dept. Documents Processed	54,020	50,000	54,000	4,000	54,000
E-Newsletters	62,854	62,000	65,000	3,000	65,000
Business Education (Held/Attended):					
Small Business Workshops	10/293	10/250	11/320	n/a	11/320
Contractors' Excise Tax Seminars	7/102	10/120	8/150	n/a	8/150
Sales Tax Seminars	6/150	10/215	8/175	n/a	8/175
Tri-State Contractors Excise Tax Seminars	2/119	4/100	4/150	n/a	4/150
Tri-State Sales Tax Seminars	2/61	4/165	4/100	n/a	4/100
Border States Contractors' Excise Tax Seminar	9/211	6/115	9/220	n/a	9/220
Border States Sales Tax Seminars	9/120	6/195	9/175	n/a	9/175
Special Interest Group Presentations	18/516	35/700	30/900	n/a	30/900
Appraisers--New/Renewed Licenses	17360	33/361	17/360	n/a	17/360
Complaints Received (Appraisers)	8	17	8	(9)	8
Upgrade/New Application Reviews	20/2	19/0	20/2	n/a	20/2
Reciprocity/Temporary	20/76	8/66	20/76	n/a	20/76
Course Applications	115	158	115	(43)	115

## **Business Tax**

The total recommended budget for the Business Tax Division consists of \$3,585,242 in other fund expenditure authority and 51.0 FTEs.

	<b>Actual FY07</b>	<b>Budgeted FY08</b>	<b>Agency Req. FY09</b>	<b>Gov Rec. FY09</b>	<b>Inc/Dec FY09</b>	<b>% Change From FY08</b>
Personal Services	2,216,849	2,439,986	2,439,986	2,523,572	83,586	3.4%
Travel	135,173	110,293	110,293	110,293	-	0.0%
Contractual Services	465,123	514,328	514,328	514,328	-	0.0%
Supplies & Materials	408,859	412,840	412,840	412,840	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	21,194	24,209	24,209	24,209	-	0.0%
Other	-	-	-	-	-	0.0%
<b>Total</b>	<b>3,247,198</b>	<b>3,501,656</b>	<b>3,501,656</b>	<b>3,585,242</b>	<b>83,586</b>	<b>2.4%</b>
<b>Funding Types</b>						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	3,247,198	3,501,656	3,501,656	3,585,242	83,586	2.4%
<b>Total</b>	<b>3,247,198</b>	<b>3,501,656</b>	<b>3,501,656</b>	<b>3,585,242</b>	<b>83,586</b>	<b>2.4%</b>
FTE	48.4	51.0	51.0	51.0	-	0.0%

## **Revenues**

	<b>FY07</b>	<b>FY08</b>		<b>FY09</b>
	<b>Actual</b>	<b>Original Estimate</b>	<b>Current Estimate</b>	<b>Change in Estimate</b>
Other Agency Collections	7,576,372	7,250,000	7,750,000	500,000
Collections:				
State Sales Tax	612,427,671	630,000,000	630,000,000	0
Excise Tax	78,790,924	76,000,000	80,000,000	4,000,000
Telecom Excise Tax	9,999,433	8,875,000	10,000,000	1,125,000
City/Reservation Taxes	261,016,830	266,900,000	266,900,000	0
Reserved for Construction Project Refunds	11,526,124		12,000,000	12,000,000
<b>Total</b>	<b>981,337,354</b>	<b>989,025,000</b>	<b>1,006,650,000</b>	<b>17,625,000</b>

- **Personal Services-** The Governor's recommended appropriation includes an increase of \$83,586 in other fund expenditure authority for FY09 salary policy.

**Selected Performance Indicators**

	<u>FY07</u>	<u>FY08</u>			<u>FY09</u>
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Cities/Tribes with Sales/Use Tax	221	266	230	(36)	240
Total Active Licenses	72,315	73,540	73,540	0	75,000
Delinquent/Out-of-Balance Notices	145,198	130,000	142,000	12000	141,000
Licensee Reviews *	804	1,125	900	(225)	1,100
Balance of Active Accounts Receivable (July 1)	\$3,830,933	\$2,400,000	\$3,500,000	1100000	\$3,200,000
Total Returns Processed	416,223	429,250	412,485	(16765)	408,500
Internet and Phone Returns	78,262	77,000	89,500	12500	92,900
Returns Out of Balance	121,875	109,000	115,000	6000	112,000
800 Phone Bank Calls	40,000	44,930	41,000	(3930)	41,000

\* Licensee reviews are an information interview with sales and contractor's excise licensees where the Tax Program representative explains how the applicable tax applies to that specific type of business. These reviews are not a detailed audit conducted on a business, but rather are targeted at 90% of the businesses that would not normally receive specific attention because of a delinquency, or an audit.

- All of the other funds that support this program are from the Sales and Use Tax Collection Fund, created in SDCL 10-1-44:

**10-1-44. Establishment of sales and use tax collection fund.** There shall be established within the state treasury the sales and use tax collection fund for the purpose of administering the sales, use, municipal non-ad valorem, and contractors' excise taxes. Charges for the administration and collection of taxes collected pursuant to chapter 10-52 shall be deposited into the sales and use tax collection fund. In addition, the secretary of the Department of Revenue and Regulation shall, on a monthly basis, deposit revenue collected as a result of taxes imposed in chapters 10-45, 10-46, and 10-58 in the sales and use tax collection fund. The total amount deposited in the sales and use tax collection fund may not exceed the amount budgeted for such purposes. All money in the fund created by this section shall be budgeted and expended in accordance with the provisions of Title 4 on warrants drawn by the state auditor on vouchers approved by the secretary of the Department of Revenue and Regulation.

At the end of each fiscal year any cash balance left in the sales and use tax collection fund shall be transferred to the general fund.

**Source:** SL 1994, ch 95, § 1; SL 2003, ch 272, § 82.

## Motor Vehicles

The Division administers all fuel taxes pursuant to SDCL 10-47B, as well as licensing, titling, and registration of boats, trailers, and motorized vehicles pursuant to SDCL Title 32.

The total recommended budget for the Division of Motor Vehicles consists of \$546,000 in federal fund expenditure authority and \$6,514,107 in other fund expenditure authority for a total budget of \$7,060,107 and 48.1 FTEs.

	Actual FY07	Budgeted FY08	Agency Req. FY09	Gov Rec. FY09	Inc/Dec FY09	% Change From FY08
Personal Services	1,709,797	1,905,638	1,905,638	1,971,319	65,681	3.4%
Travel	42,301	52,400	52,400	52,400	-	0.0%
Contractual Services	2,674,952	2,611,765	3,861,765	3,861,765	1,250,000	47.9%
Supplies & Materials	1,374,509	1,114,604	1,114,604	1,114,604	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	25,910	232,519	60,019	60,019	(172,500)	(74.2%)
Other	-	-	-	-	-	0.0%
<b>Total</b>	<b>5,827,469</b>	<b>5,916,926</b>	<b>6,994,426</b>	<b>7,060,107</b>	<b>1,143,181</b>	<b>19.3%</b>
<b>Funding Types</b>						
General	-	-	-	-	-	0.0%
Federal	-	-	546,000	546,000	546,000	0.0%
Other	5,827,469	5,916,926	6,448,426	6,514,107	597,181	10.1%
<b>Total</b>	<b>5,827,469</b>	<b>5,916,926</b>	<b>6,994,426</b>	<b>7,060,107</b>	<b>1,143,181</b>	<b>19.3%</b>
FTE	45.7	48.1	48.1	48.1	-	0.0%

## Revenues

	FY07	FY08		FY09
	Actual	Original Estimate	Current Estimate	Change in Estimate
Collections:				
Motor Vehicle Fees	89,651,986	88,000,000	90,500,000	2,500,000
Motor Vehicle Commercial Fees	14,207,032	13,100,000	14,250,000	1,150,000
Motor Fuel Taxes	138,737,571	142,000,000	139,000,000	(3,000,000)
<b>Total</b>	<b>242,596,589</b>	<b>243,100,000</b>	<b>243,750,000</b>	<b>650,000</b>

- Personal Services- The Governor's recommended appropriation includes an increase of \$65,681 for FY09 salary policy.
- Contractual Services- The agency requests an increase of \$1,250,000 (\$546,000 federal, \$704,000 other) for FY09. The major increases and decreases are:
  - \$1,500,000 increase in computer services. South Dakota is a member jurisdiction of the IRP, which is a reciprocity agreement for the purpose of prorating the assessment and collection of truck registration fees among the participating jurisdictions. Currently, approximately 9,000 power units and 25,000 trailers are registered through this system in South Dakota. The state is also a member of IFTA, which is a compact among 58 states and provinces that simplifies how interstate motor carriers report and pay fuel taxes. Currently, 2,900 motor carriers license through this program in South Dakota.

The existing system and software is maintained and supported by a contract vendor. The system provides the functionality needed by the department for the ongoing activities, reports and returns filed in South Dakota as required by the agreements. The current vendor has notified the department and the other jurisdictions using their system that the COVERS product line, support, and maintenance will be discontinued at the end of calendar year 2010. With the notification from the company that these systems will be discontinued, the department proposes to completely replace its International Registration Plan (IRP) COVERS and International Fuel Tax Agreement (IFTA) COVERSFT Systems. To support the new IRP/IFTA functionality, the new system will have connectivity to the SD Permitting System and CVIEW, as well as the new Title and Registration system that is currently being developed. With the implementation of the Uniform Carrier Registration program, all available requirements for UCR will be included in the requirements for the new IRP/IFTA system.

This project will be accomplished in two phases. The first phase will define requirements for a new IRP/IFTA system that will include all current renewal processes along with online processes for electronic filing of renewal applications and temporaries under IRP and renewal applications and tax returns under IFTA. The project will include hiring a dedicated project manager to gather and document requirements from agency staff, carriers, permit services and other users of the system.

The second phase of work will be to acquire an integrated system satisfying the requirements defined in the first phase. Acquisition options include purchase of a commercial off-the-shelf (COTS) system, purchase and customization of a COTS, and completely new, customized development. All three options will be entertained in a competitive contracting process, but purchase and customization of a commercial off-the-shelf system seems most likely.

The Department of Revenue and Regulation, Division of Motor Vehicles will lead this development effort and will assume responsibility for operation of the system after it is developed. This system will interface with Department of Transportation's permitting system and will comply with the requirements of CVISN and PRISM agreements DOT has. Based on these requirements DOT will provide approximately \$546,000 in federal funds to the department for the development of this system. The total estimated cost for this system is \$1.5 million.

- \$250,000 decrease in computer services for titles and registration to reflect the balance of the appropriation for the design and development of the new title and registration system.

The Governor recommends this request.

