



# *South Dakota Legislative Research Council*

## *Issue Memorandum 95-04*

---

### A SUMMARY OF THE GENERAL APPROPRIATIONS ACT

#### *Introduction*

The Legislature's General Appropriations Act (also referred to as the "General Bill" or simply the "G-Bill") for FY1996 is very similar to previous versions of the Act in most respects. One difference between the FY1996 Act and its predecessors is the way in which it was constructed. For the first time the G-Bill was introduced early during the legislative process.

The G-Bill was based upon the budget recommendations of former Governor Miller. The way in which this worked was that the Senate and House Appropriations Committees, acting jointly, introduced a committee bill that was exactly as the budget proposed by the former Governor.

For the purpose of doing all the work necessary to complete the G-Bill, the Senate and House

Appropriations Committees then merged and divided into two subcommittees, each comprised of Senators and Representatives from each party caucus. Each subcommittee was responsible for approximately half of the state budget contained within the G-Bill. Each subcommittee held agency budget hearings and numerous special meetings to further investigate issues as they arose.

Unlike previous years when the end product in constructing the G-Bill was a bill introduced late in the session, the end product of the new process was a committee report with numerous amendments to the bill that had been introduced very much earlier in the legislative session. The committee report was adopted in the house of origin (the House of Representatives), and the G-Bill proceeded

through both houses as an amended bill.

*The Highlights*

The G-Bill consists of 24 state agencies and 195 programs within those agencies. It is safe to say that each program is of vital importance to some portion of South Dakota's citizenry. In that respect, each of the 195 programs deserves to be mentioned in an analysis of the G-Bill called "THE HIGHLIGHTS". In order to provide a capsule of what happened in the G-Bill--that is, significant public policy reflected in the General Appropriations Act--the author chooses to attach a one-page list of "budget bullets" that was prepared when the before mentioned amended G-Bill was on the floor of the Senate. The attachment entitled "OVERVIEW OF THE FY1996 GENERAL APPROPRIATIONS ACT--HB1125" shows in a very condensed form the major areas of change in the G-Bill for FY1996--at least in the judgment of the author.

*The Numbers*

One factor that complicates analysis of the FY1996 G-Bill is the second video lottery special session that reduced the level of appropriations in the FY1995 G-Bill. This makes comparisons between the FY1995 and FY1996 budgets somewhat subjective-- One can decide to compare the FY1996 G-Bill to either the original FY1995 G-Bill as passed by the 1994 Legislature, or the FY1995 G-Bill as amended by the second video lottery special session.

The attachment entitled "APPROPRIATED FUNDS BY DEPARTMENT" shows both FY1995 versions of the G-Bill and the FY1996 G-Bill by department.

*Comparisons And Cuts*

For good reason many people have cause to compare the G-Bill from one year to the next to help assess what state government is doing. Right or wrong, a significant barometer in making this assessment is the general funds appropriated in the G-

Bill. As the public calls for leaner government, any reduction (or cuts) in general funds in any particular area from one year to the next is viewed as government operating more efficiently and better. Because of the complexity of the state budget, simply looking at the level of general fund appropriations from one year to the next is not enough. Sometimes there is more to the story that needs to be told. Three (of many) examples of this are:

(1) Until FY1994, higher education's tuition and fees revenues were deposited into the general fund, and as such were budgeted as general funds in the G-Bill. In FY1995 tuition and fees were deposited into a separate fund (this required and received the necessary legislation) and as such were budgeted as "other" funds in the G-Bill. This

(2)

accounting change reduced the state's general fund budget as appropriated in the G-Bill by some \$27.5 million between FY1994 and FY1995.

The same thing was done (also requiring and receiving the necessary legislation) in FY1995 in the Department of Revenue. The portion of the department attributable to administering the sales tax was funded with general funds through FY1994. Starting in FY1995, a portion of sales tax receipts was shifted from general fund revenue to other fund revenue and the the budget for those activities was similarly switched from general funds to other funds.

This action reduced general funds appropriated through the G-Bill by approximately \$5 million. What is sometimes overlooked is the fact that general fund revenues were also reduced by that same \$5 million and that the overall operation of the Department of Revenue was the same--even though the general fund portion of the state budget looks \$5 million smaller.

on a schedule that reduces the payment by roughly \$300,000 per year. Again, simply looking at the level of appropriation of general funds in the G-Bill would indicate that the state general fund budget is shrinking--yet in this case there is an automatic corresponding reduction in general fund revenue--and in this instance there is absolutely no change in government activity.

- (3) The sale-lease back program in which the state is involved (which is a neutral program with respect to the general fund--the same amount of revenue accrues to the general fund as is appropriated in the G-Bill as general funds) is

*Supporting And Supplemental Documents*

Chapter B in the *Legislator Briefing Book* contains background material on the General Appropriations Act and the appropriations process. The *Letters of Intent Booklet* that will be assembled later and the *Budget In Brief* (prepared by the Bureau of Finance and Management) both provide considerable

documentation and supplemental data relating to the FY1996 General Appropriations Act and the FY1996 state budget.

LRC is always available for questions relating to the FY1996 G-Bill and the FY1996 budget.

The fiscal staff of the

---

**This issue memorandum was written by Dale Bertsch, Chief Analyst for Fiscal Research and Budget Analysis for the Legislative Research Council. It is designed to supply background information on the subject and is not a policy statement made by the Legislative Research Council.**

---