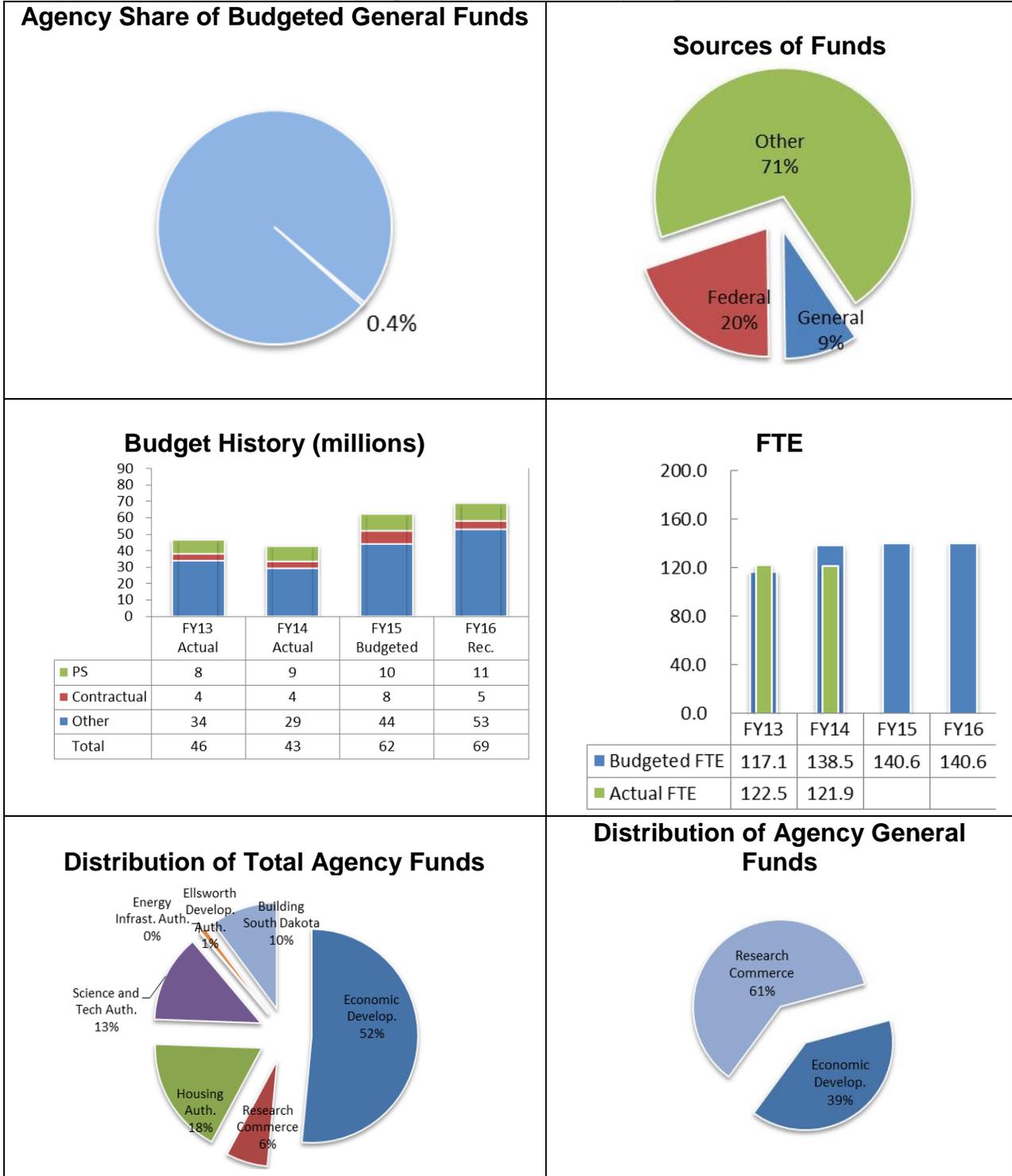


# FY16 Budget Briefing

## Governor's Office of Economic Development

Information contained in this document is based on the Governor's original recommended FY16 budget.  
This document may not correspond with the final FY16 budget adopted by the Legislature.



## Key Personnel

- Pat Costello, Commissioner
- Mike Headley, Executive Director  
Science and Tech. Authority
- Scott Landguth, Executive Director  
Ellsworth Development Authority
- Marty Davis, Finance Officer
- Mark Lauseng, Executive Director  
Housing Development Authority.

## Department Total

|                           | Actual<br>FY13 | Actual<br>FY14 | Budgeted<br>FY15 | Agency<br>Request<br>FY16 | Gov Rec<br>FY16 | Gov Rec<br>Inc/Dec for<br>FY16 | % Change<br>From<br>FY2015 |
|---------------------------|----------------|----------------|------------------|---------------------------|-----------------|--------------------------------|----------------------------|
| <b>Personal Services</b>  |                |                |                  |                           |                 |                                |                            |
| Employee Salaries         | 6,473,073      | 7,109,752      | 7,729,063        | 8,118,127                 | 8,118,127       | 389,064                        | 5.0%                       |
| Employee Benefits         | 1,952,650      | 2,176,396      | 2,367,149        | 2,522,532                 | 2,522,532       | 155,383                        | 6.6%                       |
| <b>FTE</b>                | 122.5          | 121.9          | 140.6            | 140.6                     | 140.6           | 0.0                            | 0.0%                       |
| <b>Funding Types</b>      |                |                |                  |                           |                 |                                |                            |
| General                   | 1,707,299      | 1,770,223      | 1,823,036        | 1,823,036                 | 1,823,036       | 0                              | 0.0%                       |
| Federal                   | 1,489,258      | 1,586,881      | 2,084,118        | 1,984,118                 | 1,984,118       | (100,000)                      | (4.8%)                     |
| Other                     | 5,229,165      | 5,929,044      | 6,189,058        | 6,833,505                 | 6,833,505       | 644,447                        | 10.4%                      |
| <b>Total PS</b>           | 8,425,722      | 9,286,148      | 10,096,212       | 10,640,659                | 10,640,659      | 544,447                        | 5.4%                       |
| <b>Operating Expenses</b> |                |                |                  |                           |                 |                                |                            |
| Travel                    | 608,148        | 553,367        | 780,118          | 869,380                   | 869,380         | 89,262                         | 11.4%                      |
| Contractual Services      | 3,924,693      | 4,421,233      | 7,887,574        | 5,217,592                 | 5,217,592       | (2,669,982)                    | (33.9%)                    |
| Supplies & Materials      | 1,023,686      | 1,938,108      | 3,170,841        | 4,213,634                 | 4,213,634       | 1,042,793                      | 32.9%                      |
| Grants and Subsidies      | 27,034,941     | 20,679,265     | 40,094,506       | 42,194,506                | 42,194,506      | 2,100,000                      | 5.2%                       |
| Capital Outlay            | 5,466,838      | 5,810,289      | 252,827          | 5,702,827                 | 5,702,827       | 5,450,000                      | 2,155.6%                   |
| Other                     | 0              | 143,767        | 0                | 0                         | 0               | 0                              | 0.0%                       |
| <b>Funding Types</b>      |                |                |                  |                           |                 |                                |                            |
| General                   | 4,531,720      | 4,537,261      | 4,540,107        | 4,540,107                 | 4,540,107       | 0                              | 0.0%                       |
| Federal                   | 7,052,546      | 4,767,968      | 11,839,541       | 11,839,541                | 11,839,541      | 0                              | 0.0%                       |
| Other                     | 26,474,040     | 24,240,800     | 35,806,218       | 41,818,291                | 41,818,291      | 6,012,073                      | 16.8%                      |
| <b>Total OE</b>           | 38,058,306     | 33,546,029     | 52,185,866       | 58,197,939                | 58,197,939      | 6,012,073                      | 11.5%                      |
| <b>Totals</b>             |                |                |                  |                           |                 |                                |                            |
| <b>Funding Types</b>      |                |                |                  |                           |                 |                                |                            |
| General                   | 6,239,019      | 6,307,484      | 6,363,143        | 6,363,143                 | 6,363,143       | 0                              | 0.0%                       |
| Federal                   | 8,541,804      | 6,354,849      | 13,923,659       | 13,823,659                | 13,823,659      | (100,000)                      | (0.7%)                     |
| Other                     | 31,703,206     | 30,169,844     | 41,995,276       | 48,651,796                | 48,651,796      | 6,656,520                      | 15.9%                      |
| <b>Total</b>              | 46,484,028     | 42,832,177     | 62,282,078       | 68,838,598                | 68,838,598      | 6,556,520                      | 10.5%                      |