- Capital Outlay- The agency requests a decrease of \$172,500 in other fund expenditure authority in computer services for titles and registration to reflect the balance of the appropriation for the design and development of the new title and registration system. The Governor recommends this request.
- Other funds in this division are from motor vehicle titling and licensing fees and a percentage of the motor fuel tax revenue (SDCL 10-47B-149).

**Selected Performance Indicators**

	<u>FY07</u>	<u>FY08</u>			<u>FY09</u>
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Certificates of Title Issued/Processing (Days)	370,816/10	370,000/10	371,000/10	n/a	371,500/10
Personal/Dealer License Plates Renewed	11,352/3,216	12,300/3,250	11,000/3,200	n/a	11,000/3,200
Vehicles Registered	1,129,972	1,145,000	1,129,900	(15,100)	1,129,000
Licensed Vehicle Dealers	1,770	1,310	1,770	460	1,770
IFTA Licenses	2,847	2,830	2,847	17	2,847
Suppliers/Out-of-State Suppliers	56	52	56	4	56
Importer/Exporter/Blender	308	290	308	18	308
Highway Contractors/Marketers	541/1,358	519/1,340	541/1,358	n/a	541/1,358
Gas Tax Refunds Processed	4,942	5,300	4,942	(358)	4,942
Power Units Prorated Under IRP	9,683	9,250	9,683	433	9,683
Prorate Trailer ID Plates Issued	789	1,150	789	(361)	789
Commercial Tonnage Stickers Sold	39,422	39,250	39,422	172	39,422
30-Day Commercial Permits Sold	3,600	4,850	3,600	(1,250)	3,600
Harvest Permits Sold	811	1,320	811	(509)	811

## **Property and Special Taxes**

The total recommended budget for the Property and Special Taxes Division consists of \$969,080 from general funds and 14.0 FTEs.

	<b>Actual FY07</b>	<b>Budgeted FY08</b>	<b>Agency Req. FY09</b>	<b>Gov Rec. FY09</b>	<b>Inc/Dec FY09</b>	<b>% Change From FY08</b>
Personal Services	581,770	752,751	752,751	775,588	22,837	3.0%
Travel	25,015	37,098	37,098	37,098	-	0.0%
Contractual Services	86,132	101,507	101,507	101,507	-	0.0%
Supplies & Materials	38,185	46,187	46,187	46,187	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	9,356	8,700	8,700	8,700	-	0.0%
Other	-	-	-	-	-	0.0%
<b>Total</b>	<b>740,458</b>	<b>946,243</b>	<b>946,243</b>	<b>969,080</b>	<b>22,837</b>	<b>2.4%</b>
<b>Funding Types</b>						
General	740,458	946,243	946,243	969,080	22,837	2.4%
Federal	-	-	-	-	-	0.0%
Other	-	-	-	-	-	0.0%
<b>Total</b>	<b>740,458</b>	<b>946,243</b>	<b>946,243</b>	<b>969,080</b>	<b>22,837</b>	<b>2.4%</b>
FTE	11.6	14.0	14.0	14.0	-	0.0%

## **Revenues**

	<b>FY07</b>	<b>FY08</b>		<b>FY09</b>
	<b>Actual</b>	<b>Original Estimate</b>	<b>Current Estimate</b>	<b>Change in Estimate</b>
Collections:				<b>Estimate</b>
Special Taxes - State Funds	111,641,652	82,400,000	120,000,000	37,600,000
Special Taxes - Local Governments	31,142,478	18,750,000	30,000,000	11,250,000
<b>Total</b>	<b>142,784,130</b>	<b>101,150,000</b>	<b>150,000,000</b>	<b>48,850,000</b>

- **Personal Services**- The Governor's recommended appropriation includes an increase of \$22,837 from general funds for FY09 salary policy.

**Selected Performance Indicators**

	<u>FY07</u>	<u>FY08</u>		<u>FY09</u>	
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Tax Refund Applications Received	3,259	2,800	3,000	200	2,750
Applications Refunded/Denied	3,057/202	2,500/300	2,775/255	n/a	2,400/350
Tax Refunded	\$624,468	\$575,000	\$600,000	n/a	\$550,000
Bank Franchise Tax Performance Indicators:					
Bank Franchise Returns	886	810	900	90	900
Bank Franchise Qtr Reports Filed	518	750	600	(150)	600
Tobacco Performance Indicators:					
Cigarette Wholesaler and Distributor Licenses	59		75	75	75
Cigarette Retailers Registered	n/a		2400	2,400	3000
Cigarette Stamps	42,705,784	53,000,000	40,000,000	(13,000,000)	40,000,000
Other Tobacco Products Reports Filed	828	825	900	75	900
Retail Compliance Checks	592		600	600	600
Cigarette Seizures	725 packs		800 packs	n/a	800 packs
Alcohol Performance Indicators:					
Liquor and Beer Licenses	5,613	5,650	5,600	(50)	5,600
Alcohol Related Phone Calls Received	4,395	4,200	4,300	100	4,300
Property Tax Performance Indicators:					
Assessors Certified/Attendance at Annual	161/131	190/140	160/145	n/a	160/140
Tax Increment Finance Districts	116		120	120	120
Levies Approved	3,640		3,640		3,640

## Audits

The total recommended budget for the Audit Division consists of \$192,323 in general funds and \$3,610,873 in other fund expenditure authority for a total budget of \$3,803,196 and 58.0 FTEs.

	Actual FY07	Budgeted FY08	Agency Req. FY09	Gov Rec. FY09	Inc/Dec FY09	% Change From FY08
Personal Services	2,526,564	2,945,118	3,104,338	3,209,139	264,021	9.0%
Travel	251,997	318,221	333,221	333,221	15,000	4.7%
Contractual Services	151,809	171,940	178,820	178,820	6,880	4.0%
Supplies & Materials	27,440	32,086	32,086	32,086	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	26,771	57,930	49,930	49,930	(8,000)	(13.8%)
Other	-	-	-	-	-	0.0%
<b>Total</b>	<b>2,984,581</b>	<b>3,525,295</b>	<b>3,698,395</b>	<b>3,803,196</b>	<b>277,901</b>	<b>7.9%</b>
<b>Funding Types</b>						
General	-	-	187,600	192,323	192,323	0.0%
Federal	-	-	-	-	-	0.0%
Other	2,984,581	3,525,295	3,510,795	3,610,873	85,578	2.4%
<b>Total</b>	<b>2,984,581</b>	<b>3,525,295</b>	<b>3,698,395</b>	<b>3,803,196</b>	<b>277,901</b>	<b>7.9%</b>
FTE	49.2	56.0	58.0	58.0	2.0	3.6%

- **Personal Services**- The agency requests an increase of \$159,220 from general funds and 2.0 FTEs for FY09. Two additional FTEs are requested to audit the bank franchise tax returns and payments to the state. The bank tax revenue source provided over \$60 million dollars to the state and local governments in FY06 and \$75 million in FY07.

Currently, the department lacks personnel and the expertise needed to conduct audits on financial institutions. To conduct audits for bank tax purposes, the auditors need to have a thorough understanding of the federal tax code as it pertains to financial institutions and the application of South Dakota laws to financial institutions. The auditors would also need the expertise to understand the methods of calculation and verify the apportionment ratio for national banks with a presence in the state.

Without a history of state audit assessments on financial institutions, the department is relying on statistics from the Internal Revenue Service. The recent audit findings by the Internal Revenue Service resulted in an average increase of 2.5% of the tax originally paid. Once fully trained, it is anticipated two additional auditors would audit approximately one-third of the financial institutions annually. Based on the average collections and a three year audit cycle, it is estimated the state could increase the total collections by \$1 million annually.

The Governor recommends the request. The Governor's recommended appropriation includes an increase of \$104,801 (\$4,723 general, \$100,078 other) for FY09 salary policy.

- The agency requests an increase of \$15,000 in travel and \$6,880 in contractual services due to the recommended increase of 2 additional auditors in the Audit Division. The agency also requests a decrease of \$8,000 in capital outlay to reflect the one-time appropriation for the additional audit staff added in FY08. The Governor recommends the requests.

**Selected Performance Indicators**

	<u>FY07</u>	<u>FY08</u>			<u>FY09</u>
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Assessments/Audits:					
Sales & Use/Excise	\$18,958,713/1,295	\$13,300,000/1,250	\$15,725,000/1,300	n/a	\$17,250,000/1,450
IFTA, Motor Fuel, Prorate	\$395,591/329	\$750,000/350	\$600,000/340	n/a	\$700,000/350
Combined Sales Tax/Fuel Tax	\$19,354,304/1,624	\$14,050,000/1,600	\$16,325,000/1,640	n/a	\$17,950,000/1,800
Bank Franchise/Severance Tax	\$3,017/45	\$100,000/200		n/a	\$750,000/20
Inheritance Tax	\$3,017/45	\$0		n/a	
Tobacco Compliance	\$45,247/19	\$250,000/500		n/a	
Total Assessments	\$19,513,837	\$14,400,000	\$16,325,000	1,925,000	\$17,950,000
Total Audits Performed	2,079	2,300	1,640	(660)	1,820

## Banking

The total recommended budget for the Division of Banking consists of \$1,850,516 in other fund expenditure authority and 20.5 FTEs.

	Actual FY07	Budgeted FY08	Agency Req. FY09	Gov Rec. FY09	Inc/Dec FY09	% Change From FY08
Personal Services	982,644	1,164,009	1,407,823	1,282,235	118,226	10.2%
Travel	128,940	150,302	159,602	153,402	3,100	2.1%
Contractual Services	126,554	545,642	367,712	367,332	(178,310)	(32.7%)
Supplies & Materials	15,904	18,407	18,407	18,407	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	40,187	35,638	36,420	29,140	(6,498)	(18.2%)
Other	-	-	-	-	-	0.0%
<b>Total</b>	<b>1,294,229</b>	<b>1,913,998</b>	<b>1,989,964</b>	<b>1,850,516</b>	<b>(63,482)</b>	<b>(3.3%)</b>
<b>Funding Types</b>						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	1,294,229	1,913,998	1,989,964	1,850,516	(63,482)	(3.3%)
<b>Total</b>	<b>1,294,229</b>	<b>1,913,998</b>	<b>1,989,964</b>	<b>1,850,516</b>	<b>(63,482)</b>	<b>(3.3%)</b>
FTE	16.4	19.5	23.0	20.5	1.0	5.1%

## Revenues

	FY07	FY08			FY09
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Banking Revolving Fund:					
Bank Examination Fee	562,143	1,200,000	781,100	(418,900)	829,200
Trust Company Examination Fee	49,109	30,000	50,000	20,000	75,000
Money Lenders Renewal and Applications	212,250	227,500	210,000	(17,500)	210,000
Other License Fees	97,417	340,300		(340,300)	
Money Order Renewal and Application			15,000	15,000	15,000
Mortgage Lender Renewal and Application			168,750	168,750	168,750
Mortgage Broker Renewal and Application			120,000	120,000	112,500
Mortgage Loan Originator Renewal and Application			225,000	225,000	150,000
Trust Company Supervision Fee *	80,868	94,000	90,000	(4,000)	95,000
Investment Council Interest	12,359	7,500	15,000	7,500	15,000
Miscellaneous	38,748	20,000	30,000	10,000	30,000
Trust Company Charter Fees (General Fund)	35,000	10,000	25,000	15,000	25,000
<b>Total</b>	<b>1,087,894</b>	<b>1,929,300</b>	<b>1,729,850</b>	<b>(199,450)</b>	<b>1,725,450</b>

\* Trust Company Supervision Fee based on 5% growth in existing company assets only.

