

Budget Overview

South Dakota

Bureau of Finance and Management

January 13, 2020

BFM Budget Team

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Presentation Overview

- Budget Process
- Revised FY2020 and FY2021 Revenue Estimates
- FY2020 General Bill Expense Reductions
- FY2020 General Bill Expense Increases
- FY2020 Emergency Special Appropriations
- FY2021 Ongoing General Fund Recommendations

Budget Process

- **August:** Agencies submit budget request to BFM
- **September – October:** Analysts review requests for assigned agencies and make give recommendations to the commissioner
- **November:** BFM gives statewide recommendation to the Governor and her staff
- **December:** Governor presents her recommendations
- **January – March:** Budget decisions finalized by Legislature
- **April – June:** Budgets loaded and year-end spending plans finalized

Revised FY2020 Revenue Estimates

Ongoing Revenue Estimates: FY2020

(millions)

Source	Adopted FY2020	Revised FY2020	Dollar Change
Sales and Use Tax	\$1,075.2	\$1,071.6	(3.6)
Lottery	126.0	127.4	+1.4
Contractor's Excise Tax	121.5	117.8	(3.7)
Insurance Company Tax	92.8	91.1	(1.7)
Unclaimed Property	47.8	47.2	(0.6)
Licenses, Permits, & Fees	69.7	68.9	(0.7)
Tobacco Taxes	50.1	49.0	(1.0)
Severance Taxes	4.6	4.8	+0.2
Remaining Ongoing Revenue	<u>113.7</u>	<u>117.4</u>	<u>+3.7</u>
Total Ongoing Revenue	\$1,701.2	\$1,695.3	(5.9)

One-Time Funds in FY2020

Reduced Revenue and Reduced Expenses	FY2020
Revised FY2020 Ongoing Revenue	(\$5,935,946)
FY2020 Other Funding	\$7,707,823
Transfer from Budget Reserve	<u>\$16,778,512</u>
Total One-time Funds Available in FY2020	\$18,550,389

FY2021
Revenue Estimates

FY2020 Adopted vs. FY2021 Recommended Ongoing Receipts (millions)

Source	Adopted FY2020	Revised FY2020	Recommended FY2021	FY21 vs. Adopted
Sales and Use Tax	\$1,075.2	\$1,071.6	\$1,108.2	+36.6
Lottery	126.0	127.4	131.0	+3.6
Contractor's Excise Tax	121.5	117.8	121.8	+4.0
Insurance Company Tax	92.8	91.1	95.7	+4.6
Unclaimed Property	47.8	47.2	47.2	0.0
Licenses, Permits, & Fees	69.7	68.9	69.2	+0.1
Tobacco Taxes	50.1	49.0	47.2	(1.8)
Other Ongoing Receipts	<u>118.3</u>	<u>122.2</u>	<u>123.2</u>	<u>+1.0</u>
Total Ongoing Receipts	\$1,701.2	\$1,695.3	\$1,743.4	+48.1

History of Actual Ongoing Revenue Increases (millions)

	Year Over Year Growth
FY 2010*	(\$29.5)
FY 2011	53.7
FY 2012	72.9
FY 2013	22.3
FY 2014*	95.6
FY 2015	27.6
FY 2016	57.0
FY 2017*	102.4
FY 2018	52.6
FY 2019	47.8
10 year avg.	50.2
Average W/O Outliers*	\$47.7

FY2020 Adopted vs. FY2021 Recommended Ongoing Receipts (millions)

Source	Adopted FY2020	Revised FY2020	Recommended FY2021	FY21 vs. Adopted
Sales and Use Tax	\$1,075.2	\$1,071.6	\$1,108.2	+36.6
<i>Internet Tax Freedom Act Loss</i>			(20.0)	(20.0)
Lottery	126.0	127.4	131.0	+3.6
Contractor's Excise Tax	121.5	117.8	121.8	+4.0
Insurance Company Tax	92.8	91.1	95.7	+4.6
Unclaimed Property	47.8	47.2	47.2	0.0
Licenses, Permits, & Fees	69.7	68.9	69.2	+0.1
Tobacco Taxes	50.1	49.0	47.2	(1.8)
Other Ongoing Receipts	<u>118.3</u>	<u>122.2</u>	<u>123.2</u>	<u>+1.0</u>
Total Ongoing Receipts	\$1,701.2	\$1,695.3	\$1,723.4	+28.1