## Department Object Detail

| Item                          | Actual<br>FY2013  | Actual<br>FY2014  | Budgeted<br>FY2015 | Governor<br>Rec<br>FY2016 | Inc/Dec<br>Over<br>FY2015 | % Change<br>Over<br>FY2015 |
|-------------------------------|-------------------|-------------------|--------------------|---------------------------|---------------------------|----------------------------|
| <b>PERSONAL SERVICES</b>      |                   |                   |                    |                           |                           |                            |
| General                       | 1,707,299         | 1,770,223         | 1,823,036          | 1,823,036                 | 0                         | 0.0%                       |
| Federal                       | 1,489,258         | 1,586,881         | 2,084,118          | 1,984,118                 | (100,000)                 | (4.8%)                     |
| Other Funds                   | 5,229,165         | 5,929,044         | 6,189,058          | 6,833,505                 | 644,447                   | 10.4%                      |
| Total Personal Services       | 8,425,722         | 9,286,148         | <b>10,096,212</b>  | <b>10,640,659</b>         | <b>544,447</b>            | 5.4%                       |
| <b>FTE</b>                    | 122.5             | 121.9             | 140.6              | 140.6                     | 0.0                       | 0.0                        |
| <b>TRAVEL</b>                 |                   |                   |                    |                           |                           |                            |
| General                       | 289,454           | 255,425           | 273,186            | 273,186                   | 0                         | 0.0%                       |
| Federal                       | 88,082            | 85,220            | 115,756            | 115,756                   | 0                         | 0.0%                       |
| Other Funds                   | 230,612           | 212,723           | 391,176            | 480,438                   | 89,262                    | 22.8%                      |
| Total Travel                  | 608,148           | 553,367           | <b>780,118</b>     | <b>869,380</b>            | <b>89,262</b>             | 11.4%                      |
| <b>CONTRACTUAL SERVICES</b>   |                   |                   |                    |                           |                           |                            |
| General                       | 457,527           | 561,710           | 532,860            | 532,860                   | 0                         | 0.0%                       |
| Federal                       | 497,705           | 502,157           | 757,816            | 757,816                   | 0                         | 0.0%                       |
| Other Funds                   | 2,969,460         | 3,357,366         | 6,596,898          | 3,926,916                 | (2,669,982)               | (40.5%)                    |
| Total Contractual Services    | 3,924,693         | 4,421,233         | <b>7,887,574</b>   | <b>5,217,592</b>          | <b>(2,669,982)</b>        | (33.9%)                    |
| <b>SUPPLIES AND MATERIALS</b> |                   |                   |                    |                           |                           |                            |
| General                       | 60,532            | 43,422            | 56,110             | 56,110                    | 0                         | 0.0%                       |
| Federal                       | 41,111            | 42,213            | 212,356            | 212,356                   | 0                         | 0.0%                       |
| Other Funds                   | 922,043           | 1,852,473         | 2,902,375          | 3,945,168                 | 1,042,793                 | 35.9%                      |
| Total Supplies and Materials  | 1,023,686         | 1,938,108         | <b>3,170,841</b>   | <b>4,213,634</b>          | <b>1,042,793</b>          | 32.9%                      |
| <b>GRANTS AND SUBSIDIES</b>   |                   |                   |                    |                           |                           |                            |
| General                       | 3,672,951         | 3,672,951         | 3,672,951          | 3,672,951                 | 0                         | 0.0%                       |
| Federal                       | 6,425,035         | 4,138,378         | 10,753,613         | 10,753,613                | 0                         | 0.0%                       |
| Other Funds                   | 16,936,955        | 12,867,936        | 25,667,942         | 27,767,942                | 2,100,000                 | 8.2%                       |
| Total Grants and Subsidies    | 27,034,941        | 20,679,265        | <b>40,094,506</b>  | <b>42,194,506</b>         | <b>2,100,000</b>          | 5.2%                       |
| <b>CAPITAL OUTLAY</b>         |                   |                   |                    |                           |                           |                            |
| General                       | 51,256            | 3,754             | 5,000              | 5,000                     | 0                         | 0.0%                       |
| Federal                       | 613               | 0                 | 0                  | 0                         | 0                         | 0.0%                       |
| Other Funds                   | 5,414,970         | 5,806,535         | 247,827            | 5,697,827                 | 5,450,000                 | 2199.1%                    |
| Total Capital Outlay          | 5,466,838         | 5,810,289         | <b>252,827</b>     | <b>5,702,827</b>          | <b>5,450,000</b>          | 2155.6%                    |
| <b>OTHER</b>                  |                   |                   |                    |                           |                           |                            |
| General                       | 0                 | 0                 | 0                  | 0                         | 0                         | 0.0%                       |
| Federal                       | 0                 | 0                 | 0                  | 0                         | 0                         | 0.0%                       |
| Other Funds                   | 0                 | 143,767           | 0                  | 0                         | 0                         | 0.0%                       |
| Total Other                   | 0                 | 143,767           | <b>0</b>           | <b>0</b>                  | <b>0</b>                  | 0.0%                       |
| <b>TOTAL</b>                  |                   |                   |                    |                           |                           |                            |
| <b>General</b>                | <b>6,239,019</b>  | <b>6,307,484</b>  | <b>6,363,143</b>   | <b>6,363,143</b>          | <b>0</b>                  | <b>0.0%</b>                |
| <b>Federal</b>                | <b>8,541,804</b>  | <b>6,354,849</b>  | <b>13,923,659</b>  | <b>13,823,659</b>         | <b>(100,000)</b>          | <b>(0.7%)</b>              |
| <b>Other Funds</b>            | <b>31,703,206</b> | <b>30,169,844</b> | <b>41,995,276</b>  | <b>48,651,796</b>         | <b>6,656,520</b>          | <b>15.9%</b>               |
| <b>Total All Funds</b>        | <b>46,484,028</b> | <b>42,832,177</b> | <b>62,282,078</b>  | <b>68,838,598</b>         | <b>6,556,520</b>          | <b>10.5%</b>               |

## Major Expansions and Reductions

| Budget Item   | Governor's Recommendation |               |             |             | FTE |
|---|---------------------------|---------------|-------------|-------------|-----|
|   | General Funds             | Federal Funds | Other Funds | Total Funds |     |
| <b>Housing Development Authority</b>                                  |                           |               |             |             |     |
| Governor's House program  |                           |               | 1,607,971   | 1,607,971   |     |
| Federal program decreased and increases in insurance & staff workload |                           | (100,000)     | 270,866     | 170,866     |     |
| <b>Science and Tech. Authority</b>                                    |                           |               |             |             |     |
| SURF construction projects  |                           |               | 2,677,683   | 2,677,683   |     |
| <b>Building South Dakota</b>  |                           |               |             |             |     |
| align budget with anticipated disbursements                           |                           |               | 2,100,000   | 2,100,000   |     |
| Total   | -                         | (100,000)     | 6,656,520   | 6,556,520   | -   |

- ✓ See Budget Notes regarding these Expansions and Reductions on the following pages under the various programs.

## GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT

The mission of the Governor's Office of Economic Development is to work together with businesses, government organizations, educational institutions, and individual citizens to maximize and leverage public-private sector partnerships to generate new ideas, to develop new businesses, to strengthen existing businesses, and to encourage additional investment in South Dakota to improve the quality of life for all South Dakotans.

|                           | Actual<br>FY13 | Actual<br>FY14 | Budgeted<br>FY15 | Agency<br>Request<br>FY16 | Gov Rec<br>FY16 | Gov Rec<br>Inc/Dec for<br>FY16 | % Change<br>From<br>FY2015 |
|---------------------------|----------------|----------------|------------------|---------------------------|-----------------|--------------------------------|----------------------------|
| <b>Personal Services</b>  |                |                |                  |                           |                 |                                |                            |
| Employee Salaries         | 1,734,957      | 1,793,226      | 2,186,388        | 2,186,388                 | 2,186,388       | 0                              | 0.0%                       |
| Employee Benefits         | 504,672        | 566,532        | 623,391          | 623,391                   | 623,391         | 0                              | 0.0%                       |
| <b>FTE</b>                | 34.0           | 34.1           | 40.6             | 40.6                      | 40.6            | 0.0                            | 0.0%                       |
| <b>Funding Types</b>      |                |                |                  |                           |                 |                                |                            |
| General                   | 1,544,706      | 1,598,868      | 1,649,175        | 1,649,175                 | 1,649,175       | 0                              | 0.0%                       |
| Federal                   | 279,615        | 282,797        | 528,539          | 528,539                   | 528,539         | 0                              | 0.0%                       |
| Other                     | 415,308        | 478,094        | 632,065          | 632,065                   | 632,065         | 0                              | 0.0%                       |
| <b>Total PS</b>           | 2,239,629      | 2,359,759      | 2,809,779        | 2,809,779                 | 2,809,779       | 0                              | 0.0%                       |
| <b>Operating Expenses</b> |                |                |                  |                           |                 |                                |                            |
| Travel                    | 304,778        | 267,227        | 308,066          | 308,066                   | 308,066         | 0                              | 0.0%                       |
| Contractual Services      | 789,929        | 1,547,091      | 1,210,444        | 1,210,444                 | 1,210,444       | 0                              | 0.0%                       |
| Supplies & Materials      | 73,813         | 67,323         | 89,900           | 89,900                    | 89,900          | 0                              | 0.0%                       |
| Grants and Subsidies      | 19,265,449     | 15,950,260     | 31,021,555       | 31,021,555                | 31,021,555      | 0                              | 0.0%                       |
| Capital Outlay            | 59,768         | 4,919          | 5,000            | 5,000                     | 5,000           | 0                              | 0.0%                       |
| Other                     | 0              | 143,767        | 0                | 0                         | 0               | 0                              | 0.0%                       |
| <b>Funding Types</b>      |                |                |                  |                           |                 |                                |                            |
| General                   | 842,052        | 847,593        | 850,439          | 850,439                   | 850,439         | 0                              | 0.0%                       |
| Federal                   | 6,492,569      | 4,195,840      | 11,160,233       | 11,160,233                | 11,160,233      | 0                              | 0.0%                       |
| Other                     | 13,159,115     | 12,937,153     | 20,624,293       | 20,624,293                | 20,624,293      | 0                              | 0.0%                       |
| <b>Total OE</b>           | 20,493,736     | 17,980,586     | 32,634,965       | 32,634,965                | 32,634,965      | 0                              | 0.0%                       |
| <b>Totals</b>             |                |                |                  |                           |                 |                                |                            |
| <b>Funding Types</b>      |                |                |                  |                           |                 |                                |                            |
| General                   | 2,386,758      | 2,446,461      | 2,499,614        | 2,499,614                 | 2,499,614       | 0                              | 0.0%                       |
| Federal                   | 6,772,184      | 4,478,637      | 11,688,772       | 11,688,772                | 11,688,772      | 0                              | 0.0%                       |
| Other                     | 13,574,424     | 13,415,247     | 21,256,358       | 21,256,358                | 21,256,358      | 0                              | 0.0%                       |
| <b>Total</b>              | 22,733,365     | 20,340,345     | 35,444,744       | 35,444,744                | 35,444,744      | 0                              | 0.0%                       |

### Budget Notes

There were no recommended increases or decreases.

## State Programs Included in the Office of Economic Development's Budget:

- **State Energy Program** - created in § 1-33B-18 in FY 1983, the Energy Conservation Loan Special Revenue Fund in part contains federal money to be used for the purpose of making loans, leases, or grants for energy conservation. Also included in the fund is money from the Petroleum Violation Escrow (PVE) account, which is money received through oil overcharge lawsuit settlements. Any money in the fund is continuously appropriated.
- **Future Fund** – created in § 61-5-24.2, the Employer's Investment in South Dakota's Future Fund was created for the purpose of funding projects related to research and economic development for the state. It was created in 1987 by Gov. Mickelson from a special assessment on wages paid by South Dakota employers. The Future Fund supports the workforce development and technical assistance programs which help train employees, retrain employees during layoffs and support business recruitment, economic development initiatives, and research and entrepreneurial activities. Some Future Funds are grants, while others are loans, depending on the project. The FY14 ending cash balance was \$60,661,935.
- **Community Development Block Grants (CDBG)** - The federal CDBG Program provides states with annual direct grants, which they in turn award to smaller communities and rural areas for use in revitalizing neighborhoods, expanding affordable housing and economic opportunities, and/or improving community facilities and services.

Since 1974, CDBG has been the major source of annual grant funds for local governments nationwide. Communities can devote these funds to a wide-range of activities that best serve their own particular development priorities; provided that these projects (1) benefit low and moderate-income families, (2) prevent or eliminate slums or blight, or (3) meet other urgent community development needs.

The CDBG program is one of the nation's largest federal grant programs. Traditionally, the largest single use of state CDBG funds has been to provide public facilities. In the last few years, however, the program has been used to stimulate economic development activities that expand job and business opportunities for lower-income families and neighborhoods.
- **Revolving Economic Development and Initiative Fund** – created in § 1-16G-3 in 1987 under the Mickelson Administration. The REDI Fund is the corner staple of GOED's financing programs. To raise funds, a one cent sales tax was passed by the Legislature in 1987. For ten months, the tax hike created a \$40M pool of money known as the REDI Fund. The \$40M was expected to create just under 13,000 jobs but the program exceeded all expectations. The fund has created 31,914 direct jobs. The fund provides up to 45% of a project's total cost. The FY14 ending cash balance was \$65,486,417 (\$65,159,458 is REDI and \$326,959 is Building South Dakota REDI).
- **South Dakota WORKS** – This is a loan program to help South Dakota's small businesses expand. The program is funded by a \$13.2 million grant from the U.S. Treasury Department. It provides small businesses with working capital, startup funds, construction financing, and money for payroll and inventory. The state expects the program will generate at least \$10 in private lending for every \$1 in federal spending. That would mean the \$13.2 million federal grant will support \$132 million in private lending.

Eighteen loans have been approved, \$12.0 million has been allocated, and total project costs total \$89.2 million.

- **Proof of Concept Research Projects**– The Proof of Concept fund was established with a US Small Business FAST grant in 2012 and a \$500,000 one-time general fund appropriation in FY 2014. \$200,000 in Other Fund Authority was appropriated to be used to support “proof of concept” projects to assist with transitioning inventions and innovations into commercial products.

Eligible applicants include entrepreneurs, universities, existing South Dakota companies and other entities committed to commercializing the product in South Dakota. Applicants can apply for up to \$25,000 to support a project at any time. A matching cash or in-kind investment of at least 10 percent of the project cost is required and the funds must be repaid if the product is successfully commercialized.

To date, 23 Proof of Concept projects have been funded for a total of \$495,848. Funding for 3 projects has been repaid and repayment agreements are in place for 4 additional projects.

## DIVISION OF RESEARCH COMMERCE

The mission of the Division of Research Commerce is to increase research, development and commercialization for the betterment of South Dakota; provide staff support for the Research and Commercialization Council and coordinate implementation and evaluation of the Council's investments in the state's research and commercialization infrastructure; manage state, federal, (including EPSCoR), and private funds entrusted to this office for the purpose of promoting the development of the state's research infrastructure and knowledge-based economic development through commercialization of innovations, business start-ups, business expansion and attraction of new knowledge-based businesses; and work with private sector partners and organizations to leverage state and federal investments in the South Dakota research and commercialization infrastructure.

