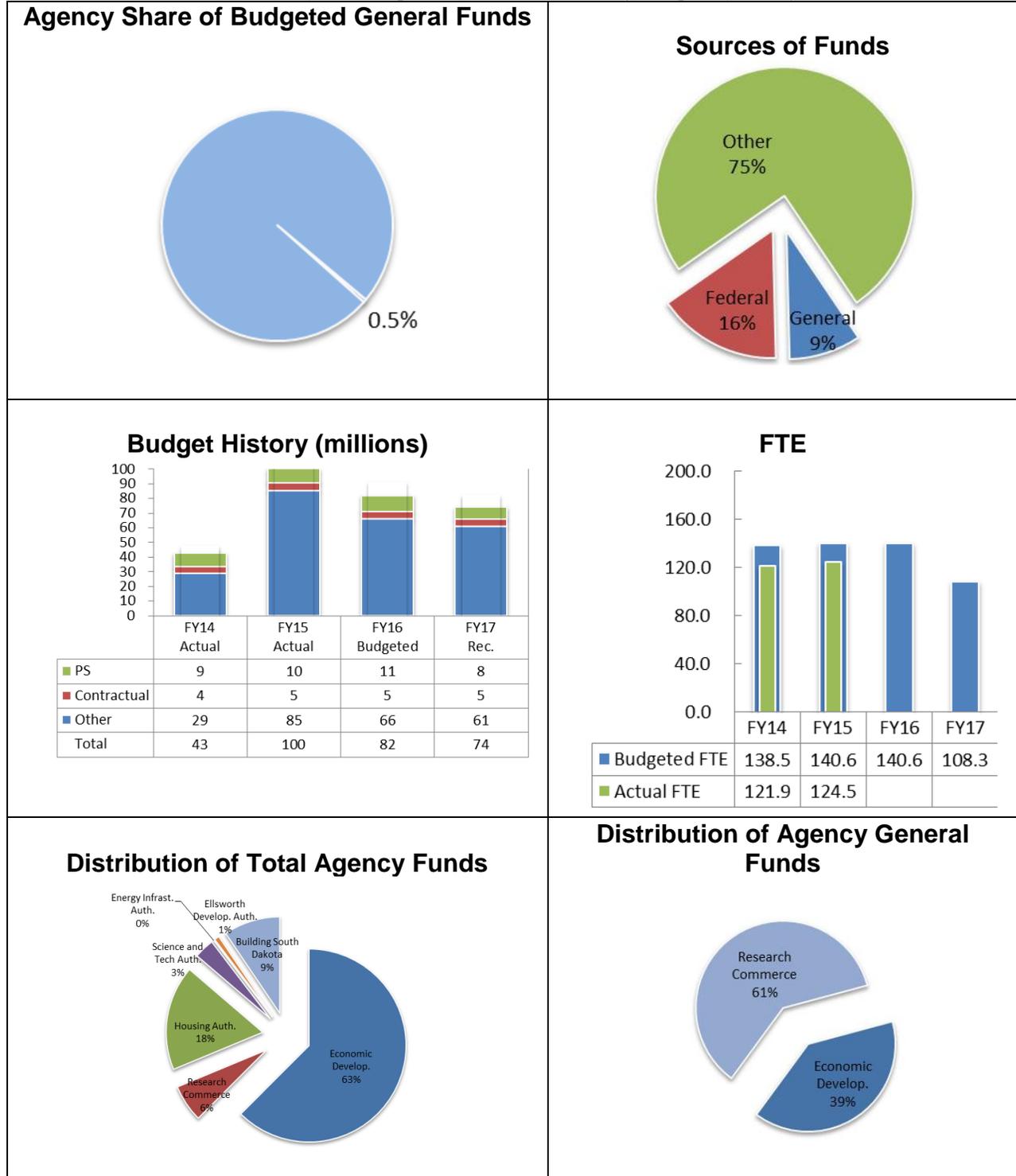


FY17 Budget Briefing

Governor's Office of Economic Development

Information contained in this document is based on the Governor's original recommended FY17 budget.
This document may not correspond with the final FY17 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
- Travis Dovre, Finance Officer
- Mark Lauseng, Executive Director
Housing Development Authority.

