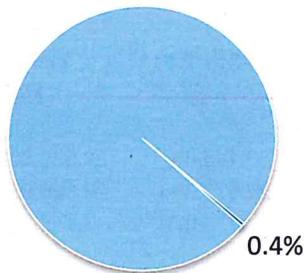


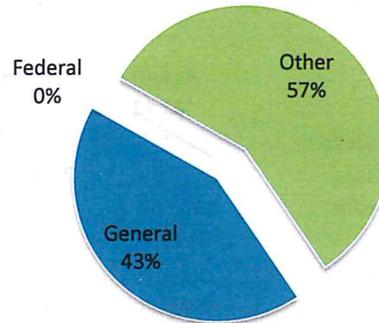
FY15 Budget Briefing

Bureau of Finance and Management

Agency Share of Budgeted General Funds

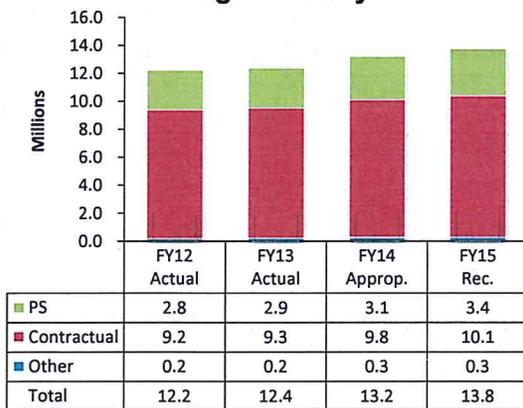


Sources of Funds

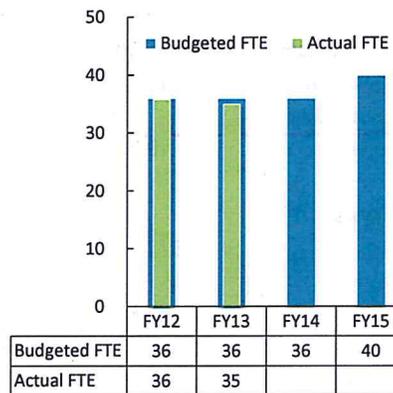


Graphics Exclude Salary Pool

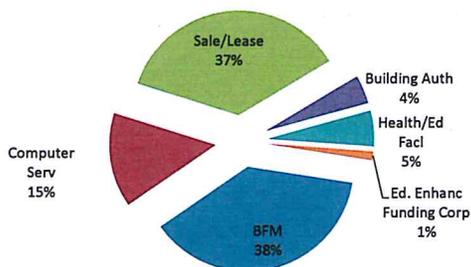
Budget History



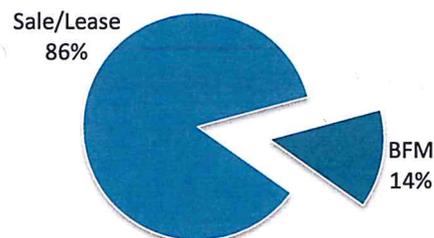
FTE



Distribution of Total Agency Funds



Distribution of Agency General Funds



Key Personnel

- Jason Dilges, Commissioner
- Terry Miller, Finance Officer
- Colin Keeler, Financial Systems
- Keith Senger, Accounting Analysis & Financial Reporting