|                           | Actual<br>FY13 | Actual<br>FY14 | Budgeted<br>FY15 | Agency<br>Request<br>FY16 | Gov Rec<br>FY16 | Gov Rec<br>Inc/Dec for<br>FY16 | % Change<br>From<br>FY2015 |
|---------------------------|----------------|----------------|------------------|---------------------------|-----------------|--------------------------------|----------------------------|
| <b>Personal Services</b>  |                |                |                  |                           |                 |                                |                            |
| Employee Salaries         | 128,977        | 134,160        | 137,685          | 137,685                   | 137,685         | 0                              | 0.0%                       |
| Employee Benefits         | 33,616         | 37,195         | 36,176           | 36,176                    | 36,176          | 0                              | 0.0%                       |
| <b>FTE</b>                | 2.0            | 2.0            | 2.0              | 2.0                       | 2.0             | 0.0                            | 0.0%                       |
| <b>Funding Types</b>      |                |                |                  |                           |                 |                                |                            |
| General                   | 162,593        | 171,355        | 173,861          | 173,861                   | 173,861         | 0                              | 0.0%                       |
| Federal                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Other                     | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| <b>Total PS</b>           | 162,593        | 171,355        | 173,861          | 173,861                   | 173,861         | 0                              | 0.0%                       |
| <b>Operating Expenses</b> |                |                |                  |                           |                 |                                |                            |
| Travel                    | 9,114          | 8,098          | 6,070            | 6,070                     | 6,070           | 0                              | 0.0%                       |
| Contractual Services      | 6,586          | 7,352          | 9,737            | 9,737                     | 9,737           | 0                              | 0.0%                       |
| Supplies & Materials      | 957            | 963            | 910              | 910                       | 910             | 0                              | 0.0%                       |
| Grants and Subsidies      | 3,672,951      | 3,741,951      | 4,172,951        | 4,172,951                 | 4,172,951       | 0                              | 0.0%                       |
| Capital Outlay            | 61             | 303            | 0                | 0                         | 0               | 0                              | 0.0%                       |
| <b>Funding Types</b>      |                |                |                  |                           |                 |                                |                            |
| General                   | 3,689,668      | 3,689,668      | 3,689,668        | 3,689,668                 | 3,689,668       | 0                              | 0.0%                       |
| Federal                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Other                     | 0              | 69,000         | 500,000          | 500,000                   | 500,000         | 0                              | 0.0%                       |
| <b>Total OE</b>           | 3,689,668      | 3,758,668      | 4,189,668        | 4,189,668                 | 4,189,668       | 0                              | 0.0%                       |
| <b>Totals</b>             |                |                |                  |                           |                 |                                |                            |
| <b>Funding Types</b>      |                |                |                  |                           |                 |                                |                            |
| General                   | 3,852,261      | 3,861,023      | 3,863,529        | 3,863,529                 | 3,863,529       | 0                              | 0.0%                       |
| Federal                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Other                     | 0              | 69,000         | 500,000          | 500,000                   | 500,000         | 0                              | 0.0%                       |
| <b>Total</b>              | 3,852,261      | 3,930,023      | 4,363,529        | 4,363,529                 | 4,363,529       | 0                              | 0.0%                       |

### Budget Notes

There were no recommended increases or decreases.

# SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY

The vision of the South Dakota Housing Development Authority is to change people's lives by providing affordable housing opportunities. Mission - The South Dakota Housing Development Authority is a team of dedicated professionals who partner with others to achieve their vision of affordable housing through integrity, financial responsibility, innovation and sustainability.

|                           | Actual<br>FY13 | Actual<br>FY14 | Budgeted<br>FY15 | Agency<br>Request<br>FY16 | Gov Rec<br>FY16 | Gov Rec<br>Inc/Dec for<br>FY16 | % Change<br>From<br>FY2015 |
|---------------------------|----------------|----------------|------------------|---------------------------|-----------------|--------------------------------|----------------------------|
| <b>Personal Services</b>  |                |                |                  |                           |                 |                                |                            |
| Employee Salaries         | 2,796,052      | 2,759,590      | 3,403,771        | 3,403,771                 | 3,403,771       | 0                              | 0.0%                       |
| Employee Benefits         | 1,052,935      | 1,064,703      | 1,119,630        | 1,290,496                 | 1,290,496       | 170,866                        | 15.3%                      |
| <b>FTE</b>                | 57.5           | 53.3           | 65.0             | 65.0                      | 65.0            | 0.0                            | 0.0%                       |
| <b>Funding Types</b>      |                |                |                  |                           |                 |                                |                            |
| General                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Federal                   | 1,209,643      | 1,304,084      | 1,555,579        | 1,455,579                 | 1,455,579       | (100,000)                      | (6.4%)                     |
| Other                     | 2,639,344      | 2,520,209      | 2,967,822        | 3,238,688                 | 3,238,688       | 270,866                        | 9.1%                       |
| <b>Total PS</b>           | 3,848,987      | 3,824,293      | 4,523,401        | 4,694,267                 | 4,694,267       | 170,866                        | 3.8%                       |
| <b>Operating Expenses</b> |                |                |                  |                           |                 |                                |                            |
| Travel                    | 263,301        | 243,265        | 407,123          | 500,045                   | 500,045         | 92,922                         | 22.8%                      |
| Contractual Services      | 1,999,405      | 2,020,264      | 2,193,968        | 2,835,044                 | 2,835,044       | 641,076                        | 29.2%                      |
| Supplies & Materials      | 865,160        | 1,686,566      | 3,060,631        | 3,934,604                 | 3,934,604       | 873,973                        | 28.6%                      |
| Capital Outlay            | 190,098        | 234,034        | 247,827          | 247,827                   | 247,827         | 0                              | 0.0%                       |
| Other                     | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| <b>Funding Types</b>      |                |                |                  |                           |                 |                                |                            |
| General                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Federal                   | 559,977        | 572,128        | 679,308          | 679,308                   | 679,308         | 0                              | 0.0%                       |
| Other                     | 2,757,987      | 3,612,001      | 5,230,241        | 6,838,212                 | 6,838,212       | 1,607,971                      | 30.7%                      |
| <b>Total OE</b>           | 3,317,964      | 4,184,129      | 5,909,549        | 7,517,520                 | 7,517,520       | 1,607,971                      | 27.2%                      |
| <b>Totals</b>             |                |                |                  |                           |                 |                                |                            |
| <b>Funding Types</b>      |                |                |                  |                           |                 |                                |                            |
| General                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Federal                   | 1,769,620      | 1,876,212      | 2,234,887        | 2,134,887                 | 2,134,887       | (100,000)                      | (4.5%)                     |
| Other                     | 5,397,331      | 6,132,210      | 8,198,063        | 10,076,900                | 10,076,900      | 1,878,837                      | 22.9%                      |
| <b>Total</b>              | 7,166,951      | 8,008,422      | 10,432,950       | 12,211,787                | 12,211,787      | 1,778,837                      | 17.1%                      |

## Budget Notes

**A. Governor's House Program** – The Governor's recommendation includes an increase of \$1,607,971 in other fund expenditure authority due to changes in the Governor's House program. With the changed layout of the Governor's House from a two bedroom home to a 3-bedroom home and also several changes to the design in order to increase energy efficiency, there was an increase in other spending authority based on anticipated expenditures. The breakout of the \$1,607,971 operating expense increases in other fund expenditure authority is listed below:

|                      |                    |
|----------------------|--------------------|
| Travel               | \$92,922           |
| Contractual Services | \$641,076          |
| Supplies & Materials | <u>\$873,973</u>   |
| <b>TOTAL</b>         | <b>\$1,607,971</b> |

## 2014 Governor's House Improvements

### Envelope:

- Improved air sealing techniques resulting in a minimum of 50% decrease in air leakage as tested.
- Further reduction in thermal bridging by using advance framing techniques
- Switching to a blow-in-batt insulation to eliminate voids and uninsulated cavities
- Increase the assembly R-Value of the exterior walls from R-24 to R-29 by adding an additional 1" of high density foam sheathing. This also further reduces thermal bridging and degradation of cavity R-Value by warming the interior of the wall
- Increasing the Attic R-value from R-49 to R-60

### Windows:

- Changing from sliding windows to casement windows to decrease air infiltration.
- Improving window U-Value to .29

### Mechanical:

- Improving gas furnace to 96.1% efficiency
- Improving electric water heater to .93 Efficiency Factor.
- Addition of a Heat Recovery Ventilator to improve indoor air quality. Heat Recovery Ventilators pull fresh exterior air in balanced fashion to replace stale indoor air. As the intake air is brought into the unit as much as 65% of the heat is recovered from stale exhaust air.
- At least 80% of interior and exterior light fixtures will have compact fluorescent bulbs installed.

### 3<sup>rd</sup> Party Energy Star certification:

- Plant and facilities will be monitored by a 3<sup>rd</sup> party for quality, energy efficient product usage, installation methods and performance
- Homes will be eligible for Energy Star for New Home certification, should the homeowner choose. Certification may require field testing once the home is set on a foundation and complete. Only homes with gas furnaces will be eligible.
- Energy Star certified homes will be eligible for EEM (Energy Efficient Mortgage) which will help a homeowner leverage energy savings into purchasing power.