Department Total

	<u>Actual</u> <u>FY2014</u>	<u>Actual</u> <u>FY2015</u>	<u>Budgeted</u> <u>FY2016</u>	<u>Agency</u> <u>Request</u> <u>FY2017</u>	<u>Gov Rec</u> <u>FY2017</u>	<u>Gov Rec</u> <u>Inc/Dec</u> <u>FY2017</u>	<u>% Change</u> <u>From</u> <u>FY2016</u>
Personal Services							
Employee Salaries	7,109,752	7,579,894	8,319,079	6,020,966	6,020,966	(2,298,113)	(27.6%)
Employee Benefits	2,176,396	2,244,279	2,559,449	2,056,825	2,056,825	(502,624)	(19.6%)
FTE	121.9	124.5	140.6	108.3	108.3	(32.3)	(23.0%)
Funding Types							
General	1,770,223	1,823,036	1,890,482	1,890,482	1,890,482	0	0.0%
Federal	1,586,881	1,390,908	2,025,439	2,025,439	2,025,439	0	0.0%
Other	5,929,044	6,610,229	6,962,607	4,161,870	4,161,870	(2,800,737)	(40.2%)
Total PS	9,286,148	9,824,173	10,878,528	8,077,791	8,077,791	(2,800,737)	(25.7%)
Operating Expenses							
Travel	553,367	762,080	895,410	900,509	900,509	5,099	0.6%
Contractual Services	4,421,233	5,449,816	5,233,354	5,131,255	5,131,255	(102,099)	(2.0%)
Supplies & Materials	1,938,108	2,822,606	4,203,334	4,515,669	4,515,669	312,335	7.4%
Grants And Subsidies	20,679,265	65,925,823	55,115,425	55,365,425	53,129,804	(1,985,621)	(3.6%)
Capital Outlay	5,810,289	13,320,484	5,702,827	2,252,827	2,252,827	(3,450,000)	(60.5%)
Other	143,767	2,263,856	0	0	0	0	0.0%
Funding Types							
General	4,537,261	4,540,107	4,564,979	4,814,979	4,814,979	250,000	5.5%
Federal	4,767,968	8,226,971	11,840,241	11,840,241	9,604,620	(2,235,621)	(18.9%)
Other	24,240,800	77,777,588	54,745,130	51,510,465	51,510,465	(3,234,665)	(5.9%)
Total OE	33,546,029	90,544,665	71,150,350	68,165,685	65,930,064	(5,220,286)	(7.3%)
Totals							
Funding Types							
General	6,307,484	6,363,143	6,455,461	6,705,461	6,705,461	250,000	3.9%
Federal	6,354,849	9,617,879	13,865,680	13,865,680	11,630,059	(2,235,621)	(16.1%)
Other	30,169,844	84,387,817	61,707,737	55,672,335	55,672,335	(6,035,402)	(9.8%)
Total	42,832,177	100,368,838	82,028,878	76,243,476	74,007,855	(8,021,023)	(9.8%)