- **Personal Services-** The agency requests an increase of \$243,814 in other fund expenditure authority and 3.5 FTEs for 3 bank examiners and to expand a part-time senior secretary position to full-time to support the expanded duties associated with growth in the division responsibilities. The FTE will help oversee the rapidly growing state-chartered trust companies. The 3 bank examiners are required to supervise and examine the rapidly growing bank and trust company assets in South Dakota. Growth in assets has been extraordinary and is expected to continue:

Banks			Trust Companies		
Year-End	Total Assets	Annualized Growth	Year-End	Total Assets	Annualized Growth
1999	\$ 7,418,209,000		1999	\$ 10,559,109,000	
2000	\$ 8,447,080,000	14%	2000	\$ 12,873,079,000	22%
2001	\$ 8,607,563,000	2%	2001	\$ 13,788,677,000	7%
2002	\$ 9,514,615,000	11%	2002	\$ 14,996,921,000	9%
2003	\$ 9,728,158,000	2%	2003	\$ 15,367,635,000	2%
2004	\$ 11,149,770,000	15%	2004	\$ 24,810,448,000	61%
2005	\$ 11,532,593,000	3%	2005	\$ 34,669,887,000	40%
2006	\$ 13,225,732,000	15%	2006	\$ 39,388,934,000	14%
June 2007	\$ 16,418,043,000	48%			

Based on national examination hours statistics generated by FDIC, contractual and statutory examination frequency requirements, proficiency expectations for new hires and anticipated turnover, the division projects that current bank and trust asset levels dictate a workload for 18.5 FTEs, which is 5.5 FTEs over the current level. As a result, 3 additional FTEs are requested for FY09.

The Governor recommends an increase of \$76,074 (\$62,000 salary, \$14,074 benefits) and 1.0 FTE for one additional bank examiner. The Governor's recommended appropriation also includes an increase of \$42,152 in other fund expenditure authority for FY09 salary policy.

- Travel- The agency requests an increase of \$9,300 in other fund expenditure authority in travel expenses for the 3 requested bank examiner positions. The Governor recommends an increase of \$3,100 in travel expenses for 1 additional bank examiner.
- Contractual Services- The agency requests a net decrease of \$177,930 in other fund expenditure authority for FY09. The major increases and decreases are:
  - \$300,000 decrease reflects the completion of the banking regulation datasystem in FY09.
  - \$133,500 increase for fees to be paid to the National Mortgage Licensing System. The division will be utilizing this system beginning with renewals in December of 2008. The cost of each record will be assessed to the division and funded by the license fees paid by licensees to the division.
  - \$12,000 decrease for one-time costs associated with the accreditation review conducted by the SDBS Accreditation Team in FY08.
  - \$570 increase for the state's liability insurance assessment for the 3 additional FTEs.
The Governor recommends a net decrease of \$178,310 for FY09.
- Capital Outlay- The agency requests an increase of \$782 in other fund expenditure authority for FY09. The Governor recommends a decrease of \$6,498.

**Selected Performance Indicators**

	<u>FY07</u>	<u>FY08</u>			<u>FY09</u>
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Action on Applications:					
New Bank/Trust Company Charters	0/7	1/2	1/5	n/a	1/5
Branches/Changes of Location or Control	10/0	10/1	10/1	n/a	10/1
Mergers/Denied Branch Banks	7/0	1/0	2/0	n/a	3/0
Interstate Banking and Branching	4	1	2	1	3
Mobile Banking Services	1		2	2	2
Loan Production Offices	1		1	1	1
Institutions Examined:					
Money Lenders (self examination)	324	310	300	(10)	290
Money Lenders (on-site)	15	50	50	0	60
Banks (1)	30	35	35	0	35
Trust Companies	7	12	10	(2)	15
Mortgage Lenders (self examination)	324	335	325	(10)	325
Mortgage Brokers (self examination)			300	300	300
Mortgage Loan Originators (self examination)					1,750
Licenses Issued or Renewed:					
Money Lenders/Money Orders	370/27	350/20	350/25	n/a	350/25
Mortgage Lenders/Brokers	70/90	380/220	325/300	n/a	325/300
Mortgage Loan Originator			1,500	1,500	1,750
Charters Cancelled:					
Banks and Bank Branches	1	1	1	2	2
Asset Size of Institutions Supervised:					
Total Assets-Banks (as of Fiscal Year-end) (2)	\$16,418,043,000	\$14,304,951,731	\$13,754,761,280	17,074,764,720	\$17,757,755,309
Managed Assets - Trust Companies & Trust Departments (as of FY Midpoint)	\$39,388,934,000	\$40,000,000,000	\$37,000,000,000	57,803,730,000	\$60,757,330,000

1) Includes safety and soundness, IS, Trust department and BAS/USA Patriot Act examinations.

2) Bank assets projected to grow by 4% annually.

## Securities

The total recommended budget for the Securities Division consists of \$389,949 in other fund expenditure authority and 5.0 FTEs.

	Actual FY07	Budgeted FY08	Agency Req. FY09	Gov Rec. FY09	Inc/Dec FY09	% Change From FY08
Personal Services	297,510	309,752	309,752	320,346	10,594	3.4%
Travel	13,583	14,885	14,885	14,885	-	0.0%
Contractual Services	29,639	41,210	41,210	41,210	-	0.0%
Supplies & Materials	9,186	9,508	9,508	9,508	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	1,210	4,000	4,000	4,000	-	0.0%
Other	-	-	-	-	-	0.0%
<b>Total</b>	<b>351,128</b>	<b>379,355</b>	<b>379,355</b>	<b>389,949</b>	<b>10,594</b>	<b>2.8%</b>
<b>Funding Types</b>						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	351,128	379,355	379,355	389,949	10,594	2.8%
<b>Total</b>	<b>351,128</b>	<b>379,355</b>	<b>379,355</b>	<b>389,949</b>	<b>10,594</b>	<b>2.8%</b>
FTE	5.0	5.0	5.0	5.0	-	0.0%

## Revenues

	FY07	FY08		FY09
	Actual	Original Estimate	Current Estimate	Change in Estimate
Deposited to Securities Operating Fund:				
Securities Registration Fees	69,477	66,000	66,000	0
Franchise Registration Fees	155,650	165,000	165,000	0
Franchise Exemption Fees	14,750			
Business Opportunities Registration Fees	600	300	300	0
Securities Opinion Fees	275	200	200	0
Investment Company Notification Fees	17,166,375	16,000,000	16,000,000	0
Agent Licensing Fees	9,337,525	8,000,000	8,000,000	0
Broker-Dealer Licensing Fees	210,450	205,000	205,000	0
Investment Adviser Fees	4,300	4,500	4,500	0
Investment Adviser Agent Fees	65,250	56,000	56,000	0
I/A Notice Filings	133,200	130,000	130,000	0
Miscellaneous	4,100	7,000	7,000	0
Investment Council Interest	85,952	150,000	150,000	0
Private Placement/Reg. D506/Other	102,325	93,000	93,000	0
Fines	221,850	60,000	60,000	0
<b>Total</b>	<b>27,572,079</b>	<b>24,937,000</b>	<b>24,937,000</b>	<b>0</b>

- Personal Services- The Governor's recommended appropriation includes an increase of \$10,594 in other fund expenditure authority for the FY09 salary policy.

**Selected Performance Indicators**

	<u>FY07</u>	<u>FY08</u>		<u>FY09</u>
	Actual	Original Estimate	Current Estimate	Change in Estimate
New Securities Applications	105	71	71	0
Extensions and Amendments	54	50	50	0
Private Placement/Other Exemptions	1/408	1/270	1/270	n/a
Invest. Comp. Notice Filings--New/Total	3,258/19,157	2,300/16,000	2,300/16,000	n/a
New Franchise Applications/Registrations	247/774	220/650	220/650	n/a
Franchise Extensions/Exemptions	692/60	446/0	446/54	n/a
Business Opportunities--New/Total	1/4	7/5	7/5	n/a
Brokers-Dealers/B-D Agents Licensed	1,335/59,204	1,300/50,000	1,300/59,000	n/a
Investment Advisers/IA Agents Licensed	35/811	40/470	40/470	n/a
Investment Advisers Notice Filing	635	550	550	0
Franchise Applications Withdrawn	223	145	145	0
Investigations	147	150	150	0
Administrative Orders Issued	89	75	80	5
Opinions Requested	4	10	10	0
Transfers to General Fund (SDCL 4-4-4.4)	\$27,190,002	\$24,250,000	\$24,503,000	253,000
				Estimate
				Estimate

## Insurance

The total recommended budget for the Division of Insurance consists of \$1,835,791 in other fund expenditure authority and 28.5 FTEs.