Ongoing Revenue Growth Available to Fund Ongoing Expenses

	FY2021
Ongoing Revenue Growth	\$48.1M
Internet Tax Freedom Act Loss	<u>(\$20.0M)</u>
Budgeted Year Projected Ongoing Revenue Growth	\$28.1M
Current Year Revised Ongoing Revenue Growth	<u>(\$5.9M)</u>
Structural Surplus Left By Legislature	<u>\$0.5M</u>
Total Ongoing Revenue Growth Available	\$22.7M

Sales Tax Reported by Remote Sellers

Current Year		Previous Year		\$ Change Year/Year
Month	Amount	Month	Amount	
Jan. 2019	\$8,353,613	Jan. 2018	\$7,275,261	\$1,078,352
Feb. 2019	\$5,833,018	Feb. 2018	\$4,386,830	\$1,446,188
Mar. 2019	\$5,169,870	Mar. 2018	\$4,266,849	\$903,021
Apr. 2019	\$7,642,065	Apr. 2018	\$5,123,192	\$2,518,873
May 2019	\$7,418,818	May 2018	\$4,283,475	\$3,135,343
Jun 2019	\$7,068,777	Jun 2018	\$4,482,290	\$2,586,487
Jul. 2019	\$8,515,404	Jul. 2018	\$6,255,463	\$2,259,941
Aug. 2019	\$5,864,579	Aug. 2018	\$5,035,280	\$829,299
Sep. 2019	\$5,887,312	Sep. 2018	\$5,069,254	\$818,058
Oct. 2019	\$6,957,554	Oct. 2018	\$5,571,722	\$1,385,832
Nov. 2019	\$6,436,376	Nov. 2018	\$5,579,406	\$856,970
Dec. 2019	\$6,019,840	Dec. 2018	\$6,326,749	(\$306,909)
Total	\$81,167,226	Total	\$63,655,771	\$17,511,455

FY2020 General Bill Expense Reductions

FY2020 General Bill Amendment General Fund Decreases

Decreased Expenses	General Funds
DSS Operations	(\$8,497,703)
State Aid Revision	(\$3,024,353)
DHS Operations	(\$2,782,658)
CHC- 340B Program	(\$1,152,445)
Dual Credit	(\$764,164)
Technical Institutes Formula	(\$440,979)
DOC Operations	(\$397,000)
Various Decreases	<u>(\$124,517)</u>
FY2020 General Bill Amendment Decreases	(\$17,183,819)

DSS Operations

- Decrease of \$8,497,703 in general funds
 - Medical Services
 - Child Care Direct Assistance
 - Utilization Changes

State Aid to Education Revision

- Decrease of \$3,024,353 in general funds
 - Total need change due to 393 fewer students and sparsity adjustment
 - Local effort change due to higher property valuations