Department Object Detail

Item	Actual FY2014	Actual FY2015	Budgeted FY2016	Governor Rec FY2017	Inc/Dec Over FY2016	% Change Over FY2016
PERSONAL SERVICES						
General	1,770,223	1,823,036	1,890,482	1,890,482	0	0.0%
Federal	1,586,881	1,390,908	2,025,439	2,025,439	0	0.0%
Other Funds	5,929,044	6,610,229	6,962,607	4,161,870	(2,800,737)	(40.2%)
Total Personal Services	9,286,148	9,824,173	10,878,528	8,077,791	(2,800,737)	(25.7%)
FTE	121.9	124.5	140.6	108.3	(32.3)	-0.2
TRAVEL						
General	255,425	330,758	297,366	297,366	0	0.0%
Federal	85,220	99,739	117,606	117,606	0	0.0%
Other Funds	212,723	331,583	480,438	485,537	5,099	1.1%
Total Travel	553,368	762,080	895,410	900,509	5,099	0.6%
CONTRACTUAL SERVICES						
General	561,710	469,453	543,852	543,852	0	0.0%
Federal	502,157	518,941	756,666	756,666	0	0.0%
Other Funds	3,357,366	4,461,422	3,932,836	3,830,737	(102,099)	(2.6%)
Total Contractual Services	4,421,233	5,449,816	5,233,354	5,131,255	(102,099)	(2.0%)
SUPPLIES AND MATERIALS						
General	43,422	53,385	45,810	45,810	0	0.0%
Federal	42,213	2,647,077	212,356	212,356	0	0.0%
Other Funds	1,852,473	122,144	3,945,168	4,257,503	312,335	7.9%
Total Supplies and Materials	1,938,108	2,822,606	4,203,334	4,515,669	312,335	7.4%
GRANTS AND SUBSIDIES						
General	3,672,951	3,672,951	3,672,951	3,922,951	250,000	6.8%
Federal	4,138,378	4,961,214	10,753,613	8,517,992	(2,235,621)	(20.8%)
Other Funds	12,867,936	57,291,658	40,688,861	40,688,861	0	0.0%
Total Grants and Subsidies	20,679,265	65,925,823	55,115,425	53,129,804	(1,985,621)	(3.6%)
CAPITAL OUTLAY						
General	3,754	13,560	5,000	5,000	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	5,806,535	13,306,924	5,697,827	2,247,827	(3,450,000)	(60.5%)
Total Capital Outlay	5,810,289	13,320,484	5,702,827	2,252,827	(3,450,000)	(60.5%)
OTHER						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	143,767	2,263,856	0	0	0	0.0%
Total Other	143,767	2,263,856	0	0	0	0.0%
TOTAL						
General	6,307,485	6,363,143	6,455,461	6,705,461	250,000	3.9%
Federal	6,354,849	9,617,879	13,865,680	11,630,059	(2,235,621)	(16.1%)
Other Funds	30,169,844	84,387,816	61,707,737	55,672,335	(6,035,402)	(9.8%)
Total All Funds	42,832,178	100,368,838	82,028,878	74,007,855	(8,021,023)	(9.8%)

Major Expansions and Reductions

Budget Item	Governor's Recommendation				FTE
	General Funds	Federal Funds	Other Funds	Total Funds	
GOED				-	
Reduction in federal authority		(2,235,621)		(2,235,621)	
Office of Research Commerce				-	
Proof of Concept	250,000			250,000	
Housing Development Authority				-	
Authority needed due to Gov's Homes			696,794	696,794	
Science and Tech. Authority					
Ross Shaft Rehabilitation			(6,749,436)	(6,749,436)	(32.3)
Ellsworth Development Authority					
Increased authority for contractual svcs/supplies/materials			17,240	17,240	
Total	250,000	(2,235,621)	(6,035,402)	(8,021,023)	(32.3)

- ✓ 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 FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
Personal Services							
Employee Salaries	1,793,226	1,870,349	2,252,791	2,252,791	2,252,791	0	0.0%
Employee Benefits	566,532	552,325	641,132	641,132	641,132	0	0.0%
FTE	34.1	33.5	40.6	40.6	40.6	0.0	0.0%
Funding Types							
General	1,598,868	1,649,175	1,710,016	1,710,016	1,710,016	0	0.0%
Federal	282,797	281,260	540,305	540,305	540,305	0	0.0%
Other	478,094	492,239	643,602	643,602	643,602	0	0.0%
Total PS	2,359,759	2,422,674	2,893,923	2,893,923	2,893,923	0	0.0%
Operating Expenses							
Travel	267,227	342,625	333,096	333,096	333,096	0	0.0%
Contractual Services	1,547,091	1,853,637	1,227,806	1,227,806	1,227,806	0	0.0%
Supplies & Materials	67,323	69,886	79,000	79,000	79,000	0	0.0%
Grants And Subsidies	15,950,260	59,015,235	43,942,474	43,942,474	41,706,853	(2,235,621)	(5.1%)
Capital Outlay	4,919	13,595	5,000	5,000	5,000	0	0.0%
Other	143,767	2,263,856	0	0	0	0	0.0%
Funding Types							
General	847,593	850,439	875,311	875,311	875,311	0	0.0%
Federal	4,195,840	5,013,699	11,160,933	11,160,933	8,925,312	(2,235,621)	(20.0%)
Other	12,937,153	57,694,697	33,551,132	33,551,132	33,551,132	0	0.0%
Total OE	17,980,586	63,558,834	45,587,376	45,587,376	43,351,755	(2,235,621)	(4.9%)
Totals							
Funding Types							
General	2,446,461	2,499,614	2,585,327	2,585,327	2,585,327	0	0.0%
Federal	4,478,637	5,294,959	11,701,238	11,701,238	9,465,617	(2,235,621)	(19.1%)
Other	13,415,247	58,186,935	34,194,734	34,194,734	34,194,734	0	0.0%
Total	20,340,345	65,981,508	48,481,299	48,481,299	46,245,678	(2,235,621)	(4.6%)