	<b>Actual FY07</b>	<b>Budgeted FY08</b>	<b>Agency Req. FY09</b>	<b>Gov Rec. FY09</b>	<b>Inc/Dec FY09</b>	<b>% Change From FY08</b>
Personal Services	1,258,804	1,421,893	1,421,893	1,470,626	48,733	3.4%
Travel	26,591	32,231	32,231	32,231	-	0.0%
Contractual Services	192,802	218,928	218,928	218,928	-	0.0%
Supplies & Materials	77,641	95,467	95,467	95,467	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	9,129	18,539	18,539	18,539	-	0.0%
Other	-	-	-	-	-	0.0%
<b>Total</b>	<b>1,564,967</b>	<b>1,787,058</b>	<b>1,787,058</b>	<b>1,835,791</b>	<b>48,733</b>	<b>2.7%</b>
<b>Funding Types</b>						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	1,564,967	1,787,058	1,787,058	1,835,791	48,733	2.7%
<b>Total</b>	<b>1,564,967</b>	<b>1,787,058</b>	<b>1,787,058</b>	<b>1,835,791</b>	<b>48,733</b>	<b>2.7%</b>
FTE	27.0	28.5	28.5	28.5	-	0.0%

## Revenues

	<b>FY07</b>	<b>FY08</b>		<b>FY09</b>
	<b>Actual</b>	<b>Original Estimate</b>	<b>Current Estimate</b>	<b>Estimate</b>
Taxes Collected (General Fund)	56,896,704	55,000,000	58,500,000	59,750,000
Fees (Insurance Operating Fund):				
Admission	70,010	100,000	70,000	70,000
Company Renewal	89,345	85,000	90,000	90,000
Agent Licensing/Renewal	7,273,884	4,000,000	4,000,000	4,000,000
Exam Fees	13,240	13,500	13,500	13,500
Miscellaneous and Legal	29,708	19,500	20,000	20,000
Retaliatory/Filing	631,451	950,000	630,000	630,000
Administrative Penalties	23,860	52,000	25,000	25,000
Lists and Labels	5,020	6,000	5,000	5,000
Certification Letters	6,025	11,500	6,000	6,000
Investment Council Interest	12,578	21,000	12,500	12,500
Course Approval	22,750	24,000	23,000	23,000
Subsequent Injury Fund:				
Sub-Injury Fund Assessment	5,311,871	7,500,000	5,200,000	4,700,000
Investment Council Interest	32,591	32,000	31,000	31,000
Continuing Education Fund:				
Agent Renewal Fees (Biennial renewal)	20	88,000	88,000	500
Investment Council Interest		1,550	1,000	(550)
Special Collections for Workers Comp				
Policy Fee (Transferred to Dept. of Labor)	263,179	265,000	262,000	262,000
Examination Fund (Effective 7-1-97)	418,200	500,000	425,000	425,000
Investment Council Interest	6,258	8,600	6,200	6,200
<b>Total</b>	<b>71,106,694</b>	<b>68,677,650</b>	<b>69,408,200</b>	<b>70,069,700</b>

## Selected Performance Indicators

	<u>FY07</u>	<u>FY08</u>		<u>FY09</u>
	Actual	Original Estimate	Current Estimate	Change in Estimate
Total Licensed/Domestic Companies	1,423/45	1,445/44	1,420/45	n/a
Domestic Companies Financial Exams	7	21	22	1
Company Market Conduct Exams	1	1	1	0
Companies Licensed/Approved Mergers	50	43	55	12
Agent Licenses Issued	13,518	10,000	17,000	7,000
Agent Appointments Issued	48,330	56,000	50,000	(6,000)
Renewed Appointments	148,891	140,000	150,000	10,000
Agent Appointment Cancellations	43,893	14,000	16,000	2,000
Property/Casualty Filings Reviewed	5,800	6,500	6,300	(200)
Life/Health Filings Reviewed	3,702	4,000	3,300	(700)
Consumer Complaints Closed	958	1,100	1,000	(100)
Enforcement/New Open Files	879	750	850	100
Enforcement/Closed Files	827	750	830	80
Continuing Education:				
Agents Paying License Renewal		4,400	4,000	(400)
Agents Exempt		2,500	2,500	0
Agents Reporting Completion		4,400	4,400	0
Courses Reviewed	917	900	925	25
Courses Monitored	8	10	9	(1)
Agent Licenses Cancelled		1,200	1,200	0
Transfer to General Fund (SDCL 4-4-4.4)	\$6,145,864	\$3,500,000	\$3,300,000	(\$200,000)
Subsequent Injury Fund:				
New Claims	25	35	20	(15)
Claims Paid	83	140	80	(60)
Dollars Paid	\$5,065,680	\$8,000,000	\$5,000,000	(\$3,000,000)

- Personal Services- The Governor's recommended appropriation includes an increase of \$48,733 in other fund expenditure authority for FY09 salary policy.

## Insurance Fraud Unit—Informational

The total recommended budget for the Insurance Fraud Unit consists of \$321,196 in other fund expenditure authority and 4.0 FTEs.

	Actual FY07	Budgeted FY08	Agency Req. FY09	Gov Rec. FY09	Inc/Dec FY09	% Change From FY08
Personal Services	140,160	226,691	226,691	234,424	7,733	3.4%
Travel	10,842	22,430	22,430	22,430	-	0.0%
Contractual Services	47,589	50,442	50,442	50,442	-	0.0%
Supplies & Materials	5,662	11,500	11,500	11,500	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	761	2,400	2,400	2,400	-	0.0%
Other	-	-	-	-	-	0.0%
<b>Total</b>	<b>205,014</b>	<b>313,463</b>	<b>313,463</b>	<b>321,196</b>	<b>7,733</b>	<b>2.5%</b>
<b>Funding Types</b>						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	205,015	313,463	313,463	321,196	7,733	2.5%
<b>Total</b>	<b>205,015</b>	<b>313,463</b>	<b>313,463</b>	<b>321,196</b>	<b>7,733</b>	<b>2.5%</b>
FTE	3.0	4.0	4.0	4.0	-	0.0%

### Revenues

	FY07	FY08			FY09
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Company Assessments	3,305,000	20,000	20,000	0	345,000
Civil Penalties	0	0	1,000	1,000	1000
Investment Council Interest	8,919	3,500	3,500	0	8,500
<b>Total</b>	<b>3,313,919</b>	<b>23,500</b>	<b>24,500</b>	<b>1,000</b>	<b>354,500</b>

- Personal Services- The Governor's recommended appropriation includes an increase of \$7,733 in other fund expenditure authority for FY09 salary policy.

### Selected Performance Indicators

	FY07	FY08			FY09
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Educational Programs	10	15	15	0	15
New Fraud Cases	99	100	100	0	100
Cases Closed--Unfounded	70	85	70	(15)	70
Criminal Convictions	4	6	6	0	6
Civil Convictions	0	0	2	2	2

## Petroleum Release Compensation

The total recommended budget for Petroleum Release Compensation consists of \$449,909 in other fund expenditure authority and 5.0 FTEs.

	Actual FY07	Budgeted FY08	Agency Req. FY09	Gov Rec. FY09	Inc/Dec FY09	% Change From FY08
Personal Services	283,873	316,131	316,131	326,856	10,725	3.4%
Travel	12,313	27,624	27,624	27,624	-	0.0%
Contractual Services	30,548	71,057	71,057	71,057	-	0.0%
Supplies & Materials	5,283	20,670	20,670	20,670	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	4,089	3,702	3,702	3,702	-	0.0%
Other	-	-	-	-	-	0.0%
<b>Total</b>	<b>336,106</b>	<b>439,184</b>	<b>439,184</b>	<b>449,909</b>	<b>10,725</b>	<b>2.4%</b>
<b>Funding Types</b>						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	336,106	439,184	439,184	449,909	10,725	2.4%
<b>Total</b>	<b>336,106</b>	<b>439,184</b>	<b>439,184</b>	<b>449,909</b>	<b>10,725</b>	<b>2.4%</b>
FTE	5.0	5.0	5.0	5.0	-	0.0%

### Revenues

	FY07	FY08			FY09
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Refund Prior Year's Expenditure Deposited to Petroleum Release Comp Fund:	85,220	0	0	0	0
Petroleum Tank Inspection Fee	1,582,386	1,700,000	1,580,000	(120,000)	1,580,000
Interest	170,787	150,000	140,000	(10,000)	140,000
<b>Total</b>	<b>1,838,393</b>	<b>1,850,000</b>	<b>1,720,000</b>	<b>(130,000)</b>	<b>1,720,000</b>

- Personal Services- The Governor's recommended appropriation includes an increase of \$10,725 in other fund expenditure authority for FY09 salary policy.

### Selected Performance Indicators

	FY07	FY08			FY09
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Petroleum Release Cases Initiated	22	30	30	0	30
Responsible Parties Reimbursed	148	175	175	0	175
Abandoned Tank Site Initiated	45	30	30	0	30
Claims Processed and Paid:					
Abandoned Tank Program	127	100	100	0	100
Regular Program	97	150	150	0	150
Public Presentations	5	6	6	0	6
Review Contracts and Corrective Action Plan	201	175	175	0	175
Board Meetings	2	4	4	0	4

**Petroleum Release Compensation Fund--Informational**

The total recommended budget for the Petroleum Release Compensation Fund consists of \$2,100,000 in other fund expenditure authority and 0.0 FTE.

	<b>Actual FY07</b>	<b>Budgeted FY08</b>	<b>Agency Req. FY09</b>	<b>Gov Rec. FY09</b>	<b>Inc/Dec FY09</b>	<b>% Change From FY08</b>
Personal Services	-	-	-	-	-	0.0%
Travel	-	-	-	-	-	0.0%
Contractual Services	162,674	100,000	100,000	100,000	-	0.0%
Supplies & Materials	-	-	-	-	-	0.0%
Grants And Subsidies	1,197,666	2,000,000	2,000,000	2,000,000	-	0.0%
Capital Outlay	-	-	-	-	-	0.0%
Other	-	-	-	-	-	0.0%
<b>Total</b>	<b>1,360,340</b>	<b>2,100,000</b>	<b>2,100,000</b>	<b>2,100,000</b>	<b>-</b>	<b>0.0%</b>
<b>Funding Types</b>						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	1,360,340	2,100,000	2,100,000	2,100,000	-	0.0%
<b>Total</b>	<b>1,360,340</b>	<b>2,100,000</b>	<b>2,100,000</b>	<b>2,100,000</b>	<b>-</b>	<b>0.0%</b>
FTE	-	-	-	-	-	0.0%

## Instant and On-Line Operations—Informational

The total recommended budget for Instant and On-Line Operations consists of \$26,407,703 in other fund expenditure authority and 21.0 FTEs.

	Actual FY07	Budgeted FY08	Agency Req. FY09	Gov Rec. FY09	Inc/Dec FY09	% Change From FY08
Personal Services	959,737	1,163,022	1,163,022	1,202,551	39,529	3.4%
Travel	122,681	135,684	135,684	135,684	-	0.0%
Contractual Services	28,257,444	24,097,468	24,097,468	24,097,468	-	0.0%
Supplies & Materials	563,382	928,000	928,000	928,000	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	30,916	40,000	40,000	40,000	-	0.0%
Other	50,897	4,000	4,000	4,000	-	0.0%
<b>Total</b>	<b>29,985,057</b>	<b>26,368,174</b>	<b>26,368,174</b>	<b>26,407,703</b>	<b>39,529</b>	<b>0.1%</b>
<b>Funding Types</b>						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	29,985,057	26,368,174	26,368,174	26,407,703	39,529	0.1%
<b>Total</b>	<b>29,985,057</b>	<b>26,368,174</b>	<b>26,368,174</b>	<b>26,407,703</b>	<b>39,529</b>	<b>0.1%</b>
FTE	19.9	21.0	21.0	21.0	-	0.0%

### Revenues

	FY07	FY08			FY09
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Instant Proceeds--General Fund	4,419,476	3,650,000	4,500,000	850,000	4,500,000
On-Line Proceeds--General Fund	1,400,000	1,400,000	1,400,000	0	1,400,000
On-Line Proceeds--Capital Construction Fund	4,297,285	3,700,000	4,400,000	700,000	4,400,000
<b>Total</b>	<b>10,116,761</b>	<b>8,750,000</b>	<b>10,300,000</b>	<b>1,550,000</b>	<b>10,300,000</b>

- Personal Services- The Governor's recommended appropriation includes an increase of \$39,529 in other fund expenditure authority for FY09 salary policy.