Department Total - Includes Salary Policy Pool

	Actual FY12	Actual FY13	Budgeted FY14	Gov Rec FY15	Inc/Dec FY15	% Change From FY14
Personal Services						
Employee Salaries	2,241,358	2,199,399	3,156,024	33,145,887	29,989,863	950.2%
Employee Benefits	597,795	651,269	652,678	22,677,710	22,025,032	3,374.6%
FTE	36.0	35.0	36.0	40.0	4.0	11.1%
Funding Types						
General	569,073	567,967	631,240	19,866,660	19,235,420	3,047.2%
Federal	0	0	190,766	11,072,332	10,881,566	5,704.1%
Other	2,270,080	2,282,702	2,986,696	24,884,605	21,897,909	733.2%
Total PS	2,839,152	2,850,668	3,808,702	55,823,597	52,014,895	1,365.7%
Operating Expenses						
Travel	62,539	61,977	83,396	91,252	7,856	9.4%
Contractual Services	9,191,302	9,310,207	9,832,987	12,179,053	2,346,066	23.9%
Supplies & Materials	111,458	111,403	141,718	139,288	(2,430)	(1.7%)
Grants & Subsidies	0	0	0	0	0	0.0%
Capital Outlay	19,733	45,688	49,236	55,356	6,120	12.4%
Other	5	5	0	0	0	0.0%
Funding Types						
General	6,877,505	6,270,243	5,247,848	6,377,446	1,129,598	21.5%
Federal	0	0	0	386,820	386,820	0.0%
Other	2,507,532	3,259,037	4,859,489	5,700,683	841,194	17.3%
Total OE	9,385,037	9,529,281	10,107,337	12,464,949	2,357,612	23.3%
Totals						
Funding Types						
General	7,446,578	6,838,210	5,879,088	26,244,106	20,365,018	346.4%
Federal	0	0	190,766	11,459,152	11,268,386	5,906.9%
Other	4,777,612	5,541,739	7,846,185	30,585,288	22,739,103	289.8%
Total	12,224,190	12,379,949	13,916,039	68,288,546	54,372,507	390.7%

See PAGE 6 for BFM Totals EXCLUDING salary policy pool.

Major Expansions and Reductions

Budget Item	Governor's Recommendation				
	General Funds	Federal Funds	Other Funds	TOTALS	FTE
A. Comprehensive Annual Financial Report			233,306	233,306	3.0
B. Financial Systems Accountant			72,331	72,331	1.0
C. Internal Service Rates	1,356		53,422	54,778	
D. Sale/Leaseback Payment Incr.	30,000			30,000	
E. Computer Services Development Pool			282,636	282,636	
F. Conservation Reserve Enhancement Program			(17,337)	(17,337)	
G. Building Authority			(145,809)	(145,809)	
H. Health & Ed Facilities			21,872	21,872	
I. Ed. Enhance. Funding Corp.			16,708	16,708	
BFM Total Excl. Salary Policy	31,356		517,129	548,485	4.0
BFM Salary Pool	20,333,662	11,268,386	22,221,974	53,824,022	
TOTAL	20,365,018	11,268,386	22,739,103	54,372,507	4.0

- A. Comprehensive Annual Financial Report (CAFR) – The Governor and Commissioner Dilges have made a commitment to have the CAFR completed by December 31 for FY16, as is the goal for many other states. South Dakota has been as much as a year late in completing the report. Funding for this project will be requested through this budget, as well as others, as follows:
1. BFM - \$233,306 other funds and 3.0 FTE
 2. Legislative Audit – \$172,275 general funds and 3.0 FTE
 3. Board of Regents - \$313,416 general funds and 3.0 FTE
 4. Education - \$100,000 general funds for the EGrant system
- B. Financial Systems Accountant - The Governor is recommending 1.0 FTE and \$67,731 in salary and benefits and \$4,600 in operating expenses for a financial systems accountant in the Office of Financial Systems and Operations. This office currently has one director, on assistant director, three accountants, one analyst and one budget and accounting specialist, for a total of seven current employees.
- C. Internal Service Rate increases for the entire bureau - \$1,356 general funds and \$53,422 in other funds
- D. Sale/Leaseback Payment Increase – The increased amount is based on the payment schedule provided by the South Dakota Building Authority. See Page 7 for more information on the Sale/Leaseback program.
- E. Computer Services Development Pool – The Governor is recommending an increase of \$282,636 for the computer services pool. The pool is available to provide other fund

authority for the development and maintenance of computer systems in state agencies. The Governor is recommending the increase based on anticipated future needs. (Page 9)

- F. Conservation Reserve Enhancement Program – Reduction of \$17,337 in other fund spending authority (Page 10)
- G. South Dakota Building Authority – Reduction of \$145,809 in other fund spending authority (Page 11)
- H. Health and Education Facilities Authority – Increase of \$21,872 in other fund spending authority (Page 12)
- I. Education Enhancement Funding Corporation – Increase of \$16,708 in other fund spending authority (Page 14)

Governor's Proposed Salary Policy

For FY15, the Governor recommends the state employee compensation plan be distributed from a pool in the BFM. *Therefore, individual agency budgets do not reflect the changes for the compensation plan.*