DHS Operations

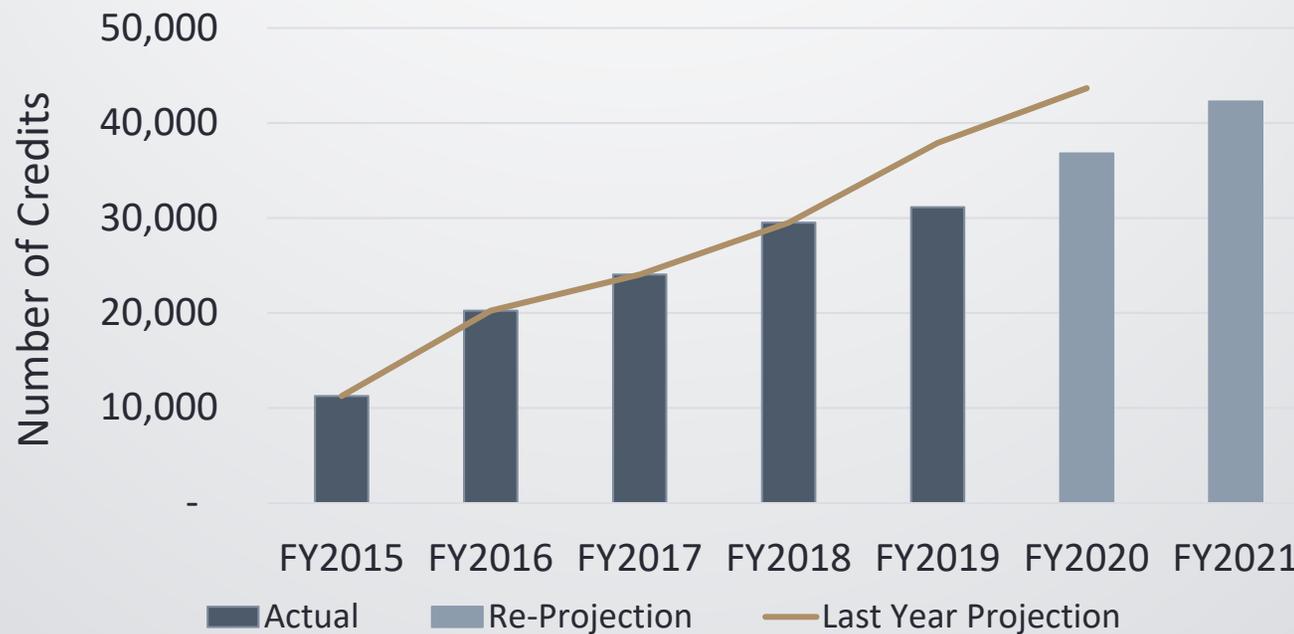
- Decrease of \$2,782,658 in general funds
 - Reduction of 30 FTE and \$631K due to the right sizing at SDDC
 - Reduction of \$2.2M from the nursing home budget

CHC- 340B Program

- Decrease of \$1,152,445 in general funds.
 - Savings due to the participation in the 340B prescription drug purchasing program
 - Correctional Health began utilizing this program August 1st, 2019

Dual Credit

- Decrease of \$764,164 in general funds due to lower than projected dual credit enrollments



Technical Institutes Formula

- Decrease of \$440,979 in general funds due to updated full-time equivalent (FTE) student numbers

	FTE Students	Per Student Allocation	Change
Budgeted	5,932	\$3,610.32	\$21,416,418
Revised	<u>5,810</u>	\$3,610.32	<u>\$20,975,439</u>
Change	(122)		(\$440,979)

DOC Operations

- Decrease of \$397,000 in general funds
 - Reduction in budget for service contracts on correctional healthcare medical equipment
 - Savings from participation in the 340B prescription drug purchasing program will be used to cover these costs

Various Decreases

- Decrease of \$53,337 in general funds in DOE for state assessments due to reduced utilization
- Decrease of \$50,000 in general funds in DPS to align Victims' Services budget with anticipated expenditures
- Decrease of \$21,180 in general funds in the Technical Institutes to align the personal services budget to anticipated expenditures

2020 General Bill Expense Increases

FY2020 General Bill Amendment General Fund Increases

Increased Expenses	General Funds
DOC Operations	\$1,629,319
State Employee Health Insurance	\$1,458,450
UJS Drug/DUI Court Treatment	\$445,099
State Property Tax Administration System	\$225,000
Suicide Prevention	\$210,000
ATG Operations	\$90,878
LRC Operations	\$87,948
Redistricting Software	\$75,000
SOS Online Voter Registration/Circulator Badge Program	\$60,000
Various Increases	<u>\$56,893</u>
FY2020 General Bill Amendment Increases	\$4,338,587

DOC Operations

- Increase of 1.5 FTE and \$1,629,319 in general funds
 - 1.5 FTE and \$510K for the maintenance of STAR
 - \$715K for new food contract
 - \$196K for Parole Agents
 - \$156K for Security Staff
 - \$60K for Inmate Services Corrections Analyst

State Employee Health Insurance

- Increase of \$1,458,450 in general funds
 - Amount necessary to structurally balance the State Employee Health Plan

UJS Drug/DUI Court Treatment

- Increase of \$445,099 in general funds
 - Funding to pay for treatment costs for offenders who participate in the drug and DUI courts
 - Funding covers the increased costs for current participants, not an expansion of the program

State Property Tax Administration System

- Increase of \$225,000 in general funds to create a state property tax system
 - The system will streamline the management of property tax data between county officials and the Department of Revenue (DOR).
 - This project will increase accessibility to statewide property tax data for tax payers.
 - In the future, DOR will research development of an online property tax tool kit for tax payers that integrates Geographical Information System (GIS) data.