### Selected Performance Indicators

	FY07	FY08			FY09
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Instant Games Introduced	25	26	25	(1)	25
On-Line Games Offered	4	4	5	1	5
Licensed Lottery Retailers--Instant	615	609	622	13	630
Licensed Lottery Retailers--On-Line	447	440	467	27	490
Prizes Paid to Players	\$22,424,464	\$21,660,000	\$22,895,000	1,235,000	\$22,895,000
Retailer Commissions Paid	\$2,177,000	\$2,120,000	\$2,274,000	154,000	\$2,274,000
Instant Games Total Sales	\$18,325,034	\$18,860,000	\$18,875,000	15,000	\$18,875,000
On-Line Games Total Sales	\$21,371,251	\$19,500,000	\$21,960,000	2,460,000	\$21,960,000

## Video Lottery

The total recommended budget for Video Lottery consists of \$4,494,923 in other fund expenditure authority and 10.0 FTEs.

	<b>Actual FY07</b>	<b>Budgeted FY08</b>	<b>Agency Req. FY09</b>	<b>Gov Rec. FY09</b>	<b>Inc/Dec FY09</b>	<b>% Change From FY08</b>
Personal Services	393,051	503,524	503,524	520,620	17,096	3.4%
Travel	7,626	20,618	20,618	20,618	-	0.0%
Contractual Services	1,057,068	1,122,569	3,522,569	3,522,569	2,400,000	213.8%
Supplies & Materials	18,872	37,116	37,116	37,116	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	19,557	180,000	180,000	180,000	-	0.0%
Other	229,526	214,000	214,000	214,000	-	0.0%
<b>Total</b>	<b>1,725,700</b>	<b>2,077,827</b>	<b>4,477,827</b>	<b>4,494,923</b>	<b>2,417,096</b>	<b>116.3%</b>
<b>Funding Types</b>						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	1,725,700	2,077,827	4,477,827	4,494,923	2,417,096	116.3%
<b>Total</b>	<b>1,725,700</b>	<b>2,077,827</b>	<b>4,477,827</b>	<b>4,494,923</b>	<b>2,417,096</b>	<b>116.3%</b>
FTE	8.8	10.0	10.0	10.0	-	0.0%

## Revenues

	<b>FY07</b>	<b>FY08</b>		<b>FY09</b>
	<b>Actual</b>	<b>Original Estimate</b>	<b>Current Estimate</b>	<b>Change in Estimate</b>
License Fees to VL Operating Fund	1,191,803	1,160,000	1,200,000	40,000
Additional MFG. License Fee--General Fund	60,000	45,000	45,000	0
Video Lottery Proceeds--General Fund	0	0	500,000	500,000
Video Lottery Proceeds--Property Tax Reduction Fund	110,419,656	111,651,178	110,971,754	(679,424)
Video Lottery Proceeds--VL Operating Fund	1,115,350	1,127,790	1,120,927	(6,863)
Miscellaneous Revenue	86,342	100,000	100,000	0
<b>Total</b>	<b>112,873,151</b>	<b>114,083,968</b>	<b>113,937,681</b>	<b>(146,287)</b>

- Personal Services- The Governor's recommended appropriation includes an increase of \$17,096 in other fund expenditure authority for FY09 salary policy.
- Contractual Services- The agency requests an increase of \$2,400,000 in other fund expenditure authority for the replacement of the video lottery central system. The current contract expires August 2009 with all contract extensions exercised. The highly sophisticated central system monitors all functions of every terminal, polls each terminal daily to collect account data, and generates bi-weekly billings to collect the state's share from the machine owners. The Governor recommends this request.

**Selected Performance Indicators**

	<u>FY07</u>	<u>FY08</u>			<u>FY09</u>
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Machines Placed (12-Month Avg.)	8,859	8,850	8,900	50	8,900
Licensed Establishments (12-Month Avg.)	1,477	1,470	1,480	10	1,480
Licensed Operators	160	165	165	0	165
Licensed Distributors	3	3	3	0	3
Licensed Manufacturers	3	3	3	0	3

## Real Estate Commission--Informational

The total recommended budget for the Real Estate Commission consists of \$465,138 in other fund expenditure authority and 5.0 FTEs.

	Actual FY07	Budgeted FY08	Agency Req. FY09	Gov Rec. FY09	Inc/Dec FY09	% Change From FY08
Personal Services	225,185	256,753	256,752	265,473	8,720	3.4%
Travel	41,640	23,050	23,050	23,050	-	0.0%
Contractual Services	194,252	152,415	152,415	152,415	-	0.0%
Supplies & Materials	20,156	24,200	24,200	24,200	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	3,460	-	-	-	-	0.0%
Other	-	-	-	-	-	0.0%
<b>Total</b>	<b>484,693</b>	<b>456,418</b>	<b>456,417</b>	<b>465,138</b>	<b>8,720</b>	<b>1.9%</b>
<b>Funding Types</b>						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	484,694	456,418	456,418	465,138	8,720	1.9%
<b>Total</b>	<b>484,694</b>	<b>456,418</b>	<b>456,418</b>	<b>465,138</b>	<b>8,720</b>	<b>1.9%</b>
FTE	4.9	5.0	5.0	5.0	-	0.0%

### Revenues

	FY07	FY08		Change in Estimate	FY09
	Actual	Original Estimate	Current Estimate		Estimate
Application Fees	109,137	87,975	92,580	4,605	92,580
New License Fees	26,944	18,000	16,200	(1,800)	16,200
Renewal Fees	181,720	279,850	300,750	20,900	180,000
Materials Sold	13,198	5,850	8,100	2,250	8,100
Interest Income	22,864	15,000	18,000	3,000	18,000
Changes of Address	9,765	6,000	7,500	1,500	7,500
Certificates of Licensure	2,925	2,000	2,200	200	2,200
Late Renewal Fees	5,230	5,000	6,500	1,500	5,000
Intrastate Sales and Services	720	720	720	0	720
Penalties Reimbursement of Investigations	10,814	10,000	9,000	(1,000)	9,000
Seminar Income	82,170	65,000	70,000	5,000	70,000
Miscellaneous	117	100	100	0	100
<b>Total</b>	<b>465,604</b>	<b>495,495</b>	<b>531,650</b>	<b>36,155</b>	<b>409,400</b>

- Personal Services- The Governor's recommended appropriation includes an increase of \$8,720 in other fund expenditure authority for FY09 salary policy.

**Selected Performance Indicators**

	<u>FY07</u>	<u>FY08</u>			<u>FY09</u>
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Licenses Renewed/New	1,510/499	2,330/350	2,330/350		1,920/350
Practitioners	4,931	3,800	4,600	800	4,600
Examinations:					
Nationally Prepared (Times Given)	812	350	350	0	350
Applicants Examined/Passed	322/261	250/200	350/250	n/a	350/250
State Prepared (Times Given)	50	80	50	(30)	50
Applicants Examined/Passed	39/35	70/65	40/35	n/a	40/35
Applicants Reexamined/Passed	181/147	50/40	150/125	n/a	150/125
Complaints:					
Received/Investigated/Resolved	28/24/27	40/34/31	40/34/31	n/a	40/34/31
Hearings Held/Pending	13/13	17/16	17/16	n/a	17/16
Licenses Reprimanded/Probationed	2	10	10	0	10
Licenses Suspended/Revoked	8	3	3	0	3
No Action Taken Against Licensee	15	20	20	0	20
Total Prosecutions	0	1	1	0	1
Inspections	21	3	10	7	10
Audits	256	375	275	(100)	275
Inquiries Received and Answered	42,351	45,000	45,000	0	45,000
Applicants Denied SD Licensure	0	1	1	0	1
Board Meetings Held	7	8	8	0	8



**Selected Performance Indicators**

	<u>FY07</u>	<u>FY08</u>			<u>FY09</u>
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Licenses Renewed	67	3	67	64	67
New Licenses	2	3	3	0	3
Practitioners	158	170	160	(10)	170
Examinations:					
State Prepared (Times Given)	3	3	3	0	3
Applicants Examined	15	10	15	5	10
Applicants Reexamined	3	10	3	(7)	10
Complaints:					
Received/Investigated/Resolved	3/3/3	2/2/2	3/3/3	394	2/2/2
Hearings Held	0	0	0	0	0
Miscellaneous:					
Inspections	2	3	2	(1)	3
Inquiries Received and Answered	15	10	15	5	10
Board Meetings Held	3	3	3	0	3

## Commission on Gaming--Informational

The total recommended budget for the State Commission on Gaming consists of \$1,387,876 in other fund expenditure authority and 17.0 FTEs.

	Actual FY07	Budgeted FY08	Agency Req. FY09	Gov Rec. FY09	Inc/Dec FY09	% Change From FY08
Personal Services	743,672	839,175	881,628	911,445	72,270	8.6%
Travel	86,014	86,420	86,420	86,420	-	0.0%
Contractual Services	388,464	335,625	335,625	335,625	-	0.0%
Supplies & Materials	28,915	42,000	42,000	42,000	-	0.0%
Grants And Subsidies	9,083,131	-	-	-	-	0.0%
Capital Outlay	12,452	9,255	12,386	12,386	3,131	33.8%
Other	240	-	-	-	-	0.0%
<b>Total</b>	<b>10,342,888</b>	<b>1,312,475</b>	<b>1,358,059</b>	<b>1,387,876</b>	<b>75,401</b>	<b>5.7%</b>
<b>Funding Types</b>						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	10,342,888	1,312,475	1,358,059	1,387,876	75,401	5.7%
<b>Total</b>	<b>10,342,888</b>	<b>1,312,475</b>	<b>1,358,059</b>	<b>1,387,876</b>	<b>75,401</b>	<b>5.7%</b>
FTE	15.1	16.0	17.0	17.0	1.0	6.3%

### Revenues

	FY07	FY08		FY09
	Actual	Original Estimate	Current Estimate	Change in Estimate
Gaming Fund:				
Device Fee	7,184,000	7,054,000	7,254,000	200,000
Gross Revenue Tax	7,410,607	6,700,000	6,700,000	0
City Slot Tax	290,000	304,000	290,000	(14,000)
Application Fee	156,110	120,000	140,000	20,000
License Fee	103,800	95,000	100,000	5,000
Device Testing Fee	18,685	8,000	18,000	10,000
Penalties	430	5,000	5,000	0
Interest	52,555	50,000	50,000	0
Racing Revenues:				
Dogs:				
Commission	41,313	37,000	41,000	4,000
Licenses and Fines	6,610	7,500	6,500	(1,000)
Revolving Fund	41,313	37,000	41,000	4,000
Bred Fund	41,678	37,000	41,000	4,000
Horses:				
Commission	76,324	65,000	75,000	10,000
Licenses and Fines	31,427	16,000	31,000	15,000
Revolving Fund	65,030	55,000	65,000	10,000
Bred Fund	68,328	55,000	65,000	10,000
Interest	18,737	15,000	18,000	3,000
<b>Total</b>	<b>15,606,947</b>	<b>14,660,500</b>	<b>14,940,500</b>	<b>280,000</b>

- Personal Services- The agency requests an increase of \$42,453 in other fund expenditure authority and 1.0 FTE for a second System Specialist position. The System Specialist is responsible for the inspection of slot machines in Deadwood to verify the devices conform to South Dakota rules before they are offered to the public for play. In addition, any time a slot machine's programming is accessed for repair or maintenance, the inspector must re-verify the integrity of the game before it is turned back on.