Budget Notes

There is a decrease in federal fund authority of **(\$2,235,621)** to align the grants and subsidies budget with anticipated utilization.

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, 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 FY15 ending cash balance was \$40,358,263.
- **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 FY15 ending cash balance was \$73,484,517 (\$72,655,236 is REDI and \$829,281 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.

*Twenty-eight loans have been approved, \$19.1 million has been allocated, and total project costs total \$133.2 million.

* = includes approved loans later refused/withdrawn from borrower.

- **Proof of Concept Research Projects**– The Proof of Concept Fund was established with a US Small Business FAST grant 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.

Through December 31, 2015, 41 Proof of Concept projects have been funded for a total of \$862,016. Through December 2015, three awards have been repaid. Two were fully repaid totaling \$40,000 and one project which was funded in two phases and since the first test failed the funding for the second phase, \$8,446 was returned. Promissory notes are in place with nine businesses totaling \$206,828 and funding agreements with universities for 17 awards totaling \$165,829. Through December 2015, one award has been forgiven totaling \$11,154.

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 FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
Personal Services							
Employee Salaries	134,160	137,641	143,492	143,492	143,492	0	0.0%
Employee Benefits	37,195	36,220	36,974	36,974	36,974	0	0.0%
FTE	2.0	2.0	2.0	2.0	2.0	0.0	0.0%
Funding Types							
General	171,355	173,861	180,466	180,466	180,466	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	0	0	0	0	0	0	0.0%
Total PS	171,355	173,861	180,466	180,466	180,466	0	0.0%
Operating Expenses							
Travel	8,098	8,072	7,070	7,070	7,070	0	0.0%
Contractual Services	7,352	6,392	8,137	8,137	8,137	0	0.0%
Supplies & Materials	963	2,253	1,510	1,510	1,510	0	0.0%
Grants And Subsidies	3,741,951	3,939,033	4,172,951	4,422,951	4,422,951	250,000	6.0%
Capital Outlay	303		0	0	0	0	0.0%
Funding Types							
General	3,689,668	3,689,668	3,689,668	3,939,668	3,939,668	250,000	6.8%
Federal	0	0	0	0	0	0	0.0%
Other	69,000	266,082	500,000	500,000	500,000	0	0.0%
Total OE	3,758,668	3,955,750	4,189,668	4,439,668	4,439,668	250,000	6.0%
Totals							
Funding Types							
General	3,861,023	3,863,529	3,870,134	4,120,134	4,120,134	250,000	6.5%
Federal	0	0	0	0	0	0	0.0%
Other	69,000	266,082	500,000	500,000	500,000	0	0.0%
Total	3,930,023	4,129,611	4,370,134	4,620,134	4,620,134	250,000	5.7%

Budget Notes

In 2013 the Proof of Concept program was started with a FAST Grant from the US Small Business Administration and matching funds from the Future Fund. In FY14, a one-time \$500,000 appropriation was made to expand the program with a total of \$611,000 to loan to entrepreneurs and universities.