**Homeowners should see at least 15-25% decrease in energy usage from previous Governor's Houses.**

**New Sales Prices: 2-Bedroom \$39,800, 3-Bedroom \$45,500**

**B. Insurance/Staff workloads/federal program decreased** – A federal program was decreased (\$100,000 reduction in federal spending authority and \$100,000 increase in other spending authority for salaries). The Neighborhood Stabilization Program has ended which was part of the Housing and Economic Recovery Act of 2008 (HERA). It is CFDA 14.228 Community Development Block Grants/State's Program

There was an increase in other spending authority of \$170,866 based on an anticipated increase in insurance and the movement of part time staff to full time/full benefits due to the increased work load in the Governor's House program. **This results in a net increase of \$270,886 in other fund expenditure authority along with a decrease of \$100,000 in federal fund expenditure authority.** Part-time staff averaged less than 20 hours and had no benefits –

now they will be close to full-time with benefits. In addition, it will take two extra people to place the larger homes.

## SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

The mission of South Dakota Science and Technology Authority (SDSTA) is to foster and facilitate scientific and technological investigation, experimentation, and development by creating a mechanism through which laboratory, experimental, and development facilities may be acquired, developed, constructed, maintained, operated, and decommissioned.

In support of this mission, the SDSTA operates the Sanford Underground Research Facility (SURF) in Lead, SD to advance our understanding of the universe. The facility is the deepest underground science laboratory in the U.S. The SURF hosts science experiments deep underground to provide the low-background environment required for world leading physics research. The Department of Energy's Office of High Energy Physics funds the SURF operations activities through subcontract between the SDSTA and the Lawrence Berkeley National Laboratory.

|                           | Actual<br>FY13 | Actual<br>FY14 | Budgeted<br>FY15 | Agency<br>Request<br>FY16 | Gov Rec<br>FY16 | Gov Rec<br>Inc/Dec for<br>FY16 | % Change<br>From<br>FY2015 |
|---------------------------|----------------|----------------|------------------|---------------------------|-----------------|--------------------------------|----------------------------|
| <b>Personal Services</b>  |                |                |                  |                           |                 |                                |                            |
| Employee Salaries         | 1,813,086      | 2,422,776      | 1,978,996        | 2,368,060                 | 2,368,060       | 389,064                        | 19.7%                      |
| Employee Benefits         | 361,427        | 507,965        | 582,809          | 567,326                   | 567,326         | (15,483)                       | (2.7%)                     |
| <b>FTE</b>                | 29.0           | 32.5           | 33.0             | 33.0                      | 33.0            | 0.0                            | 0.0%                       |
| <b>Funding Types</b>      |                |                |                  |                           |                 |                                |                            |
| General                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Federal                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Other                     | 2,174,513      | 2,930,741      | 2,561,805        | 2,935,386                 | 2,935,386       | 373,581                        | 14.6%                      |
| <b>Total PS</b>           | 2,174,513      | 2,930,741      | 2,561,805        | 2,935,386                 | 2,935,386       | 373,581                        | 14.6%                      |
| <b>Operating Expenses</b> |                |                |                  |                           |                 |                                |                            |
| Travel                    | 22,895         | 26,274         | 28,660           | 25,000                    | 25,000          | (3,660)                        | (12.8%)                    |
| Contractual Services      | 763,251        | 516,896        | 3,881,058        | 570,000                   | 570,000         | (3,311,058)                    | (85.3%)                    |
| Supplies & Materials      | 82,219         | 182,496        | 16,180           | 185,000                   | 185,000         | 168,820                        | 1,043.4%                   |
| Grants and Subsidies      | 4,096,541      | 562,575        | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Capital Outlay            | 5,216,912      | 5,571,033      | 0                | 5,450,000                 | 5,450,000       | 5,450,000                      | 0.0%                       |
| <b>Funding Types</b>      |                |                |                  |                           |                 |                                |                            |
| General                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Federal                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Other                     | 10,181,818     | 6,859,274      | 3,925,898        | 6,230,000                 | 6,230,000       | 2,304,102                      | 58.7%                      |
| <b>Total OE</b>           | 10,181,818     | 6,859,274      | 3,925,898        | 6,230,000                 | 6,230,000       | 2,304,102                      | 58.7%                      |
| <b>Totals</b>             |                |                |                  |                           |                 |                                |                            |
| <b>Funding Types</b>      |                |                |                  |                           |                 |                                |                            |
| General                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Federal                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Other                     | 12,356,331     | 9,790,015      | 6,487,703        | 9,165,386                 | 9,165,386       | 2,677,683                      | 41.3%                      |
| <b>Total</b>              | 12,356,331     | 9,790,015      | 6,487,703        | 9,165,386                 | 9,165,386       | 2,677,683                      | 41.3%                      |

## Budget Notes

- A. **Sanford Underground Research Facility Construction Projects** – There were various increases and decreases based on anticipated expenditures – this was a total net decrease of **(\$2,772,317)** in other fund expenditure authority. There was also an increase of **\$5,450,000** based on costs for the Compact Accelerator System Performing Astrophysical Research (CASPAR) Experiment & Facility Development, BHSU Facility Development, and BHSU Jonas Science Building Renovation along with continued Ross Shaft Steel Replacement. **This is a total other fund expenditure authority increase of \$2,677,683.** The breakout of the \$5.45M in Other Fund Authority is as follows:
- \$2,950,000 Ross Shaft
  - \$2,000,000 BHSU Jonas Science Building
  - \$500,000 CASPAR/BHSU Underground Facility

### **Time-line for the Science and Technology Authority**

- On February 11, 2004, the Legislature created the Science and Technology Authority and committed \$14.3 million of general funds to the Homestake proposal.
- On October 14, 2005, the Legislature, in a special session, approved \$19.9 million to develop the interim laboratory at Homestake.
- On June 26, 2006, Sioux Falls Banker and philanthropist Denny Sanford announced that he would donate \$70 million to the Science and Technology Authority that would allow for completing laboratory space at the 4,850 foot level, improving hoists and reducing operating costs, as well as pumping out accumulated water. The gift also provided funds for a science education center, as well as funds for preparing the 7,400L foot level. The donation consisted of \$35 million dedicated to rehab to the 4,850 foot level, \$20 million dedicated to education and outreach programs, and \$15 million dedicated to the DUSEL or 8000 foot level.
- On July 10, 2007, the Governor announced that the National Science Foundation (NSF) had selected the former Homestake mine as the site to be developed as the proposed Deep Underground Science and Engineering Laboratory (DUSEL).
- The NSF has indicated their intention to provide \$5 million a year for 3 years to develop a more specific technical design for the laboratory. The NSF committed another \$29.1 million for a preliminary design of the DUSEL.
- In 2010 as part of the General Appropriations Act for FY2011, \$5.4 million was authorized to be transferred from other state funds to the Science and Technology Authority to bridge the anticipated gap in funding needed from December 2010 to May 2011. \$1.5 million from the state aeronautics fund, \$1 million from the tax relief fund, \$2 million from the petroleum release compensation fund, \$400,000 from the private activity bond fees fund, and \$500,000 from the telecommunications fund for the deaf and the telecommunications fund for other disabilities.
- To date the authority has received \$43.0 million in total general fund and other state funds since its inception. Two million in general funds was a FY14 one-time special appropriation. This \$2 million replaced steel in the Ross Shaft. The upgrade enables the underground lab to accommodate the excavations necessary for future experiments, and will extend the lab into the future. The funding accelerates the work that is being undertaken to rehabilitate the Ross Shaft, which is one of the two vertical shafts that gives access to the Davis Campus where both of the major experiments are located.
- December 2, 2010, The National Science Board (NSB) — which must approve large outlays by the NSF — decided to refuse 'bridge funding' of \$29 million. NSF program managers had

requested the amount to allow continued development of a design proposal that would in turn be voted on in 2011. In July 2011, the Department of Energy agreed to fund operations at the Sanford Underground Laboratory during the FY2012, while weighing how to use Homestake's great depth for larger, long-term experiments.