In FY2007, the SD Commission on Gaming licensed 3,592 devices for use in Deadwood which was an increase of 15% over FY06 and a 33% increase over 5 years prior. This growth will continue based on the currently well publicized Casino/Convention Center project working in Deadwood, which has made a sizeable investment in site preparation. Upon completion of this projection, an additional 360 devices have been approved at this location with an anticipated opening date in FY2009.

In the eleven other states that have commercial casinos, the average number of devices per inspector is approximately 1,500. South Dakota only has one such dedicated inspector for the 3,592 devices that were licensed in FY07. The Commission has been successful in the past servicing the industry's requests which requires inspection of devices by cross-training enforcement agents and using them during peak times, but this has been problematic due to technical training required and loss of enforcement manpower when agents are utilized as inspectors. The additional Systems Specialist FTE will allow the Commission to provide the proper regulation and timely inspection services required and expected of the Commission.

The Governor recommends this request and an increase of \$29,817 in other fund expenditure authority for FY09 salary policy.

- Capital Outlay- The agency requests an increase of \$3,131 for replacement of computer hardware, upgrades to existing software, and for the purchase of testing equipment to verify the integrity of gaming devices. The Governor recommends this request.

**Selected Performance Indicators**

	<u>FY07</u>	<u>FY08</u>		<u>FY09</u>
	Actual	Original Estimate	Current Estimate	Change in Estimate
Licenses Issued:				
Manufacturers/Distributors	11	13	11	(2)
Operators/Retailers	35/157	36/170	34/211	n/a
Support/Key Employees	1,547	1,500	1,500	0
Device Licenses	3,592	3,527	3,627	100
Gaming Distributions	13,889,263	10,500,000	10,864,000	364,000
				Estimate
				Estimate

## Other Departmental Issues

### A. Budget Transfers

\$416,100 no FTE	One-time transfer	06/20/2007 approved by BFM
<p>The Department of Revenue and Regulation transferred \$1,600 in general funds from Secretariat to Property and Special Taxes; \$25,000 in other fund expenditure authority from Business Tax to Secretariat; and \$419,500 in other fund expenditure authority from Motor Vehicles, Audits, Securities, Insurance, and Petroleum Release Compensation to Secretariat.</p> <p>This is a one-time transfer involving personal services and operating expenses. The funds transferred will cover employee resignation payouts, additional rent costs, costs related to phone line moves, installs, and charges, scanning equipment, and for development of the new tax system and software. Funds are available due to turnover; lower expenses from the plate with owner system development in FY07; and lower costs in Audits, Securities, Insurance, and Petroleum Release Compensation than anticipated.</p>		
Total of all Transfers: \$416,100		

### B. Audit Findings:

Finding No. 02000200601:

Interest was not charged and collected on bank franchise/bank card taxes from the time the payments were originally due until the time taxes were paid by taxpayers that requested an extension.

Auditee's Corrective Action Plan:

The Department of Revenue and Regulation concurs with the audit finding and has implemented the process to assess and collect interest on amounts due for bank franchise/bank card taxes when payment extensions have been requested by the taxpayer and granted by the department. The department will also be notifying the banking institutions of this change with the next return notice.

### C. Department of Revenue and Regulation

General Fund Reversions FY03-FY07

FY03- \$31,729

FY04- \$113,348

FY05- \$48,385

FY06- \$6,821

FY07- \$45,355

### D. Letters of Intent- FY08

The Joint Appropriations Committee requests the Department of Revenue and Regulation to provide a detailed breakdown of streamlined sales tax data in the revenues and performance indicators section of the budget.

## **E. Committee Requests**

- Provide an update on the progress of the employees that were hired in FY07 to support due diligence to the master settlement agreement.
- Provide an update as to the productivity of the new audit employees that were appropriated in FY08.

# PETROLEUM RELEASE COMPENSATION FUND



*South Dakota Legislative Research Council*

## Frequently Asked Questions

The purpose of this FAQ sheet is to provide information to the Joint Committee on Appropriations regarding Informational Budgets in the South Dakota budgetary system. The information was compiled by the Legislative Research Council with assistance from the Department of Legislative Audit and the Government Operations and Audit Committee.

## When and why was this fund created?

The Petroleum Release Compensation Fund (PRCF) was created by the 1988 Legislature to prevent and clean up petroleum releases. The PRCF is a state-operated program that can financially assist petroleum tank owners with the cleanup of petroleum releases. The PRCF is administered by the Department of Revenue and Regulation and the day-to-day duties have been delegated to an executive director. The Secretary is advised by a 5 member board appointed by the Governor as follows: one with experience in insurance or claims adjusting; one with experience in banking or a finance related business; one engineer or one person with experience in a technical field; and two persons from the petroleum marketing industry. Not all members of the board may be of the same political party. The term of an appointment shall be five years. Two members shall originally be appointed for five years, two persons for four years and one person for three years.

## Where does the revenue come from?

The primary source of revenue comes from a petroleum release compensation and tank inspection fee (34A-13-20). The amount of the fee is twenty dollars per one thousand gallons of petroleum (\$0.02/gallon). The fee is only paid once for a particular quantity of produce, but the costs are passed on to the consumer in most cases. Portions of the fee are deposited in the Ethanol Fuel Fund (50%), Capital Construction Fund (39.35%), and the Petroleum Release Compensation Fund (10.65%). The tank inspection fee is collected by the Department of Revenue and Regulation under a contract with the PRCF.

Other sources of revenue include: money recovered for administrative expenses and money paid under an agreement, stipulation, or settlement; interest due to the fund; gifts, grants, reimbursements, or any appropriations for the purpose of the fund; and money or assets received in connection with any loan from the fund.

## Who is eligible for financial assistance from the PRCF?

A responsible person or a person who has custody of a responsible person's property is eligible to apply for financial assistance from the PRCF. The term "responsible person" refers to the person who owned or operated a tank or tank system during or after a release. A person who is eligible for financial assistance from the PRCF is called a "covered party". Most tank owners are automatically covered. Pre-registration with the PRCF is not required. The covered party can submit an application to the PRCF when they either suspect or have documented a petroleum release. Necessary and reasonable costs associated with the cleanup of a petroleum spill can be considered for reimbursement. This includes environmental consulting expenses for site assessments as well as actual cleanup expenses. Costs for upgrading existing equipment or for making improvements to the property are specifically excluded from coverage. There is a \$10,000 deductible for each occurrence.

## What spending restrictions exist on the fund?

Money in the Petroleum Release Compensation Fund is continuously appropriated. (34A-13-32)

Money in the fund may only be expended or obligated: (34A-13-27)

- (1) To administer the petroleum release compensation program established in this chapter;
- (2) For any administrative costs and costs of corrective action taken by the fund, including investigations, legal actions, consulting costs, and other necessary costs;
- (3) For any costs of recovering any expenses associated with corrective actions;
- (4) For training, testing, and certification of those who perform services to be reimbursed under this chapter;
- (5) For any costs paid to any state agency for services;
- (6) For research and studies designed to reduce releases and improve petroleum industry methods for storage and to develop information and knowledge to aid in cleanup;
- (7) To carry out inspections of tanks and to certify inspection persons who may perform approved inspections of tanks;
- (8) To carry out the financing responsibilities of the petroleum environmental compliance authority as provided in chapter 34A-14 and in this chapter. However, no more than two million dollars of the fund assets at any time may be used in financing activities;
- (9) To purchase insurance for the purpose of limiting certain risks associated with providing fund coverage as deemed appropriate by the secretary of transportation;
- (10) For any service provider unless the director has determined that a conflict of interest exists between the consultant and the contractor that could affect the integrity of the cleanup activities;
- (11) For rule making; and
- (12) For training of board members and staff employed by the secretary of transportation.

## Has the original purpose of the fund changed?

The original purpose of the fund was to reimburse owners and operators of petroleum facilities for some of the costs of cleaning up petroleum spills. Due to federal regulations, underground petroleum or waste oil tanks that were installed prior to 1987 were required by federal law to be upgraded by 1998 with spill, overfill and corrosion protection or be closed or removed. As a result, the 2000 Legislature passed SB 197 which created an abandoned tank removal program (SDCL 34A-13-49 to 34A-13-54) to provide for the removal of certain abandoned underground storage tanks and cleanup of the site if the owner meets certain conditions. The law also authorized the petroleum release compensation fund to pay for the removal and any necessary environmental cleanup. The Department of Environment and Natural Resources is responsible for the tank removal and corrective actions subject to the abandoned tank removal program. The department may contract directly with consultants, contractors, other service providers, state agencies, subdivisions of government, counties, cities, townships, and tribes to carry out the provisions of the program. After receiving itemized documentation of all actual costs from the department, the director of the petroleum release compensation fund shall make payment within thirty days of receipt.

## Is the fund on the state accounting system? What is the timing of the Fiscal Year?

The fund is on the state accounting system. The fiscal year runs the same as the State Fiscal Year which is from July 1 to June 30.

## When was the last audit completed on this fund?

The South Dakota Department of Legislative Audit has audited the financial statements of the PRCF as of June 30, 2006. The PRCF has recently been reviewed by the Department of Revenue and Regulation Agency Review Committee and the Government Operations & Audit Committee during the 2007 interim. The fund is also reviewed annually by the Joint Appropriation's Committee during the budget hearing process for the Department of Revenue and Regulation.