At the end of FY15, the Proof of Concept unobligated balance was \$24,041 and up to \$200,000 in Future Funds were approved to continue the program in FY2016. While loans and funding

agreements may be repaid early, the notes do not come due until FY19 in which \$41,623 will be due and \$165,205 in FY20. As these are high risk, unsecured loans it is anticipated that less than 50% of them will be repaid. Many of the projects that are successful will result in significant economic benefit to the state through increased employment and tax revenues. For example, one company which has repaid its \$20,000 loan has received several million dollars in federal R&D funding and plans to soon move into manufacturing of their products.

To continue the Proof of Concept Program at its historic level and allow for growth, \$250,000 in annual general fund appropriations is recommended. This will allow an estimated 12 to 13 projects to be funded annually and an additional six to seven projects to be funded in future years based on loan repayments. This will allow this successful program to continue and grow.

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 through a team of dedicated professionals who partner with others to achieve their vision of affordable housing through integrity, financial responsibility, innovation and sustainability.

	<u>Actual</u> <u>FY2014</u>	<u>Actual</u> <u>FY2015</u>	<u>Budgeted</u> <u>FY2016</u>	<u>Agency</u> <u>Request</u> <u>FY2017</u>	<u>Gov Rec</u> <u>FY2017</u>	<u>Gov Rec</u> <u>Inc/Dec</u> <u>FY2017</u>	<u>% Change</u> <u>From</u> <u>FY2016</u>
Personal Services							
Employee Salaries	2,759,590	3,004,217	3,480,747	3,480,747	3,480,747	0	0.0%
Employee Benefits	1,064,703	1,120,871	1,298,007	1,342,053	1,342,053	44,046	3.4%
FTE	53.3	57.0	65.0	65.0	65.0	0.0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	1,304,084	1,109,648	1,485,134	1,485,134	1,485,134	0	0.0%
Other	2,520,209	3,015,440	3,293,620	3,337,666	3,337,666	44,046	1.3%
Total PS	3,824,293	4,125,088	4,778,754	4,822,800	4,822,800	44,046	0.9%
Operating Expenses							
Travel	243,265	354,066	500,045	506,273	506,273	6,228	1.2%
Contractual Services	2,020,264	2,484,011	2,835,044	3,016,485	3,016,485	181,441	6.4%
Supplies & Materials	1,686,566	2,741,529	3,934,604	4,399,683	4,399,683	465,079	11.8%
Capital Outlay	234,034	236,800	247,827	247,827	247,827	0	0.0%
Other	0	0	0	0	0	0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	572,128	3,213,272	679,308	679,308	679,308	0	0.0%
Other	3,612,001	2,603,134	6,838,212	7,490,960	7,490,960	652,748	9.5%
Total OE	4,184,129	5,816,406	7,517,520	8,170,268	8,170,268	652,748	8.7%
Totals							
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	1,876,212	4,322,920	2,164,442	2,164,442	2,164,442	0	0.0%
Other	6,132,210	5,618,574	10,131,832	10,828,626	10,828,626	696,794	6.9%
Total	8,008,422	9,941,494	12,296,274	12,993,068	12,993,068	696,794	5.7%

Budget Notes

Governor's House Program – The Governor's recommendation includes an increase of \$696,794 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 new layout has increased the material cost per house, the amount of inmate labor needed to complete the house and also the number of employees to deliver each house resulting in an additional \$652,748 in operating expenses. There is also an increase in other fund expenditure authority in personal services for employee benefits of \$44,046 based on current and future estimated increase in health insurance. The breakout of the \$696,794 increases in other fund expenditure authority is listed below:

Health Insurance	\$44,046
Travel	\$6,228
Contractual Services	\$181,441
Supplies & Materials	\$465,079
TOTAL	\$696,794

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

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 (Sanford Lab) in Lead, SD to advance our understanding of the universe. The facility is the deepest underground science laboratory in the U.S. The Sanford Lab 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 Sanford Lab operations activities through subcontract between the SDSTA and the Lawrence Berkeley National Laboratory (LBNL). By October 2016, this operations subcontract will transition from LBNL to the Fermi National Accelerator Laboratory (Fermilab).