	General	Federal	Other	Total
Across the Board Increase and Market Adjustments	\$16,593	\$0	\$94,832	\$111,425
Health Insurance	\$7,400	\$0	\$39,564	\$46,964
Movement Toward Job Worth (PACE)	\$10,800	\$0	\$0	\$10,800
Pay for Performance (Career Band Families)	\$0	\$0	\$40,549	\$40,549
Targeted Compensation Adjustments	\$0	\$0	\$0	\$0
Total of all Components	\$34,793	\$0	\$174,945	\$209,738

- ✓ Recommended FY15 - 3.0% PACE; 0%-4.5% Pay for Performance for Career Banding; 3% Across-the-Board/Market; 18.6% Health Insurance; Targeted compensation adjustments for a small number of hard-to-fill, below market vocational jobs.
- ✓ FY14 – 3.5% PACE; 0%-4.5% Pay for Performance for Career Banding; 3% Across-the-Board; 3.5%-4% Market Adjustment for Career Banding; 14.7% Health Insurance

Interagency Billings

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

FY13 Actual Expenditures	General Funds	Federal Funds	Other Funds	Total Funds
Bureau of Administration	31,807	-	180,198	212,005
Bureau of Finance and Management	-	-	2,824	2,824
Bureau of Human Resources	3,070	-	10,390	13,461
Bureau of Information and Telecommunications	11,729	-	672,816	684,545
<i>Total Bureau Billings</i>	46,606	-	866,228	912,834

Department Object Detail – Excluding Employee Compensation Pool

Item	Actual FY2012	Actual FY2013	Budgeted FY2014	Governor Rec FY2015	Inc/Dec Over FY2014	% Change Over FY2014
PERSONAL SERVICES						
General	569,072	567,967	598,529	598,529	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	2,270,079	2,282,702	2,521,971	2,789,954	267,983	10.6%
Total Personal Services	2,839,151	2,850,669	3,120,500	3,388,483	267,983	8.6%
FTE	36.0	35.0	36.0	40.0	4.0	11.1%
TRAVEL						
General	31,115	25,396	32,974	32,974	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	31,424	36,581	50,422	58,278	7,856	15.6%
Total Travel	62,539	61,977	83,396	91,252	7,856	9.4%
CONTRACTUAL SERVICES						
General	6,824,614	6,215,581	5,199,290	5,230,646	31,356	0.6%
Federal	0	0	0	0	0	0.0%
Other Funds	2,366,688	3,094,627	4,633,697	4,871,297	237,600	5.1%
Total Contractual Services	9,191,302	9,310,208	9,832,987	10,101,943	268,956	2.7%
SUPPLIES AND MATERIALS						
General	17,388	9,026	13,584	13,584	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	94,070	102,377	128,134	125,704	(2,430)	(1.9%)
Total Supplies and Materials	111,458	111,403	141,718	139,288	(2,430)	(1.7%)
GRANTS AND SUBSIDIES						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	0	0	0	0	0	0.0%
Total Grants and Subsidies	0	0	0	0	0	0.0%
CAPITAL OUTLAY						
General	4,384	20,236	2,000	2,000	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	15,350	25,452	47,236	53,356	6,120	13.0%
Total Capital Outlay	19,734	45,688	49,236	55,356	6,120	12.4%
OTHER						
General	5	5	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	0	0	0	0	0	0.0%
Total Other	5	5	0	0	0	0.0%
TOTAL						
General	7,446,578	6,838,211	5,846,377	5,877,733	31,356	0.5%
Federal	0	0	0	0	0	0.0%
Other Funds	4,777,611	5,541,739	7,381,460	7,898,589	517,129	7.0%
Total All Funds	12,224,189	12,379,950	13,227,837	13,776,322	548,485	4.1%