2007 Government Operations and Audit Committee "Blue Book"

Prepared by the Department of Legislative Audit

Other Fund Information

**Department of Revenue and Regulation**  
**State Accounting System - Other Fund Balances**  
**Company 3036 - Petroleum Release Compensation Fund**

	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>
1 Cash Pooled with State Treasurer	5,236,632.65	5,305,217.15	5,710,699.17	5,723,679.98
2 Total Assets	<u>5,236,632.65</u>	<u>5,305,217.15</u>	<u>5,710,699.17</u>	<u>5,723,679.98</u>
3				
4 Accounts Payable	-	-	-	-
5 Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
6				
7 Reserve for Encumbrances	2,865.39	104.36	3,465.00	-
8 Unreserved Fund Balance	<u>5,233,767.26</u>	<u>5,305,112.79</u>	<u>5,707,234.17</u>	<u>5,723,679.98</u>
9 Total Fund Equity	<u>5,236,632.65</u>	<u>5,305,217.15</u>	<u>5,710,699.17</u>	<u>5,723,679.98</u>
10 Total Liabilities and Fund Equity	<u>5,236,632.65</u>	<u>5,305,217.15</u>	<u>5,710,699.17</u>	<u>5,723,679.98</u>
11				
12				
13 Taxes	1,494,758.37	1,715,093.90	1,646,000.07	1,582,385.73
14 Use of Money and Property	367,231.99	192,282.07	160,976.81	170,787.13
15 Other Revenue	25,560.98	445,000.00	50,000.00	8,521.50
16 Total Operating Revenue	<u>1,887,551.34</u>	<u>2,352,375.97</u>	<u>1,856,976.88</u>	<u>1,761,694.36</u>
17				
18 Personal Services and Benefits	435,751.09	391,937.64	280,217.11	307,313.77
19 Travel	21,177.17	21,580.35	16,681.73	12,313.07
20 Contractual Services	139,799.89	190,200.73	193,471.87	218,584.11
21 Supplies and Materials	10,593.23	7,212.48	7,762.67	5,282.69
22 Grants and Subsidies	1,457,722.52	1,666,558.96	952,354.56	1,197,665.61
23 Capital Outlay	4,816.55	6,301.31	1,006.92	7,554.30
24 Total Operating Expenditures/Expenses	<u>2,069,860.45</u>	<u>2,283,791.47</u>	<u>1,451,494.86</u>	<u>1,748,713.55</u>
25				
26 Operating Transfers In	-	-	-	-
27 Operating Transfers Out	<u>(15,000,000.00)</u>	<u>-</u>	<u>-</u>	<u>-</u>
28 Net Transfers In (Out)	<u>(15,000,000.00)</u>	<u>-</u>	<u>-</u>	<u>-</u>
29				
30 Net Change	(15,182,309.11)	68,584.50	405,482.02	12,980.81
31				
32 Beginning Fund Equity	<u>20,418,941.76</u>	<u>5,236,632.65</u>	<u>5,305,217.15</u>	<u>5,710,699.17</u>
33 Ending Equity	<u>5,236,632.65</u>	<u>5,305,217.15</u>	<u>5,710,699.17</u>	<u>5,723,679.98</u>

**Company:** 3036

**Company Name:** Petroleum Release Compensation

**Fund Name:** Petroleum Release Compensation Fund

**Fund Type:** Special Revenue

**Purpose:** SDCL 34A-13-18 created the Petroleum Release Compensation Fund. Source: Portion of petroleum release compensation and tank inspection fee authorized by 34A-13- 20, interest income and any other monies received. Use: Costs of operating program (34A-13-27).

**Budget Information:** Part of the fund is included in the General Appropriations Bill and part is included as an informational budget.

Condition Statement Prepared by the Bureau of Finance and Management on 12/21/07

**DEPARTMENT OF REVENUE AND REGULATION  
PETROLEUM RELEASE COMPENSATION FUND CONDITION STATEMENT**

	ACTUAL FY2006	ACTUAL FY2007	BUDGETED FY2008	PROJECTED FY2009
<b>TOTAL REVENUE</b>	<b>\$1,856,977</b>	<b>\$1,761,695</b>	<b>\$1,720,000</b>	<b>\$1,720,000</b>
<b>TOTAL EXPENDITURES</b>	<b>\$1,451,495</b>	<b>\$1,748,714</b>	<b>\$3,582,604</b>	<b>\$2,590,387</b>
NET (Revenues less Expenditures)	\$405,482	\$12,981	(\$1,862,604)	(\$870,387)
BEGINNING CASH BALANCE	\$5,305,217	\$5,710,699	\$5,723,680	\$3,861,076
<b>ENDING BALANCE</b>	<b>\$5,710,699</b>	<b>\$5,723,680</b>	<b>\$3,861,076</b>	<b>\$2,990,689</b>

# SOUTH DAKOTA LOTTERY OPERATING FUND



*South Dakota Legislative Research Council*

## Frequently Asked Questions

The purpose of this FAQ sheet is to provide information to the Joint Committee on Appropriations regarding *Informational Budgets* in the South Dakota budgetary system. The information was compiled by the Legislative Research Council with assistance from the Department of Legislative Audit and the Government Operations and Audit Committee.

## When and why was this fund created?

In November 1986, South Dakotans approved a statewide referendum to amend the state constitution to allow for a state-operated lottery. The Lottery Operating Fund was created by the 1987 Legislature through SB 254 which created the South Dakota State Lottery. (1987 SB 254; SDCL 42-7A-22) On September 30, 1987, twenty years ago, the first instant lottery ticket was sold.

Two lottery games are included in this fund: "Instant Lottery" is defined as a game that offers preprinted tickets that indicate immediately whether the player has won a prize (scratch tickets). "On-line lottery" is a game linked to a central computer and a player selects a specified group of numbers or symbols and tries to match them to the central computer drawing (Powerball).

## Where does the revenue come from?

SCL 42-7A-23 states that no less than 50% of the projected revenue from the sale of lottery tickets shall be used for the payment of prizes. The remaining portion is used for expenses of the lottery and also provides funding for the general fund and the Capital Construction Fund. In FY2007, total sales were \$39,700,000, of which \$21,189,000, just over 53%, were paid out in prizes. The fund had an ending balance of \$3,845,000 on June 30, 2007, which was almost \$1,000,000 higher than one year previous.

## Has the original purpose of the fund changed?

The original purpose was to accept all net proceeds from the sale of lottery tickets, the initial start-up funding (\$1,500,000), interest received on moneys in the lottery operating fund, and all other fees and moneys collected. Since the fund's inception, the Legislature added on-line lottery game revenue as a revenue source.

## What spending restrictions exist on the fund?

The fund is continuously appropriated and the commission must submit an informational budget through the Department of Revenue and Regulation. The fund is disbursed according to SDCL 42-7A-22, 42-7A-23, and 42-7A-24. The distribution for FY2007 revenue was as follows:

40,132,177	FY2007 Total Revenue
\$21,188,688	Prize payments (SDCL 42-7A-22(1))
8,806,006	Expenses of the lottery (SDCL 42-7A-22(2))
5,819,476	Transfer to the General Fund (SDCL 42-7A-22(3) and SDCL 42-7A-24)
<u>4,297,285</u>	Transfer to the Capital Construction Fund (SDCL 42-7A-24)
\$40,111,455	Total Distribution from the Lottery Operating Fund
\$20,722	Net Increase

## Is the fund on the state accounting system? What is the timing of the Fiscal Year?

The fund is on the state accounting system and uses the same fiscal year as state government, which is from July 1 to June 30. The informational budget is included in the Department of Revenue and Regulation's section of the budget.

## When was the last audit or review completed on this fund?

The Appropriations Committee has an annual budget hearing for the Department of Revenue and Regulation including the Lottery Operating Fund. The informational budget is included in the Governor's budget request and the General Appropriations Bill which is acted on by the Legislative Body.

2007 Government Operations and Audit Committee "Blue Book"

Prepared by the Department of Legislative Audit

Other Fund Information

**Department of Revenue and Regulation**  
**State Accounting System - Other Fund Balances**  
**Company 6516 - Lottery Operating Fund**

	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>
1 Cash Pooled with State Treasurer	3,719,176.20	2,959,837.02	3,430,590.68	3,671,357.16
2 Cash and Cash Equivalents	8,217.76	13,194.20	14,933.36	19,558.13
3 Restricted Receivables	-	-	-	976,243.25
4 Accounts Receivable	22,642.52	15,669.18	18,216.85	16,256.98
5 Total Assets	<u>3,750,036.48</u>	<u>2,988,700.40</u>	<u>3,463,740.89</u>	<u>4,683,415.52</u>
6				
7 Accounts Payable	311,198.21	318,451.92	615,053.39	836,932.64
8 Due to Other Funds	1,600.00	1,452.17	476.90	1,418.00
9 Due to Other Governments	-	-	(2,500.00)	-
10 Total Liabilities	<u>312,798.21</u>	<u>319,904.09</u>	<u>613,030.29</u>	<u>838,350.64</u>
11				
12 Reserve for Encumbrances	-	6,337.50	21,248.57	9,952.56
13 Unreserved Fund Balance	3,437,238.27	2,662,458.81	2,829,462.03	3,835,112.32
14 Total Fund Equity	<u>3,437,238.27</u>	<u>2,668,796.31</u>	<u>2,850,710.60</u>	<u>3,845,064.88</u>
15 Total Liabilities and Fund Equity	<u>3,750,036.48</u>	<u>2,988,700.40</u>	<u>3,463,740.89</u>	<u>4,683,415.52</u>
16				
17				
18 Licenses, Permits and Fees	69,850.00	70,650.00	89,300.00	80,750.00
19 Use of Money and Property	252,184.88	206,476.78	187,347.30	222,938.63
20 Sales and Services	33,925,501.65	32,391,752.02	39,212,971.63	39,700,293.09
21 Other Revenue	275.00	12,815.63	43,866.90	128,195.04
22 Total Operating Revenue	<u>34,247,811.53</u>	<u>32,681,694.43</u>	<u>39,533,485.83</u>	<u>40,132,176.76</u>
23				
24 Personal Services and Benefits	885,920.74	905,379.28	908,749.39	959,736.53
25 Travel	110,634.80	116,701.08	122,136.49	122,581.25
26 Contractual Services	6,353,445.72	5,909,569.91	6,778,482.44	7,064,435.94
27 Supplies and Materials	558,419.27	802,133.52	920,199.75	569,205.98
28 Capital Outlay	19,323.69	291,284.41	174,874.61	39,048.32
29 Other Expense	50,147.00	43,599.79	46,017.03	50,623.00
30 Bad Debts Expense	-	8,014.32	-	-
31 Insurance Claims	-	-	-	275.01
32 Lottery Prizes	18,100,249.62	17,840,245.08	21,423,893.83	21,188,687.75
33 Total Operating Expenditures/Expenses	<u>26,088,140.84</u>	<u>25,908,927.39</u>	<u>30,374,353.54</u>	<u>29,994,693.78</u>
34				
35 Operating Transfers In	-	-	-	-
36 Operating Transfers Out	(7,577,796.00)	(7,541,209.00)	(8,977,218.00)	(10,116,761.00)
37 Net Transfers In (Out)	<u>(7,577,796.00)</u>	<u>(7,541,209.00)</u>	<u>(8,977,218.00)</u>	<u>(10,116,761.00)</u>
38				
39 Net Change	581,874.69	(768,441.96)	181,914.29	20,721.98
40				
41 Beginning Fund Equity	2,855,363.58	3,437,238.27	2,668,796.31	2,850,710.60
42 Prior Period Adjustment	-	-	-	973,632.30
43 Ending Equity	<u>3,437,238.27</u>	<u>2,668,796.31</u>	<u>2,850,710.60</u>	<u>3,845,064.88</u>

Company: 6516

Company Name: State Lottery Operating Fund

Fund Name: Lottery Operating Fund

Fund Type: Enterprise

**Purpose:** SDCL 42-7A-22 created the Lottery Operating Fund. Source: All revenues from the sale of lottery tickets, interest received on moneys in the lottery operating fund, and all other fees and moneys collected. Use: Moneys are continuously appropriated for payment of prizes, expenses of the lottery, and transfers of net proceeds to the state general fund.