Suicide Prevention

- Increase of \$210,000 in general funds for suicide prevention
 - \$135,000 in the Department of Social Services to provide mental health trainings and a public awareness campaign
 - \$75,000 in the Department of Health to support community prevention efforts and provide training to high risk professions

ATG Operations

- Increase of \$90,878 in general funds
 - \$25,878 for equipment for Child Abuse Coordinator
 - \$65,000 to rewrite the statewide automated victim information notification software (SAVIN)

LRC Operations

- Increase of 1.0 FTE and \$87,948 in general funds for a lead software engineer and to align the budget for legislator salaries and per diem for FY2020

	FTE	General Funds
Lead Software Engineer	1.0	\$105,190
Legislative Salary Adjustment		\$21,923
Legislative Per Diem		<u>(\$39,165)</u>
Total	1.0	\$87,948

LRC Redistricting Software

- Increase of \$75,000 in general funds in the Legislative Research Council to purchase mapping software for the FY2021 redistricting project

SOS Online Voter Registration/ Circulator Badge Program

- Increase of \$60,000 in general funds
 - \$25,000 for Online Voter Registration
 - \$35,000 needed to implement the circulator badge program that passed in the 2019 legislative session

Various Increases

- Increase of \$39,894 in general funds in the Technical Institutes for National Guard Tuition based on the actual claims
- Increase of \$9,543 for statewide utility adjustments
- Increase of \$7,456 in general funds for the State Auditor's office to upgrade to VOIP phones

FY 2020 General Bill Amendment Expenditure Transfers

	General Funds
State Radio Infrastructure and Systems Upgrade	\$5,141,021
Rural Broadband Expansion	<u>\$5,000,000</u>
FY2020 Expenditure Transfers	\$10,141,021

State Radio Infrastructure and Systems Upgrade

- Increase of \$5,141,021 in general funds
 - Current system needs to be upgraded by 2023
 - Total cost to upgrade is \$9.8M, along with on-going costs

	General Funds
FY19 Appropriation	\$4,620,920
FY20 Recommended	<u>\$5,141,021</u>
Total Upgrade Cost	\$9,761,941

Rural Broadband Expansion

- Increase in \$5,000,000 in general funds
 - Increase access to broadband services throughout South Dakota
 - Partner with providers to bring and enhance service in areas lacking faster connections

**FY2020 Emergency
Special Appropriations**

FY2020 Emergency Special Appropriations

Emergency Specials	General Funds
Emergency and Disaster Fund	\$9,918,359
USD Health Sciences Building	\$5,000,000
Rural Healthcare Recruitment Assistance Programs	\$869,193
Extraordinary Litigation Fund	\$800,000
Orphaned Natural Gas Well Program	\$727,700
Tax Refunds for Elderly and Disabled	\$450,000
DSU Cyber Cync Incubator and Entrepreneurial Center	\$396,073
Fire Suppression Fund	\$367,727
DOM Cold Storage Building- Aberdeen	<u>\$125,000</u>
Total	\$18,654,052

Emergency and Disaster Funding

- Increase of \$9,918,359 in general funds
 - New loan programs provide cash flow for infrastructure repairs and mitigation projects to assist local governments that demonstrate a need for state support
 - Reduce the local funding match for mitigation projects from 25% to 15%

USD Health Sciences Building

- Increase of \$5,000,000 in general funds
 - Funding for the construction of a new Health Sciences building to allow for the anticipated growth in demand for the healthcare workforce.

Rural Healthcare Recruitment Assistance

- Increase of \$869,193 in general funds
 - Funding to recruit medical professionals to rural communities.