	Actual FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
Personal Services							
Employee Salaries	2,422,776	2,567,687	2,419,348	121,235	121,235	(2,298,113)	(95.0%)
Employee Benefits	507,965	534,863	578,154	31,484	31,484	(546,670)	(94.6%)
FTE	32.5	32.0	33.0	0.7	0.7	(32.3)	(97.9%)
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	2,930,741	3,102,550	2,997,502	152,719	152,719	(2,844,783)	(94.9%)
Total PS	2,930,741	3,102,550	2,997,502	152,719	152,719	(2,844,783)	(94.9%)
Operating Expenses							
Travel	26,274	43,874	25,000	23,871	23,871	(1,129)	(4.5%)
Contractual Services	516,896	584,268	570,000	270,000	270,000	(300,000)	(52.6%)
Supplies & Materials	182,496	8,088	185,000	31,476	31,476	(153,524)	(83.0%)
Grants And Subsidies	562,575		0	0	0	0	0.0%
Capital Outlay	5,571,033	13,070,089	5,450,000	2,000,000	2,000,000	(3,450,000)	(63.3%)
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	6,859,274	13,706,319	6,230,000	2,325,347	2,325,347	(3,904,653)	(62.7%)
Total OE	6,859,274	13,706,319	6,230,000	2,325,347	2,325,347	(3,904,653)	(62.7%)
Totals							
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	9,790,015	16,808,869	9,227,502	2,478,066	2,478,066	(6,749,436)	(73.1%)
Total	9,790,015	16,808,869	9,227,502	2,478,066	2,478,066	(6,749,436)	(73.1%)

Budget Notes

Decreased expenditures anticipated in Ross Shaft Rehabilitation – There are various decreases based on anticipated expenditures – this is a total net decrease of **(\$6,749,436)** in other fund expenditure authority and a decrease of **(32.3)** FTE. The reductions are by the Ross Shaft Rehabilitation work transition to U.S. Dept. of Energy funding in January 2016. The breakout of the **(\$6.75M)** decrease in Other Fund Authority is as follows:

- **(\$2,844,783)** decrease in salaries due to the 32.3 FTE decrease. FY17 SDSTA funded staff are Exec Dir (.2), Communications Dir. (.25), Multimedia Specialist (.25) and Board of Directors – 8 members authorized at \$75 per day for 12 days each year. Total remaining funded staff is (.7) FTE.
- **(\$3,904,653)** decrease in operating expenses due to the completion of various construction projects.

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 7,400 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 Deep Underground Science and Engineering Laboratory (DUSEL) development at the 7400 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 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.
- Two million in general funds was a FY14 one-time special appropriation. This \$2 million purchased a portion of the steel to refurbish the Ross Shaft to provide safe access for underground lab operations and future lab construction.
- December 2, 2010, The National Science Board (NSB), which approves large outlays by the NSF, refused '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 considered for approval in 2011. In July 2011, the Department of Energy agreed to fund laboratory operations at the Sanford Lab during the FY12, while weighing how to use the Sanford Lab for future, larger, experiments.
- \$15 million had been committed in the U.S. Department of Energy budget for the federal FY2012. The National Science Foundation continued to fund operations at the Sanford Lab until Congress approved the FY12 budget for the Department of Energy. 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 Long Baseline Neutrino Experiment (LBNE). 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 neutrinos.
- The U.S. Department of Energy is looking for international partners to help locate the Long Baseline Neutrino Experiment detector underground on the 4850 foot level.
- 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 and outreach 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.
- October 2013 – The Large Underground Xenon (LUX) experiment proved to be the most sensitive dark-matter detector in the world in its first data taking run of 85 days. The first results from the LUX did not detect dark matter but set a new standard for the level of sensitivity that can be achieved in the world-wide dark matter search. A second data taking run of a planned 300 days commenced in October 2014.
- July 2014 – Construction crews begin the new Sanford Lab Homestake Visitor Center in Lead. A June 2015 opening is planned. The budgeted cost for this project is \$5,231,150. It is funded by \$1M Future Fund, \$100,000 in private donations, and \$4,131,150 from Sanford Gift #2.
- August 2014 - Next generation dark matter experiment called LUX-ZEPLIN (LZ) was selected by DOE for construction. LZ will build on the Large Underground Xenon (LUX) experiment, which has been operating at the 4850 foot level of the Sanford Lab since 2012. LZ expects to begin installation underground in the Davis Campus in 2018.
- January 2015 – The Long-Baseline Neutrino Experiment (LBNE) has been reformulated into a new, international facility and experiment project call the Long-Baseline Neutrino Facility (LBNF) and Deep Underground Neutrino Experiment (DUNE). The project is being led by Fermilab for the DOE, and the SDSTA is a major partner in this project. The DUNE Collaboration includes 145 institutions (half are non-U.S.) and 800 researchers.
- June 2015 – The grand opening for the new Sanford Lab Homestake Visitor Center was held. The new 8,000 sq. ft. Visitor Center includes a 3,000 sq. ft. exhibit hall.
- August 2015 – Construction was completed on laboratory space on the 4850 foot level for the Compact Accelerator System for Performing Astrophysical Research (CASPAR) experiment and the Black Hills State University (BHSU) Underground Campus (BHUC). CASPAR includes researchers from Notre Dame, SDSM&T, and Colorado School of Mines and aims to study processes in stars that produce half of all the elements in the universe. Installation of science equipment began in August 2015. Both CASPAR and the BHUC expect to operational by mid-2016.
- December 2015 – The LBNF Project completed preliminary designs for facilities to be hosted at the Sanford Lab and held its construction approval review with the DOE. LBNF expects to begin construction at the Sanford Lab in late 2017 and underground excavation in 2018 to support large liquid argon neutrino detectors on the 4850 foot level.