- \$15 million had been committed in the U.S. Department of Energy budget for the federal fiscal year beginning in October 2011. The National Science Foundation continued to fund operations at the Sanford Lab until Congress approved the 2012 budget for the Department of Energy. While the Department of Energy's proposed 2012 budget included \$15 million to fund basic operations at the lab, the congressional continuing resolution prevented the agency from funding what is considered to be new projects until the budget was approved, Sanford Lab officials said. Therefore, since the National Science Foundation funded lab operations in 2011, that agency agreed to continue to pick up the tab until Congress passed the budget for 2012.
- Federal FY12 funding for the lab was approved by Congress and went into effect when the President signed the omnibus bill in December 2011.
- January 2013 – Scientists have been given the Dept. of Energy's approval to move forward with plans for a \$50 million building that will eventually house a neutrino detector in Lead. The Long Baseline Neutrino Experiment is expected to be an \$870 million, multi-phase project. Scientists will shoot a beam of neutrinos from Fermilab, near Chicago, to Kirk Canyon in Lead, where a surface-based detector will help scientists study the properties of the subatomic particles.
- The U.S. Department of Energy is looking to find the additional \$500 million from International sources including the European Union to take the Long Baseline Neutrino Experiment detector underground to the 4850 level. If successful, the construction costs at Sanford Lab, to be completed by the DOE would rise to approximately \$300 million. They are looking for both domestic and international participation to accomplish this.
- August 2013 – Sanford Lab and BHSU partner in new science education center – This is a \$4.5M project to convert the Jonas Science building on the BHSU campus into a facility to complement Sanford Lab's education efforts in Lead. \$2.5M was donated by SDSTA (that money came from T. Denny Sanford's \$70 million gift). BHSU matched the Sanford donation with \$2M from the Higher Education Facility Fund and other sources.
- A new experiment buried deep underground has proven itself to be the most sensitive dark-matter detector ever built. But the first results from the high-tech instrument have turned up empty in its search for elusive dark matter, scientists announced on October 30, 2013. Housed 1 mile (1.6 kilometers) underground, the Large Underground Xenon (LUX) experiment's sensitivity makes it better at seeking out dark Matter than any other detectors built for that purpose. Although the powerful dark matter detector has just completed its first run, LUX has not yet found conclusive evidence of the elusive substance. A second data taking commenced in October 2014.
- January 2014 – Compact Accelerator System for Performing Astrophysical Research (CASPAR) will be at the 4850 Level. Researchers from Notre Dame, SDSM&T and Colorado School of Mines are going underground to study processes in stars that produce half of all the elements in the universe. Laboratory site is expected to be ready by May 2015. Installation of CASPAR will begin in June 2015. The goal is to begin the first experiment in 2016.
- July 2014 – Construction crews begin the new Sanford Lab Homestake Visitor Center in Lead. Twenty-two piers supporting the foundation have been completed along with a

reinforced foundation slab. Structural steel has been installed. A June 2015 opening is planned. The budgeted cost for this project is \$5,101,434. It is funded by \$1M Future Fund, \$75,000 in private donations, and \$4,026,434 from Sanford Gift #2.

- August 2014 - Next generation experiment called LUX-ZEPLIN (LZ) has been selected by DOE for construction. LZ will build on the Large Underground Xenon (LUX) experiment, which has been operating at the 4850 Level of SURF since 2012. Construction on the supersized detector is scheduled to begin in 2016, and is expected to be operational in 2018.

The Authority's year-end cash balances, as reported on the state's accounting system, are comprised of the following:

| Description               | Jun-05               | Jun-06               | Jun-07               | Jun-08               | Jun-09               | Jun-10               | Jun-11               | Jun-12               | Jun-13               | Jun-14               |
|---------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Operating Funds           | \$ 369,672           | \$ 677,896           | \$ 277,761           | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| Indemnification Fund      | \$ 10,039,262        | \$ 10,264,452        | \$ 10,000,000        | \$ 10,000,000        | \$ 10,000,000        | \$ 10,000,000        | \$ 10,000,000        | \$ 10,000,000        | \$ 10,000,000        | \$ 10,000,000        |
| Mine Closure Fund         | \$ 803,141           | \$ 1,021,156         | \$ 1,046,876         | \$ 1,088,989         | \$ 1,144,552         | \$ 1,197,450         | \$ 1,256,881         | \$ 1,299,217         | \$ 1,329,564         | \$ 1,349,275         |
| Insurance Premiums        | \$ 2,464,480         | \$ 2,519,761         | \$ 1,974,068         | \$ 1,833,411         | \$ 1,833,411         | \$ 1,068,069         | \$ 483,005           | \$ -                 | \$ -                 | \$ -                 |
| Sanford                   | \$ -                 | \$ -                 | \$ -                 | \$ 15,000,000        | \$ 31,989,683        | \$ 18,635,642        | \$ 6,886,182         | \$ 7,480,743         | \$ 4,117,760         | \$ 2,843,598         |
| Sanford Gift #2           | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ 12,500,000        | \$ 12,500,000        | \$ 5,000,000         | \$ 20,000,000        | \$ 14,067,013        |
| Interim Lab               | \$ -                 | \$ 19,887,630        | \$ 19,887,660        | \$ 19,244,974        | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| SB 196 Transfers          | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ 2,356,642         | \$ -                 | \$ -                 | \$ -                 |
| <b>Total Cash Balance</b> | <b>\$ 13,676,555</b> | <b>\$ 34,370,895</b> | <b>\$ 33,186,365</b> | <b>\$ 47,167,374</b> | <b>\$ 44,967,646</b> | <b>\$ 43,401,161</b> | <b>\$ 33,482,710</b> | <b>\$ 23,779,960</b> | <b>\$ 35,447,324</b> | <b>\$ 28,259,886</b> |

The following worksheet is Funding Provided, Expenditures, and Cash Balances of Cash Basis Activity on the State's Accounting System from FY 2004 through FY 2014 for the authority:



## SD ENERGY INFRASTRUCTURE AUTHORITY

The South Dakota Energy Infrastructure Authority is created to diversify and expand the state's economy by developing in this state the energy production facilities and the energy transmission facilities necessary to produce and transport energy to markets within the state and outside of the state.

|                           | Actual<br>FY13 | Actual<br>FY14 | Budgeted<br>FY15 | Agency<br>Request<br>FY16 | Gov Rec<br>FY16 | Gov Rec<br>Inc/Dec for<br>FY16 | % Change<br>From<br>FY2015 |
|---------------------------|----------------|----------------|------------------|---------------------------|-----------------|--------------------------------|----------------------------|
| <b>Personal Services</b>  |                |                |                  |                           |                 |                                |                            |
| Employee Salaries         | 0              | 0              | 22,223           | 22,223                    | 22,223          | 0                              | 0.0%                       |
| Employee Benefits         | 0              | 0              | 5,143            | 5,143                     | 5,143           | 0                              | 0.0%                       |
| <b>FTE</b>                | 0.0            | 0.0            | 0.0              | 0.0                       | 0.0             | 0.0                            | 0.0%                       |
| <b>Funding Types</b>      |                |                |                  |                           |                 |                                |                            |
| General                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Federal                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Other                     | 0              | 0              | 27,366           | 27,366                    | 27,366          | 0                              | 0.0%                       |
| <b>Total PS</b>           | 0              | 0              | 27,366           | 27,366                    | 27,366          | 0                              | 0.0%                       |
| <b>Operating Expenses</b> |                |                |                  |                           |                 |                                |                            |
| Travel                    | 0              | 0              | 13,999           | 13,999                    | 13,999          | 0                              | 0.0%                       |
| Contractual Services      | 0              | 0              | 16,407           | 16,407                    | 16,407          | 0                              | 0.0%                       |
| Supplies & Materials      | 0              | 0              | 1,200            | 1,200                     | 1,200           | 0                              | 0.0%                       |
| <b>Funding Types</b>      |                |                |                  |                           |                 |                                |                            |
| General                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Federal                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Other                     | 0              | 0              | 31,606           | 31,606                    | 31,606          | 0                              | 0.0%                       |
| <b>Total OE</b>           | 0              | 0              | 31,606           | 31,606                    | 31,606          | 0                              | 0.0%                       |
| <b>Totals</b>             |                |                |                  |                           |                 |                                |                            |
| <b>Funding Types</b>      |                |                |                  |                           |                 |                                |                            |
| General                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Federal                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Other                     | 0              | 0              | 58,972           | 58,972                    | 58,972          | 0                              | 0.0%                       |
| <b>Total</b>              | 0              | 0              | 58,972           | 58,972                    | 58,972          | 0                              | 0.0%                       |

### Budget Notes

There were no recommended increases or decreases.