BUREAU OF FINANCE AND MANAGEMENT

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

BFM Total – Excluding the Salary Policy Pool Funding

	Actual <u>FY12</u>	Actual <u>FY13</u>	Budgeted <u>FY14</u>	Gov Rec <u>FY15</u>	Inc/Dec <u>FY15</u>	% Change From <u>FY14</u>
Personal Services						
Employee Salaries	2,241,358	2,199,399	2,467,822	2,671,485	203,663	8.3%
Employee Benefits	597,795	651,269	652,678	716,998	64,320	9.9%
FTE	36.0	35.0	36.0	40.0	4.0	11.1%
Funding Types						
General	569,073	567,967	598,529	598,529	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	2,270,080	2,282,702	2,521,971	2,789,954	267,983	10.6%
Total PS	2,839,153	2,850,669	3,120,500	3,388,483	267,983	8.6%
Operating Expenses						
Travel	62,539	61,977	83,396	91,252	7,856	9.4%
Contractual Services	9,191,302	9,310,207	9,832,987	10,101,943	268,956	2.7%
Supplies & Materials	111,458	111,403	141,718	139,288	(2,430)	(1.7%)
Grants & Subsidies	0	0	0	0	0	0.0%
Capital Outlay	19,733	45,688	49,236	55,356	6,120	12.4%
Other	5	5	0	0	0	0.0%
Funding Types						
General	6,877,505	6,270,243	5,247,848	5,279,204	31,356	0.6%
Federal	0	0	0	0	0	0.0%
Other	2,507,532	3,259,037	4,859,489	5,108,635	249,146	5.1%
Total OE	9,385,037	9,529,280	10,107,337	10,387,839	280,502	2.8%
Totals						
Funding Types						
General	7,446,578	6,838,210	5,846,377	5,877,733	31,356	0.5%
Federal	0	0	0	0	0	0.0%
Other	4,777,612	5,541,739	7,381,460	7,898,589	517,129	7.0%
Total	12,224,190	12,379,949	13,227,837	13,776,322	548,485	4.1%

Budget Notes

Increases for the CAFR initiative, an accountant position and bureau billings are included in this budget unit. Details can be found in Items A., B., and C. on Page 3.

SALE/LEASEBACK - BFM

The purpose of this budget is to make lease payments pursuant to the lease entered into between the Board of Charities and Corrections and the South Dakota Building Authority dated December 1, 1986.

	Actual FY12	Actual FY13	Budgeted FY14	Gov Rec FY15	Inc/Dec FY15	% Change From FY14
Operating Expenses						
Contractual Services	6,632,450	6,022,565	5,000,000	5,030,000	30,000	0.6%
Funding Types						
General	6,632,450	6,022,565	5,000,000	5,030,000	30,000	0.6%
Federal	0	0	0	0	0	0.0%
Other	0	0	0	0	0	0.0%
Total OE	6,632,450	6,022,565	5,000,000	5,030,000	30,000	0.6%
Totals						
Funding Types						
General	6,632,450	6,022,565	5,000,000	5,030,000	30,000	0.6%
Federal	0	0	0	0	0	0.0%
Other	0	0	0	0	0	0.0%
Total	6,632,450	6,022,565	5,000,000	5,030,000	30,000	0.6%

Budget Notes

Requested increase is based on the payment schedule provided by the SD Building Authority.

Sale/Leaseback History

- In the 1980's, the Legislature sold most state-owned buildings and leased them back for state use. This was a revenue generating initiative for the state to use the investment income on the money received from the sale of the buildings. Part of the investment income was to be used to pay for the leases, and the other portion would be realized as net earnings.
- The state sold its office buildings valued at approximately \$200,000,000 to the South Dakota Building Authority.
- To pay for the buildings, the South Dakota Building Authority (SDBA) sold bonds. Bond payments by SDBA to the bondholders would be made out of payments by the state for the use of the same buildings.
- The state then took the \$200,000,000 and purchased an annuity contract for \$183,500,000 on the lives of a pool of retired state employees in the SDRS. The revenue stream to the state from the annuity contract would be used to make payments to the SDBA. Of the remaining \$16.5 million, \$14.5 million was used to fund one-time

Sale/Leaseback Budget Notes, cont.

capital projects, and \$2 million was held in reserve to protect against the pool of retired employees dying faster than actuarial projections.

- At the end of the 30-year contract (2016), the state will resume ownership of the buildings from the South Dakota Building Authority.
- The Building Authority provides for the payment of the original sale/leaseback (Foss, Anderson, State Library, Commerce Building, Becker-Hansen, and Soldiers' and Sailors' War Memorial buildings). The original closing date was December 18, 1986, and the final payment will be December 1, 2016. The activity was refinanced in 1996 to take advantage of a more favorable interest rate. The final payment remains December 1, 2016.
- The funds budgeted are receipted and paid out the same day. There is no impact to the General Fund.
- The increase is based on the payment schedule provided by the South Dakota Building Authority.
- This is only a portion of the sale-leaseback initiative; the remaining portion is reported through the Bureau of Administration.