- 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	Jun-15
Operating Funds	\$ 369,672	\$ 677,896	\$ 277,761	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 169,151
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	\$ 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	\$ 1,362,763
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	\$ 2,200,326
Sanford Gift #2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,500,000	\$ 12,500,000	\$ 5,000,000	\$ 20,000,000	\$ 14,067,013	\$ 3,830,074
Interim Lab	\$ -	\$ 19,887,630	\$ 19,887,660	\$ 19,244,974	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SB 196 Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,356,642	\$ -	\$ -	\$ -	\$ 2,196,223
Total Cash Balance	\$ 13,676,555	\$ 34,370,895	\$ 33,186,365	\$ 47,167,374	\$ 44,967,646	\$ 43,401,161	\$ 33,482,710	\$ 23,779,960	\$ 35,447,324	\$ 28,259,886	\$ 19,758,537

The worksheet on the following page is Funding Provided, Expenditures, and Cash Balances of Cash Basis Activity on the State's Accounting System from FY 2004 through FY 2015 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 FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
Personal Services							
Employee Salaries	0	0	22,701	22,701	22,701	0	0.0%
Employee Benefits	0	0	5,182	5,182	5,182	0	0.0%
FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	0	0	27,883	27,883	27,883	0	0.0%
Total PS	0	0	27,883	27,883	27,883	0	0.0%
Operating Expenses							
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%
Funding Types							
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%
Total OE	0	0	31,606	31,606	31,606	0	0.0%
Totals							
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	0	0	59,489	59,489	59,489	0	0.0%
Total	0	0	59,489	59,489	59,489	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.

	<u>Actual</u> <u>FY2014</u>	<u>Actual</u> <u>FY2015</u>	<u>Budgeted</u> <u>FY2016</u>	<u>Agency</u> <u>Request</u> <u>FY2017</u>	<u>Gov Rec</u> <u>FY2017</u>	<u>Gov Rec</u> <u>Inc/Dec</u> <u>FY2017</u>	<u>% Change</u> <u>From</u> <u>FY2016</u>
Personal Services							
Employee Salaries	0	0	0	0	0	0	0.0%
FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Funding Types							
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%
Total PS	0	0	0	0	0	0	0.0%
Operating Expenses							
Travel	8,503	13,443	16,200	16,200	16,200	0	0.0%
Contractual Services	329,629	521,508	575,960	592,420	592,420	16,460	2.9%
Supplies & Materials	760	850	2,020	2,800	2,800	780	38.6%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	338,892	535,801	594,180	611,420	611,420	17,240	2.9%
Total OE	338,892	535,801	594,180	611,420	611,420	17,240	2.9%
Totals							
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	338,892	535,801	594,180	611,420	611,420	17,240	2.9%
Total	338,892	535,801	594,180	611,420	611,420	17,240	2.9%

Budget Notes

- A. There is a \$17,240 recommended increase in other fund authority due to anticipated expenditures in contractual services and supplies/materials.