## SD ELLSWORTH DEVELOPMENT AUTHORITY

The South Dakota Ellsworth Development Authority was created to protect and promote the economic impact of Ellsworth Air Force Base and associated industry.

|                           | Actual<br>FY13 | Actual<br>FY14 | Budgeted<br>FY15 | Agency<br>Request<br>FY16 | Gov Rec<br>FY16 | Gov Rec<br>Inc/Dec for<br>FY16 | % Change<br>From<br>FY2015 |
|---------------------------|----------------|----------------|------------------|---------------------------|-----------------|--------------------------------|----------------------------|
| <b>Personal Services</b>  |                |                |                  |                           |                 |                                |                            |
| Employee Salaries         | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| <b>FTE</b>                | 0.0            | 0.0            | 0.0              | 0.0                       | 0.0             | 0.0                            | 0.0%                       |
| <b>Funding Types</b>      |                |                |                  |                           |                 |                                |                            |
| General                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Federal                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Other                     | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| <b>Total PS</b>           | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| <b>Operating Expenses</b> |                |                |                  |                           |                 |                                |                            |
| Travel                    | 8,061          | 8,503          | 16,200           | 16,200                    | 16,200          | 0                              | 0.0%                       |
| Contractual Services      | 365,522        | 329,629        | 575,960          | 575,960                   | 575,960         | 0                              | 0.0%                       |
| Supplies & Materials      | 1,537          | 760            | 2,020            | 2,020                     | 2,020           | 0                              | 0.0%                       |
| <b>Funding Types</b>      |                |                |                  |                           |                 |                                |                            |
| General                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Federal                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Other                     | 375,120        | 338,892        | 594,180          | 594,180                   | 594,180         | 0                              | 0.0%                       |
| <b>Total OE</b>           | 375,120        | 338,892        | 594,180          | 594,180                   | 594,180         | 0                              | 0.0%                       |
| <b>Totals</b>             |                |                |                  |                           |                 |                                |                            |
| <b>Funding Types</b>      |                |                |                  |                           |                 |                                |                            |
| General                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Federal                   | 0              | 0              | 0                | 0                         | 0               | 0                              | 0.0%                       |
| Other                     | 375,120        | 338,892        | 594,180          | 594,180                   | 594,180         | 0                              | 0.0%                       |
| <b>Total</b>              | 375,120        | 338,892        | 594,180          | 594,180                   | 594,180         | 0                              | 0.0%                       |

### Budget Notes

There were no recommended increases or decreases.

## BUILDING SOUTH DAKOTA PROGRAM

The Building South Dakota (BSD) fund was created during the 2013 Session (SB235) for the purpose of building and reinvesting in South Dakota's economy and to create high quality jobs. The Contractors' excise tax on facilities with project costs exceeding \$20M dollars are deposited into this fund. Money from this fund is disbursed for the following purposes: (1) 25% transferred to the local infrastructure improvement grant fund; (2) 15% transferred to the economic development partnership fund; (3) 30% transferred to the workforce education fund; (4) 25% transferred to the South Dakota housing opportunity fund and (5) 5% transferred to the revolving economic development and initiative (REDI) fund for the purpose of making grants to projects that have a total project cost of less than \$20M dollars. Each department administering the funds shall report annually to the Government Operations and Audit Committee about the operations and results of the BSD Fund. Included under the Building South Dakota Program are the following informational budgets: REDI Grants (\$350,000), Local Infrastructure Improvement (\$1,750,000), Economic Development Partnership (\$1,050,000) and SD Housing Opportunity (\$1,750,000). These four funds total the \$4,900,000 listed below that was budgeted for FY15. The Workforce Education Fund is under the Department of Education. Originally SB235 called for a portion of the unclaimed property deposited in the general fund to be transferred to this fund. However, during the 2014 Session, SB158 repealed the unclaimed property transfer into the BSD Fund (see SB158 for more information). During the 2014 Session, SB157 passed and \$30M in general funds was appropriated to provide a \$10M transfer each year to the BSD Fund for FY15, FY16, and FY17, removing the need for ongoing funding for these years.

|                           | Actual<br>FY13 | Actual<br>FY14 | Budgeted<br>FY15 | Agency<br>Request<br>FY16 | Gov Rec<br>FY16  | Gov Rec<br>Inc/Dec for<br>FY16 | % Change<br>From<br>FY2015 |
|---------------------------|----------------|----------------|------------------|---------------------------|------------------|--------------------------------|----------------------------|
| <b>Operating Expenses</b> |                |                |                  |                           |                  |                                |                            |
| Grants and Subsidies      | 0              | 424,480        | 4,900,000        | 7,000,000                 | 7,000,000        | 2,100,000                      | 42.9%                      |
| <b>Funding Types</b>      |                |                |                  |                           |                  |                                |                            |
| General                   | 0              | 0              | 0                | 0                         | 0                | 0                              | 0.0%                       |
| Federal                   | 0              | 0              | 0                | 0                         | 0                | 0                              | 0.0%                       |
| Other                     | 0              | 424,480        | 4,900,000        | 7,000,000                 | 7,000,000        | 2,100,000                      | 42.9%                      |
| <b>Total OE</b>           | <b>0</b>       | <b>424,480</b> | <b>4,900,000</b> | <b>7,000,000</b>          | <b>7,000,000</b> | <b>2,100,000</b>               | <b>42.9%</b>               |
| <b>Totals</b>             |                |                |                  |                           |                  |                                |                            |
| <b>Funding Types</b>      |                |                |                  |                           |                  |                                |                            |
| General                   | 0              | 0              | 0                | 0                         | 0                | 0                              | 0.0%                       |
| Federal                   | 0              | 0              | 0                | 0                         | 0                | 0                              | 0.0%                       |
| Other                     | 0              | 424,480        | 4,900,000        | 7,000,000                 | 7,000,000        | 2,100,000                      | 42.9%                      |
| <b>Total</b>              | <b>0</b>       | <b>424,480</b> | <b>4,900,000</b> | <b>7,000,000</b>          | <b>7,000,000</b> | <b>2,100,000</b>               | <b>42.9%</b>               |

### Budget Notes

**Align budget with anticipated disbursements** – An increase of \$2,100,000 in other fund expenditure authority is to align the Building South Dakota budget with anticipated grants awarded. Below is a breakdown of the additional amount recommended for each fund:

|                                  |                    |
|----------------------------------|--------------------|
| REDI Grants                      | \$150,000          |
| Local Infrastructure Improvement | \$750,000          |
| Economic Development Partnership | \$450,000          |
| SD Housing Opportunity           | <u>\$750,000</u>   |
| <b>TOTAL</b>                     | <b>\$2,100,000</b> |

The \$2.1M is an increase to each fund so that the total appropriation equals \$10M (as per SB157). Previously, \$7M was the start-up amount appropriated to the fund. \$10M was transferred to this fund in FY15. \$10M will be transferred in FY16 and also in FY17.

- **REDI Grants:** previous amount \$350,000 - new amount \$500,000. Difference \$150,000
- **Local Infrastructure Improvement:** previous amount \$1,750,000 – new amount \$2.5M. Difference \$750,000
- **SD Housing Opportunity:** previous amount \$1,750,000 – new amount \$2.5M. Difference \$750,000
- **Economic Development Partnership:** previous amount \$1,050,000 – new amount \$1.5M. Difference \$450,000.

| <b>Other Fund Balances</b>   |           |                                    |            |                  |  |               |
|--|-----------|------------------------------------|------------|------------------|--|---------------|
| Company and Fund Name  | Blue Book | Ending Cash and Investment Balance |            | 60-Month Average | Lowest Monthly Cash Balance in Past Five Years |               |
|  | Page      | June 30                            |            | Cash Balance     | Balance in Past Five Years                     |               |
|  |           | FY2013                             | FY2014     |                  | Amount   | Month         |
| Company 3016 - Employer's Investment in South Dakota's Future Fund | 14        | 46,016,891                         | 60,661,935 | 34,998,885       | 22,341,568                                     | March 2010    |
| Company 3178 - Energy Conservation Loan Special Revenue Fund       | 15        | 7,533,031                          | 5,627,683  | 8,015,574        | 5,545,214                                      | May 2014      |
| Company 3178 - GOED Special Revenue Fund                           | 16        | 520,592                            | 576,416    | 401,680          | 93,427   | November 2010 |
| Company 3178 - Ethanol Infrastructure Incentive Fund               | 17        | 1,165,588                          | 1,452,888  | 626,843          | (1,661)  | January 2012  |
| Company 3186 - Economic Development Partnership Fund               | 18        | 1,050,000                          | 879,948    | 230,538          | 879,948  | June 2014     |
| Company 3187 - Local Infrastructure Grant Fund                     | 19        | 1,750,000                          | 1,528,136  | 396,856          | 1,528,136                                      | May 2014      |
| Company 3188 - SD Housing Opportunity Fund                         | 20        | 2,094,750                          | 2,100,858  | 489,793          | 2,094,750                                      | May 2013      |
| Company 6510 - Revolving Economic Development and Initiative Fund  | 21        | 61,906,252                         | 65,486,417 | 49,148,169       | 33,115,670                                     | July 2009     |
| Company 6518 - Science and Technology Authority                    | 22        | 35,447,324                         | 28,259,887 | 37,014,251       | 22,760,960                                     | July 2012     |
| Company 6527 - South Dakota Energy Infrastructure Authority        | 23        | 312                                | 312        | 312              | 312  | July 2009     |
| Company 6529 - South Dakota Ellsworth Development Authority        | 24        | 0                                  | 0          | 0                | 0  | July 2009     |
| Company 9012 - Proof-of-Concept Fund                               | 25        | 500,000                            | 451,000    | 105,100          | N/A  | N/A           |