COMPUTER SERVICES AND DEVELOPMENT

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

	<u>Actual FY12</u>	<u>Actual FY13</u>	<u>Budgeted FY14</u>	<u>Gov Rec FY15</u>	<u>Inc/Dec FY15</u>	<u>% Change From FY14</u>
Operating Expenses						
Contractual Services	0	0	1,717,364	2,000,000	282,636	16.5%
Funding Types						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	0	0	1,717,364	2,000,000	282,636	16.5%
Total OE	0	0	1,717,364	2,000,000	282,636	16.5%
Totals						
Funding Types						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	0	0	1,717,364	2,000,000	282,636	16.5%
Total	0	0	1,717,364	2,000,000	282,636	16.5%

Budget Notes

The Governor is recommending an increase of \$282,636 for the computer services pool. The pool is available to provide other fund authority for the development and maintenance of computer systems in state agencies. The Governor is recommending the increase based on anticipated future needs.

CONSERVATION RESERVE ENHANCEMENT PROGRAM - INFORMATIONAL

	Actual FY12	Actual FY13	Budgeted FY14	Gov Rec FY15	Inc/Dec FY15	% Change From FY14
Personal Services						
Employee Benefits	6	0	987	0	(987)	(100.0%)
FTE	0.0	0.0	0.0	0.0	0.0	0.0%
Funding Types						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	6	0	987	0	(987)	(100.0%)
Total PS	6	0	987	0	(987)	(100.0%)
Operating Expenses						
Contractual Services	9,830	10,141	11,350	0	(11,350)	(100.0%)
Supplies & Materials	1,037	1,060	5,000	0	(5,000)	(100.0%)
Funding Types						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	10,867	11,201	16,350	0	(16,350)	(100.0%)
Total OE	10,867	11,201	16,350	0	(16,350)	(100.0%)
Totals						
Funding Types						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	10,873	11,201	17,337	0	(17,337)	(100.0%)
Total	10,873	11,201	17,337	0	(17,337)	(100.0%)

Budget Notes

From the 2013 SD Building Authority Annual Report (Page 21)

Note 5. Conservation Reserve Enhancement Program (CREP)

South Dakota's Conservation Reserve Enhancement Program was designed to provide for the Authority, using its bonding authority, to advance to Conservation Reserve Program (CRP) participants a one-time lump sum of money representing a certain present value percentage of their remaining CRP payments. In order to obtain this advance, CRP participants have to enter into Successor-in-Interest Agreements with the Authority so that 100% of their remaining CRP payments are made by Commodity Credit Corporation of the United States Department of Agriculture to the Authority.

The following is a schedule of future payments remaining on contracts receivable of the Conservation Reserve Enhancement Program at June 30, 2013:

Year Ending June 30	Principal	Interest	Total
2014	\$ 14,133	\$ 3,891	\$ 18,024
Total payments	\$ 14,133	\$ 3,891	\$ 18,024

The bonds that were issued for this program have been paid in full and the program is expected to be completed in fiscal year 2014 when the contracts receivable should all be collected.

This budget funded the administration expenses of the program which will discontinue operation in FY2015.

BUILDING AUTHORITY - INFORMATIONAL

The mission of the SD Building Authority is to finance the construction and/or improvements to hospitals, housing facilities, penitentiaries, administrative facilities, classrooms, dining halls, field houses, parking facilities, union buildings, libraries, recreational areas, laboratories, offices, and similar facilities for use by the State of South Dakota.