Program	General Funds
Recruitment Assistance Program	\$635,235
Rural Healthcare Facility Recruitment Assistance Program	<u>\$233,958</u>
Total General Funds Recommended	\$869,193

Extraordinary Litigation Fund

- Increase of \$800,000 in general funds
 - The Extraordinary Litigation Fund (ELF) covers costs associated with litigation against the State of South Dakota, which are not eligible to be paid by the PEPL fund

	General Funds
FY2020 Projected Remaining Costs	\$1.2 M
Cash Balance	<u>(\$0.4 M)</u>
Total Recommended	\$0.8 M

Orphaned Natural Gas Well Program

- Increase of \$727,700 in general funds
 - Funding to help with the plugging and surface reclamation of abandoned natural gas wells

Tax Refunds for Elderly and Disabled

- Increase of \$450,000 in general funds
 - Tax refunds for elderly and disabled individuals who meet income guidelines

DSU Cyber Incubator

- Increase of \$396,073 in general funds
 - Funding for the Cyber Incubator and Entrepreneurial Center at Dakota State University
 - Provides entrepreneurial and workforce development initiatives while promoting economic development and innovative cybersecurity ideas and solutions

Fire Suppression Fund

- Increase \$367,727 in general funds to backfill the fire suppression fund.
 - The fund is used to pay for the state's share of fire fighting costs in South Dakota.

DOM Cold Storage Building

- Increase of \$125,000 in general funds
 - Funding for the construction of a cold storage building in Aberdeen

General Funds	\$125,000
Federal Funds	<u>\$375,000</u>
Total Recommended	\$500,000

FY2020 Recommendation

	General Funds
FY2020 Revenue Available	\$18,550,389
FY2020 General Bill Reductions	\$17,183,819
FY2020 General Bill Increases	(\$4,338,587)
FY2020 Expenditure Transfers	(\$10,141,021)
FY2020 Emergency Special Appropriations	(\$18,654,052)
FY2020 Continuous Appropriation Adjustment	<u>(\$86,270)</u>
Bottom Line	\$2,514,278

FY2021 Ongoing Revenue Estimates

FY2020 Adopted vs. FY2021 Recommended Ongoing Receipts (millions)

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Ongoing Revenue Growth Available to Fund Ongoing Expenses

	FY2021
Ongoing Revenue Growth	\$48.1M
Internet Tax Freedom Act Loss	<u>(\$20.0M)</u>
Budgeted Year Projected Ongoing Revenue Growth	\$28.1M
Current Year Revised Ongoing Revenue Growth	<u>(\$5.9M)</u>
Structural Surplus Left By Legislature	<u>\$0.5M</u>
Total Ongoing Revenue Growth Available	\$22.7M

**FY2021 Ongoing
General Fund
Recommendations**

FY2021 Recommended Expense Overview

Major Increases/Decreases	General Funds
State Aid to K-12	\$8,867,096
Consumer Expansion	\$8,045,432
State Employee Health Insurance	\$4,134,191
Mandatory Provider Inflation	\$3,769,933
Confronting Meth Epidemic	\$3,712,208
Food Service and Utilities	\$1,659,834
Family First	\$1,119,505
Assisted Living Rate Tiers	\$1,087,634
Maintenance and Repair	\$325,362
Federal Medical Assistance Percentage (FMAP)	(\$2,455,809)
Budget Reductions	(\$8,878,308)
Various Increases/Decreases	<u>\$1,263,173</u>
Total General Fund Increase	\$22,650,251

State Aid

	General
State Aid to Special Education	\$7,928,968
State Aid to General Education	\$1,003,891
Sparsity	<u>(\$65,763)</u>
Total	\$8,867,096

Consumer Expansion

Consumer Expansion	General Funds
DSS Change in Title 19 and 21 Eligibles and Utilization	\$5,321,044
DHS Developmental Disabilities Eligibles	\$1,214,010
UJS Drug/DUI Court Treatment	\$645,866
DOC Community Diversion Program	\$375,174
DOC Community Transition Program	\$350,838
DSS Mental Health Courts	<u>\$138,500</u>
Total	\$8,045,432