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

### **FY15 Emergency Special Appropriation**

**Ross Shaft Upgrades (SB174):** The Governor is recommending \$3,950,000 in general funds be used to upgrade the Ross Shaft as part of the long-term plan at the Sanford Underground Research Facility.

**Governor's Recommended Compensation Plan and Billings Pool (page 01-23 of the Governor's FY16 Budget Book)**

For FY16, the Governor recommended the 1) state employee compensation plan, 2) bureau billings, and 3) that captive insurance be placed in a pool in BFM to be distributed to each agency. *Therefore, individual agency personal services and contractual services budgets do not reflect budget increases for the compensation plan, bureau billings, or captive insurance.*

1. Below are the estimated distributions for employee compensation for FY16. BFM will distribute dollars from the Pool after employees are placed in the new General Pay Structure and career band pay-for-performance scores and percentages are calculated. The distributed amount to the agency will be in addition to the agency's appropriated personal services budget.

**Salary policy is not available since data is not broken out for GOED – only have information on the entire Governor's Office.**

- ✓ Recommended FY16 – 2% market adjustment for all permanent employees (except Career Bands); 0%-6.6% market adjustments for Career Bands; 2.5% movement toward market value for General Pay Structure and PACE; 0% to 4.5% pay for performance for Career Bands; 0% health insurance.
- ✓ FY15 – 3% across-the-board/market adjustment for all permanent employees (including Career Bands); 3% adjustment toward job worth for PACE; 0%-4.5% pay for performance for Career Bands; targeted compensation adjustments for a small number of hard-to-fill, below market vocational jobs; 18.6% health insurance.
- ✓ FY14 – 3% across-the-board for all permanent employees (except Career Bands); 3.5% to 4% market adjustment for Career Bands; 3.5% adjustment toward job worth for PACE; 0%-4.5% pay for performance for Career Bands; 14.7% health insurance.
- ✓ FY13 – 3% across-the-board for all permanent employees (including Career Bands); 2.5% adjustment toward job worth for PACE; 0%-7% adjustment toward market value for Career Bands; 3.3% health insurance.

2. Below are the estimated distributions for bureau billings for FY16. The amount distributed to the agency will be in addition to the agency's appropriated contractual services budget.

**Bureau Billings are not available since data is not broken out for GOED – only have information on the entire Governor's Office.**

3. The estimated distribution for Captive Insurance is not available at this time.

## Federal Funds Project

The 2015 Joint Committee on Appropriations Budget Call Letter to agencies requested information on the amount of federal funds the agency expects in FY2016 and a contingency plan if the expected funds were to decrease. In FY13 (the most recent audited material), the Governor's Office of Economic Development (also including Housing Development Authority, Science & Technology Authority, and Ellsworth Authority) received 28 federal grants and expended \$128,195,034 in federal funds.

STATE OF SOUTH DAKOTA  
 Schedule of Expenditures of Federal Awards by Federal Department  
 Fiscal Year Ended June 30, 2013

| State Agency                              | CFDA Number | Federal Agency                                 | Program  | FY13 Expenditures/ Disbursements/ Issuances | Mandatory (M) / Discretionary (D) | Match Rate State Share%/Fed Share %                                   | Funding Available in FY16? If "No/Unknown", provide your contingency plan. If "Yes", provide dollar amount     | Difference   |
|---|-------------|--|--|---|-----------------------------------|---|--|--------------|
| Governor's Office of Economic Development | 14.228      | Office of Community Planning and Development   | Community Development Block Grants/State's Program                     | 6,381,724                                   | D                                 | 2% of award used for admin requires 50% state match/50% federal share | Yes. Congressional bill has passed but award amount is unknown at this time. Anticipate same level - \$5.3M    | (1,081,724)  |
| Governor's Office of Economic Development | 10.767      | Rural Business - Cooperative Service           | Intermediary Relending Program (Note 3)                                | 2,643,568                                   | D                                 |   | No. Apex program is no longer marketed/offered. Only managing existing loans.                                  | (2,643,568)  |
| Governor's Office of Economic Development | 81.128      | Department of Energy                           | ARRA - Local Government Energy Efficiency Block Grant                  | 1,703,187                                   | D                                 |   | ARRA grant has been expended and closed.   | (1,703,187)  |
| Governor's Office of Economic Development | 81.041      | Department of Energy                           | State Energy Program   | 386,205                                     | D                                 | 20% match required. Awarded projects provide the match.               | Amount is unknown at this time. Anticipate same level of \$277,620. Contingency - no further projects awarded. | (108,585)    |
| Governor's Office of Economic Development | 93.525      | Centers for Medicare & Medicaid Services       | State Planning & Establishment Grant for Affordable Care Act Exchanges | 259,504                                     | D                                 |   | No - Awarded through Governors Office - one time planning award completed                                      | (259,504)    |
| Governor's Office of Economic Development | 59.058      | Small Business Administration                  | Federal and State Technology (FAST) Partnership Program                | 38,131                                      | D                                 |   | No. One-time award completed.  | (38,131)     |
| Governor's Office of Economic Development | 59.058      | Small Business Administration                  | Federal and State Technology (FAST) Partnership Program                | 27,333                                      | D                                 |   | No. One-time award completed.  | (27,333)     |
| Governor's Office of Economic Development | 59.058      | Small Business Administration                  | Federal and State Technology (FAST) Partnership Program                | 25,948                                      | D                                 |   | One-time award that will be completed by 9/30/15.  | (25,948)     |
| Governor's Office of Economic Development | 81.138      | Department of Energy                           | State Heating Oil and Propane Program                                  |   | D                                 | No Match  | Yes. \$2,940   | 2,940        |
| Housing Development Authority             | 14.239      | Office of Community Planning and Development   | Home Investment Partnerships Program (Note 3G)                         | 55,680,345                                  | D                                 | 25% State/Local Share; 75% Federal Share                              | 5,000,000 (FY13 includes outstanding loan balances) Funding remains consistent at \$5M.                        | -            |
| Housing Development Authority             | 14.182      | Housing  | Section 8 New Construction and Substantial Rehabilitation              | 24,606,828                                  | D                                 |   | 0 23,000,000   | (1,606,828)  |
| Housing Development Authority             | 14.228      | Office of Community Planning and Development   | Community Development Block Grants/State's Program                     | 20,399,125                                  | D                                 |   | ARRA Grant completed and closed  | (20,399,125) |
| Housing Development Authority             | 14.239      | Office of Community Planning and Development   | Home Investment Partnerships Program (Note 3G)                         | 546,463                                     | D                                 |   | 0 300,000  | (246,463)    |
| Housing Development Authority             | 14.231      | Office of Community Planning and Development   | Emergency Solutions Grants Program                                     | 359,205                                     | D                                 | 1 - 1 match   | 500,000  | 140,795      |
| Housing Development Authority             | 14.257      | Office of Community Planning and Development   | ARRA - Homelessness Prevention and Rapid Re- Housing Program           | 255,163                                     | D                                 |   | 0 Completed and closed   | (255,163)    |
| Housing Development Authority             | 14.169      | Office of Housing-Federal Housing Commissioner | Housing Counseling Assistance Program                                  | 173,494                                     | D                                 |   | 0 183,065  | 9,571        |