**Budget Information:** Included in the General Appropriations Bill as an informational budget.

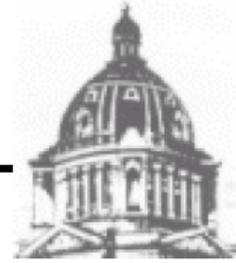
Condition Statement Prepared by the Bureau of Finance and Management 12/21/2007

**DEPARTMENT OF REVENUE AND REGULATION**  
**Instant/On-line Lottery Operating Fund**  
**Condition Statement (6516)**

	ACTUAL FY2006	ACTUAL FY2007	BUDGETED FY2008	PROJECTED FY2009
<b>TOTAL REVENUE</b>	<b>\$39,533,486</b>	<b>\$40,132,177</b>	<b>\$40,601,371</b>	<b>\$41,100,880</b>
<b>TOTAL EXPENDITURES</b>	<b>\$39,351,572</b>	<b>\$40,098,390</b>	<b>\$40,601,371</b>	<b>\$41,100,880</b>
NET (Revenues less Expenditures)	\$181,914	\$33,787	\$0	\$0
BEGINNING CASH BALANCE	\$2,973,031	\$3,445,524	\$3,690,915	\$3,690,915
ADJUSTMENT*	\$290,579	\$211,605	\$0	\$0
<b>ENDING BALANCE</b>	<b>\$3,445,524</b>	<b>\$3,690,916</b>	<b>\$3,690,915</b>	<b>\$3,690,915</b>

\*The adjustment represents reconciling between accrual basis and cash basis accounting

# SOUTH DAKOTA GAMING COMMISSION FUND



*South Dakota Legislative Research Council*

## Frequently Asked Questions

The purpose of this FAQ sheet is to provide information to the Joint Committee on Appropriations regarding *Informational Budgets* in the South Dakota budgetary system. The information was compiled by the Legislative Research Council with assistance from the Department of Legislative Audit and the Government Operations and Audit Committee.

## When and why was this fund created?

The South Dakota Gaming Commission Fund was created by the 1989 Legislature in an act that permitted the City of Deadwood to provide limited card games and slot. The city deposits proceeds from the gaming tax, license stamp fees, license fees, application fees, the net proceeds generated by the operation of the five-cent slot machines.

## Where does the revenue come from?

Proceeds from the gaming tax, license stamp fees, license fees, application fees, and net proceeds generated by the operation of the five-cent slot machines in the City of Deadwood. The fund collected \$14,400,722 and \$15,990,536 in FY2006 and FY2007 respectively. The accumulated balance in the fund as of 6/30/2007 was \$786,590, which was an increase from FY2006 of approximately \$12,000. The balance has remained relatively low when compared to the annual revenue (4.9%) and when compared to the annual distributions (5.2%). The administration expenses account for 8.6% of the distributions made from the fund.

## Has the original purpose of the fund changed?

The original purpose was to accept the above mentioned proceeds and fees, which has not changed. The specifics of the games, however, have changed. The most notable change has been the maximum bet limit. Originally the limit was \$5 in 1989. That maximum limit was raised to \$100 through an initiated measure, approved on November 7, 2000, effective November 16, 2000.

## What spending restrictions exist on the fund?

The fund is continuously appropriated and must submit an informational budget annually. The fund must be disbursed according to SDCL 42-7B-48, 42-7B-48.1 and 42-7B-48.3.

The distribution for FY2007 was as follows:

\$2,936,340	1) 40% is transferred to the State Tourism Promotion Fund (SDCL 42-7B-48);
734,085	2) 10% is transferred to Lawrence County (SDCL 42-7B-48);
1,314,683	3) Pay for the expenses of the commission for administration and operation (SDCL 42-7B-48);
100,000	4) \$100,000 transferred to the State Historical Preservation Loan and Grant Fund (SDCL 42-7B-48);
30,000	5) \$30,000 for gaming addiction treatment and counseling programs (SDCL 42-7B-48.3);
6,800,000	6) The remaining proceeds shall be transferred to the City of Deadwood for deposit in the Deadwood Historic Restoration and Preservation Fund, but not to exceed \$6,800,000. In 1995, this maximum amount was established and the following distribution of the excess of \$6.8 in remaining proceeds was added (SDCL 42-7B-48.1):
2,308,543	a. 70% transferred to the State General Fund;
329,792	b. 10% distributed to municipalities in Lawrence County (except Deadwood), pro rated according to their population;
329,792	c. 10% distributed to school districts located in whole or in part, in Lawrence County prorated according to average daily membership;
320,712	d. 10% deposited in the Deadwood Historic Restoration and Preservation Fund.
\$15,203,946	Total Distribution from the Gaming Fund

## Is the fund on the state accounting system? What is the timing of the Fiscal Year?

The fund is included in the state's accounting system and uses the same fiscal year as state government, which is from July 1 to June 30. The informational budget is included in the Department of Revenue and Regulation's section of the budget.

## When was the last audit or review completed on this fund?

The South Dakota Department of Legislative Audit has audited the financial statements of the South Dakota Gaming Commission Fund as of June 30, 2006. The Appropriations Committee has an annual budget hearing for the Department of Revenue and Regulation including the South Dakota Gaming Commission. The informational budget of the commission is included in the Governor's budget request and the General Appropriations Bill which is acted on by the Legislative Body.

2007 Government Operations and Audit Committee "Blue Book"

## Other Fund Information

**Department of Revenue and Regulation**  
**State Accounting System - Other Fund Balances**  
**Company 3037 - South Dakota Gaming Commission Fund**

	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>
1 Cash Pooled with State Treasurer	682,508.79	749,056.64	774,342.48	786,590.08
2 Total Assets	<u>682,508.79</u>	<u>749,056.64</u>	<u>774,342.48</u>	<u>786,590.08</u>
3				
4 Accounts Payable	-	-	-	-
5 Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
6				
7 Reserve for Encumbrances	850.00	-	2,064.48	-
8 Unreserved Fund Balance	681,658.79	749,056.64	772,278.00	786,590.08
9 Total Fund Equity	<u>682,508.79</u>	<u>749,056.64</u>	<u>774,342.48</u>	<u>786,590.08</u>
10 Total Liabilities and Fund Equity	<u>682,508.79</u>	<u>749,056.64</u>	<u>774,342.48</u>	<u>786,590.08</u>
11				
12				
13 Taxes	6,201,268.42	6,772,737.38	7,086,954.48	7,700,607.09
14 Licenses, Permits and Fees	6,113,301.25	6,208,045.98	6,510,346.72	7,462,594.98
15 Fines, Forfeits and Penalties	2,745.00	9,000.00	7,000.00	430.00
16 Use of Money and Property	61,187.28	50,337.96	47,262.58	52,555.28
17 Sales and Services	-	13.50	6.50	6.50
18 Other Revenue	-	138.07	94.66	-
19 Total Operating Revenue	<u>12,378,501.95</u>	<u>13,040,272.89</u>	<u>13,651,664.94</u>	<u>15,216,193.85</u>
20				
21 Personal Services and Benefits	727,889.66	683,208.20	689,930.19	796,532.80
22 Travel	82,136.47	60,390.91	58,304.06	86,013.83
23 Contractual Services	355,341.98	316,688.84	350,304.99	388,463.97
24 Supplies and Materials	89,277.30	36,920.36	31,314.34	28,915.38
25 Grants and Subsidies	7,718,068.00	8,028,627.09	8,170,256.64	8,514,381.03
26 Capital Outlay	7,544.70	23,162.73	14,846.87	14,516.11
27 Other Expense	3,424.52	155.94	2,887.56	240.64
28 Total Operating Expenditures/Expenses	<u>8,983,682.63</u>	<u>9,149,154.07</u>	<u>9,317,844.65</u>	<u>9,829,063.76</u>
29				
30 Operating Transfers In	-	-	-	-
31 Operating Transfers Out	(3,386,059.57)	(3,824,570.97)	(4,308,534.45)	(5,374,882.49)
32 Net Transfers In (Out)	<u>(3,386,059.57)</u>	<u>(3,824,570.97)</u>	<u>(4,308,534.45)</u>	<u>(5,374,882.49)</u>
33				
34 Net Change	8,759.75	66,547.85	25,285.84	12,247.60
35				
36 Beginning Fund Equity	673,749.04	682,508.79	749,056.64	774,342.48
37 Ending Equity	<u>682,508.79</u>	<u>749,056.64</u>	<u>774,342.48</u>	<u>786,590.08</u>

Company: 3037

Company Name: S D Gaming Commission Fund

Fund Name: South Dakota Gaming Commission Fund.

Fund Type: Special Revenue

**Purpose:** SDCL 42-7B-48 created the South Dakota Gaming Commission Fund. Sources: Proceeds from the gaming tax, license stamp fees, license fees, application fees, the net proceeds generated by the operation of the five-cent slot machines. Use: Moneys are continuously appropriated. Per 42-7B-48, 40% of the gaming tax collected is transferred to the tourism promotion fund and 10% is paid to Lawrence county, expenses of commission. All funds remaining after above payments less \$100,000 transferred to the historical preservation loan and grant fund (in company 3145) shall be disbursed to the City of Deadwood.

**Budget Information:** Included in the General Appropriations Bill as an informational budget.

Condition Statement Prepared by Bureau of Finance and Management 12/21/2007

**DEPARTMENT OF REVENUE AND REGULATION**  
**Gaming Commission Fund**  
**Condition Statement (3037)**

	ACTUAL FY2006	ACTUAL FY2007	BUDGETED FY2008	PROJECTED FY2009
<b>TOTAL REVENUE</b>	<b>\$13,651,665</b>	<b>\$15,216,194</b>	<b>\$15,793,625</b>	<b>\$16,031,574</b>
<b>TOTAL EXPENDITURES</b>	<b>\$13,626,379</b>	<b>\$15,203,946</b>	<b>\$15,793,625</b>	<b>\$16,031,574</b>
NET (Revenues less Expenditures)	\$25,286	\$12,248	\$0	\$0
BEGINNING CASH BALANCE	\$749,057	\$774,342	\$786,590	\$786,590
<b>ENDING BALANCE</b>	<b>\$774,342</b>	<b>\$786,590</b>	<b>\$786,590</b>	<b>\$786,590</b>