State Employee Health Insurance

- Increase of \$4,134,191 general funds
 - This amount keeps the plan structurally balanced
 - Recommended as a pool in BFM to be distributed to agencies following the passage of the General Appropriations Act

Mandatory Provider Inflation

	General
Social Services	\$3,737,938
Human Services	<u>\$31,995</u>
Total	\$3,769,933

Meth Prevention and Treatment Services

- Increase of \$3,712,208 in general funds

	General Funds
DSS Intensive Meth Treatment	\$2,974,572
DOC Women's Prison Security Staff	\$260,259
DOC Parole Agents	\$196,171
ATG Criminal Analysts	\$145,702
UJS Court Services Officers	<u>\$135,504</u>
Total	\$3,712,208

Food Services and Utilities

Food Service and Utilities	General Funds
DOC Food Services	\$930,957
BOR Utilities	\$539,184
DOC Utilities	\$147,215
DOM Utilities	\$32,428
DSS Food Services	\$24,819
DHS Food Services	(\$2,184)
DSS Utilities	(\$4,179)
DHS Utilities	<u>(\$8,406)</u>
Total	\$1,659,834

Family First

Family First	General Funds
DSS Subsidized Adoptions	\$510,959
DSS Subsidized Guardianships	\$259,796
DSS Foster Parent Training	\$129,420
DOC PreP Corrections Specialist	\$118,366
ATG Child Abuse Coordinator	<u>\$100,964</u>
Total	\$1,119,505

Assisted Living Rate Tiers

- Increase of \$1,087,634 in general funds

	Daily Rate	% in Each Tier	Projected Days
Tier 1	\$53.75	59.12%	168,379
Tier 2	\$63.67	25.08%	71,414
Tier 3	\$73.58	15.80%	45,007

Maintenance and Repair

- Increase of \$325,362 general funds
- New buildings phased in over 5 years

	General
Board of Regents	\$0
Bureau of Administration	\$0
Technical Institutes (6 year plan)	\$325,362
Department of the Military	<u>\$0</u>
Total	\$325,362

Federal Medical Assistance Percentage (FMAP)

	General
Social Services Medicaid	(\$3,801,605)
Social Services CHIP	\$4,095,798
Human Services	(\$2,703,246)
Veterans' Affairs	(\$45,186)
Education	<u>(\$1,570)</u>
Total	(\$2,455,809)

- Medicaid rate change: 42.61% GF to 41.88% GF
- Children's Health Insurance Program (CHIP) rate change: 15.45% GF to 26.44% GF

Budget Reductions

Reductions	General Funds
Social Services	(\$3,880,000)
Human Services	(\$2,771,846)
Correctional Health	(\$967,875)
Revenue	(\$510,742)
Attorney General	(\$382,341)
Corrections	(\$251,264)
Public Safety	(\$50,000)
Health	(\$43,060)
Technical Institutes	<u>(\$21,180)</u>
Total FY2021 General Fund Reductions	(\$8,878,308)

FY2021 Recommended Expense Overview

Major Increases/Decreases	General Funds
State Aid to K-12	\$8,867,096
Consumer Expansion	\$8,045,432
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Confronting Meth Epidemic	\$3,712,208
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Federal Medical Assistance Percentage (FMAP)	(\$2,455,809)
Budget Reductions	(\$8,878,308)
Various Increases/Decreases	<u>\$1,263,173</u>
Total General Fund Increase	\$22,650,251

Bottom Line

	FY2020	FY2021
Increased Ongoing Revenues v. Adopted	(\$5,935,946)	\$22,650,251
Other One-Time Revenue	\$7,707,823	\$0
Transfer from Reserves in Excess of 10%	\$16,778,512	\$0
Mid-Year Expense Adjustment & Transfers	\$2,704,211	\$0
Emergency Special Appropriations	(\$18,654,052)	\$0
Ongoing Expense Adjustments	\$0	(\$22,452,930)
Continuous Appropriation Adjustments	<u>(\$86,270)</u>	<u>(\$197,321)</u>
Bottom Line	\$2,514,278	\$0