	Actual FY12	Actual FY13	Budgeted FY14	Gov Rec FY15	Inc/Dec FY15	% Change From FY14
Personal Services						
Employee Salaries	106,087	103,737	115,499	118,964	3,465	3.0%
Employee Benefits	33,419	38,353	39,217	40,393	1,176	3.0%
FTE	1.4	1.3	1.4	1.4	0.0	0.0%
Funding Types						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	139,506	142,090	154,716	159,357	4,641	3.0%
Total PS	139,506	142,090	154,716	159,357	4,641	3.0%
Operating Expenses						
Travel	5,882	8,854	11,000	11,000	0	0.0%
Contractual Services	353,969	755,562	577,274	426,824	(150,450)	(26.1%)
Supplies & Materials	3,637	7,344	4,500	4,500	0	0.0%
Capital Outlay	0	3,013	2,000	2,000	0	0.0%
Other	0	0	0	0	0	0.0%
Funding Types						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	363,488	774,774	594,774	444,324	(150,450)	(25.3%)
Total OE	363,488	774,774	594,774	444,324	(150,450)	(25.3%)
Totals						
Funding Types						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	502,994	916,864	749,490	603,681	(145,809)	(19.5%)
Total	502,994	916,864	749,490	603,681	(145,809)	(19.5%)

Budget Notes

The South Dakota Building Authority is continuously appropriated and is included as an informational budget unit. The Authority is funded with bond administration fees. The office has personal services budgeted for 1.4 FTEs and board member per diem. The reduction in other fund authority in the contractual services budget is due, in large part, to a combination of decreases in anticipated legal costs and a decrease in building insurance premiums.

HEALTH AND ED FACILITIES AUTHORITY - INFORMATIONAL

	Actual FY12	Actual FY13	Budgeted FY14	Gov Rec FY15	Inc/Dec FY15	% Change From FY14
Personal Services						
Employee Salaries	371,045	345,045	356,437	367,130	10,693	3.0%
Employee Benefits	137,195	135,745	142,382	146,653	4,271	3.0%
FTE	4.6	3.7	4.6	4.6	0.0	0.0%
Funding Types						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	508,240	480,790	498,819	513,783	14,964	3.0%
Total PS	508,240	480,790	498,819	513,783	14,964	3.0%
Operating Expenses						
Travel	15,758	16,578	18,500	19,056	556	3.0%
Contractual Services	176,978	172,706	191,653	197,405	5,752	3.0%
Supplies & Materials	19,681	14,066	16,000	16,480	480	3.0%
Capital Outlay	1,284	3,883	4,100	4,220	120	2.9%
Funding Types						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	213,701	207,233	230,253	237,161	6,908	3.0%
Total OE	213,701	207,233	230,253	237,161	6,908	3.0%
Totals						
Funding Types						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	721,941	688,023	729,072	750,944	21,872	3.0%
Total	721,941	688,023	729,072	750,944	21,872	3.0%

Budget Notes

The Health & Ed. Facilities Authority was created to assist private nonprofit health and educational facilities and educational institutions in South Dakota in the construction, acquisition, financing and refinancing of projects to be undertaken for health and higher education programs; assist South Dakota school districts and public bodies to alleviate cash flow shortages and reduce short-term borrowing costs; finance capital improvements for vocational education; assist public bodies in the financing of real property, equipment or other personal property; and assist public bodies, health institutions and dedicational institutions in the investment of funds intended for use of application in connection with any purpose or program.

The requested increase in funds is needed to meet anticipated needs.

EMPLOYEE COMPENSATION POOL

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

	Budgeted FY14	Gov Rec FY15	Inc/Dec FY15	% Change From FY14
Personal Services				
Employee Salaries	688,202	30,474,402	29,786,200	4,328.1%
Employee Benefits	0	21,960,712	21,960,712	0.0%
FTE	0.0	0.0	0.0	0.0%
Funding Types				
General	32,711	19,268,131	19,235,420	58,804.1%
Federal	190,766	11,072,332	10,881,566	5,704.1%
Other	464,725	22,094,651	21,629,926	4,654.3%
Total PS	688,202	52,435,114	51,746,912	7,519.1%
Operating Expenses				
Contractual Services	0	2,077,110	2,077,110	0.0%
Grants & Subsidies	0	0	0	0.0%
Funding Types				
General	0	1,098,242	1,098,242	0.0%
Federal	0	386,820	386,820	0.0%
Other	0	592,048	592,048	0.0%
Total OE	0	2,077,110	2,077,110	0.0%
Totals				
Funding Types				
General	32,711	20,366,373	20,333,662	62,161.5%
Federal	190,766	11,459,152	11,268,386	5,906.9%
Other	464,725	22,686,699	22,221,974	4,781.7%
Total	688,202	54,512,224	53,824,022	7,821.0%

Budget Notes

Allocation of the pooled amounts will be made based on the July 1, 2014 payroll for the following: Across-the-Board/Market adjustments, PACE, Targeted compensation, and health insurance increases. The Pay for Performance allocation will be made later in FY2015.