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, Local Infrastructure Improvement, Economic Development Partnership and SD Housing Opportunity. 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.

	<u>Actual</u> <u>FY2014</u>	<u>Actual</u> <u>FY2015</u>	<u>Budgeted</u> <u>FY2016</u>	<u>Agency</u> <u>Request</u> <u>FY2017</u>	<u>Gov Rec</u> <u>FY2017</u>	<u>Gov Rec</u> <u>Inc/Dec</u> <u>FY2017</u>	<u>% Change</u> <u>From</u> <u>FY2016</u>
Operating Expenses							
Grants And Subsidies	424,480	2,971,555	7,000,000	7,000,000	7,000,000	0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	424,480	2,971,555	7,000,000	7,000,000	7,000,000	0	0.0%
Total OE	424,480	2,971,555	7,000,000	7,000,000	7,000,000	0	0.0%
Totals							
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	424,480	2,971,555	7,000,000	7,000,000	7,000,000	0	0.0%
Total	424,480	2,971,555	7,000,000	7,000,000	7,000,000	0	0.0%

Budget Notes

There were no recommended increase/decreases in the Building South Dakota fund.

Other Fund Balances

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	Amount	Month
		FY2014	FY2015			
Company 3016 - Employer's Investment in South Dakota's Future Fund	14	60,661,935	40,358,263	40,364,731	22,996,383	February 2011
Company 3178 - Energy Conservation Loan Special Revenue Fund	15	5,627,683	3,158,942	7,658,583	3,158,942	June 2015
Company 3178 - GOED Special Revenue Fund	16	576,416	576,554	470,633	93,427	November 2010
Company 3178 - Ethanol Infrastructure Incentive Fund	17	1,452,888	1,912,768	999,686	(1,661)	January 2012
Company 3186 - Economic Development Partnership Fund	18	879,948	1,049,750	593,036	879,948	June 2014
Company 3187 - Local Infrastructure Improvement Grant Fund	19	1,528,136	3,786,471	1,178,869	1,528,136	May 2014
Company 3188 - SD Housing Opportunity Fund	20	2,100,858	3,280,700	1,295,813	2,094,750	May 2013
Company 6510 - Revolving Economic Development and Initiative Fund	21	65,486,417	73,484,517	56,391,698	37,996,090	July 2010
Company 6518 - Science and Technology Authority	22	28,259,887	19,758,538	33,044,808	19,758,538	June 2015
Company 6527 - South Dakota Energy Infrastructure Authority	23	312	312	312	312	July 2010
Company 6529 - South Dakota Ellsworth Development Authority	24	0	0	0	0	July 2010
Company 9012 - Research Proof-of-Concept Fund	25	451,000	213,364	167,707	213,364	June 2015
#Average cash balance and lowest cash balance are actually less than five years due to age of fund.						

Governor's Recommended Compensation Plan and Billings Pool (page 01-24 of the Governor's FY17 Budget Book)

For FY17, the Governor recommended the funding for the state employee compensation plan and bureau billings 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 the decrease for health insurance.*

- Below are the estimated distributions for employee compensation for FY17. BFM will distribute dollars from the Pool after calculating the increase for salary policy and the decrease for employee health insurance. The distributed amount to the agency will be in addition to the agency's appropriated personal services budget.

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

- Recommended FY17 - 2.7% market adjustment for all permanent employees (except Career Bands); 0%-2.7% 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; decrease of \$275 per benefitted employee for the employer-paid portion of the health insurance plan.
- 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.

2. Below are the estimated increases to the bureau billings for FY17. The amount distributed from the BFM pool to the agency will be in addition to the agency's appropriated contractual services budget.

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