The amounts displayed in the "Budgeted FY14" column reflect the difference between the estimates made last session and the actual distribution.

ED ENHANCEMENT FUNDING CORP. - INFORMATIONAL

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

	Actual FY12	Actual FY13	Budgeted FY14	Gov Rec FY15	Inc/Dec FY15	% Change From FY14
Personal Services						
Employee Salaries	0	0	34,053	0	(34,053)	(100.0%)
FTE	0.0	0.0	0.0	0.0	0.0	0.0%
Funding Types						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	0	0	34,053	0	(34,053)	(100.0%)
Total PS	0	0	34,053	0	(34,053)	(100.0%)
Operating Expenses						
Travel	0	4,972	5,000	10,300	5,300	106.0%
Contractual Services	0	134,333	122,500	167,871	45,371	37.0%
Supplies & Materials	0	3,000	3,000	3,090	90	3.0%
Funding Types						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	0	142,305	130,500	181,261	50,761	38.9%
Total OE	0	142,305	130,500	181,261	50,761	38.9%
Totals						
Funding Types						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	0	142,305	164,553	181,261	16,708	10.2%
Total	0	142,305	164,553	181,261	16,708	10.2%

Budget Notes

From the 2013 Education Enhancement Funding Corporation Annual Report (Page 21)

NOTE 5 – COMMITMENTS AND CONTINGENCIES

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

Contingency 2. South Dakota received only a portion of its expected April 2013 annual MSA payment, in part due to a dispute with certain Participating Manufacturers over the applicability of a Nonparticipating Manufacturer ("NPM") Adjustment. The NPM Adjustment procedure is found in Section IX(d) of the Master Settlement Agreement ("MSA").

Budget Notes – EEFC, cont.

Annual Report, cont.

A MSA Settling State will not be subject to an NPM Adjustment for a particular year if it is found to have "diligently enforced" its Qualifying Statute throughout that year. The nationwide arbitration involving the Participating Manufacturers and most of the MSA Settling States regarding the 2003 NPM Adjustment is still pending at this time. In that arbitration South Dakota learned that its "diligent enforcement" for the year 2003 is no longer contested. Thus, South Dakota will not be subject to a 2003 NPM Adjustment. Litigation over the NPM Adjustment for 2004 will follow.

Several Participating Manufacturers reduced their April 2013 annual MSA payments to many of the MSA Settling States, either withholding a portion of the payment or placing the disputed amount into a disputed payment account. Again, it is anticipated that these amounts will not be disbursed to the States until the dispute is resolved with finality.

Likewise, it is expected that several Participating Manufacturers will seek an NPM Adjustment with respect to the annual MSA payment due in April 2014. As in the past, the Participating Manufacturers might withhold the disputed amount or place it in a disputed payment account until the issue is resolved. Whether such a reduction will be made, and if so, the amount of the reduction, is not known at this time.

Other Fund Balances

Company and Fund Name	Blue Book Page			60-Month Average	Lowest Monthly Cash Balance in Past Five Years	
		FY2012	FY2013	Cash Balance	Amount	Month
Company 3003 - Dakota Cement Trust	27	\$235,408,182	\$234,202,404	N/A	N/A	N/A
Company 3004 - Health Care Trust	28	\$ 99,265,017	\$105,752,677	N/A	N/A	N/A
Company 3005 - Education Enhancement Trust	29	\$365,636,868	\$388,652,372	N/A	N/A	N/A
Company 3005 Critical Teaching Needs Scholarship Program	30		\$ 1,500,000	N/A	N/A	N/A
Company 3005 - SD Need-Based Grant Fund	31		\$ 1,500,000	N/A	N/A	N/A
Company 3018 - Health Care Tobacco Tax Fund	32	\$ -	-	\$ 75,412	\$ -	July 2008
Company 6010 - Budgetary Accounting Fund	33	\$ 1,966,430	\$ 840,464	\$ 2,756,992	\$ 840,464	June 2013
Company 9016 - Building South Dakota Fund	34		-	-	-	N/A

