

## Legislative Research Council

*Fiscal Office*  
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# MEMORANDUM

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**TO:** Members of the Joint Committee on Appropriations  
**FROM:** Fred Schoenfeld, Chief Fiscal Analyst, LRC  
**DATE:** July 18, 2012  
**SUBJECT:** FY12 Fiscal Close

We have reviewed the materials and documentation recently released by the Governor's Office regarding the Fiscal Close for FY12. Our conclusions are summarized as follows with more detailed information appended to this memorandum.

### Comments Regarding FY12

- LRC's overall assessment is consistent with the Administration's news release and documentation.
- Details of the \$13.8 million reverted due to expenditures "less than appropriated" are as follows:
  - \$9.8 million of this was unused carryover from FY11 into FY12 as originally requested by the Administration.
  - \$9.5 million, or 97.4%, of the \$9.8 million resulted from over-appropriations to DSS/ Medical Services in FY11.
  - Of the remaining \$4.1 million in reversions of FY12 appropriations, \$2.3 million, or 57.4% was from school aid which is considered routine given the massive base amount.
- An additional reversion of \$20 million of funds appropriated to DSS was avoided by carrying over that amount into FY13 as a DSS/ Medical Services contingency.
- A further reversion of \$6.4 million in funds appropriated to DSS was avoided by a transfer providing for expenditure of General Funds in lieu of Federal Funds.
- Therefore, the referenced \$13.8 million in lapsed carryovers and reversions does not provide a basis for significantly resetting agency budgets across the board for the FY14 appropriations cycle. It does, however, indicate continued attention to the level of appropriations for DSS remains in order.

### Comments Regarding FY13

- Additional funds amounting to \$35,871,332 or more beyond amounts currently appropriated could exist in FY13 as follows:
  - Applying the same growth factors used in the FY13 Revenue Estimate to the actual FY12 receipts, results in an additional \$19,733,190 being available for FY13. If it is assumed that growth factors improve as the result of economic recovery, even more funds could be available.
  - The original plan to replenish the Budget Reserve Fund from the budgeted FY13 surplus is no longer needed because it has already been paid making \$12,108,103 available for other uses.
  - The DSS FY12 1-time payment to providers in HB1137 was paid in FY12 without apparent problems. Therefore, a similar amount can be deducted from the FY13 appropriation, freeing \$4,030,039 for other purposes.
- In addition, if the \$20 million DSS/ Medical Services Contingency carried forward from FY12 is not needed it will revert at the end of the year or could be used for other purposes in the 2013 session.

### Additional Considerations

The foregoing may be impacted by a number of other considerations, including the following:

- **Economic Outlook.** Over the past 6 months, the economic outlook in South Dakota has steadily improved. However, the U.S. recovery has been tepid and the world outlook problematic. The current drought conditions could hit South Dakota very hard, possibly including emergency financial involvement by State Government.
- **Federal Sequestration.** The so-called "fiscal cliff" at the federal level continues to add uncertainty to the budgetary outlook in South Dakota. Recent FFIS estimates of South Dakota impacts have been reduced significantly from earlier levels if military reductions are eliminated. The FY13 federal budget will not be finalized until October 1, 2012 and the cuts will not be announced until January 1, 2013. All current assumptions are likely to be adjusted by further Congressional action.
- **Health Care Reform.** Governor Daugaard has indicated he will not proceed with implementation of the federal law recently upheld of the U.S. Supreme Court until after the November election. Regardless of that outcome, it could bring significant financial impacts to South Dakota.
- **Initiative and Referendum Measures.** Items on the ballot for the South Dakota November election would carry significant fiscal impacts:
  - **Constitutional Amendment O:** revise deposit of Cement Plant Trust Fund Proceeds
  - **Referred Law 14:** Provide funding for large project development
  - **Initiated Measure 15:** Sales tax increase for education and health providers



## FY2012 General Fund Sources and Uses

June 30, 2012

FY2012	Budgeted	Actual	Difference
<b>SOURCES</b>			
Actual FY12 Ongoing Receipts (See Detail)	1,216,245,578	1,235,903,897	19,658,319
One-time Receipts	12,207,351	16,551,213	4,343,862
<b>Subtotal Ongoing and One-Time Receipts</b>	<b>1,228,452,929</b>	<b>1,252,455,110</b>	<b>24,002,181</b>
Transfer In from Budget Reserve Fund	20,155,015	20,155,015	-
<b>Unexpended Carryovers and Specials from Previous Years</b>			
DSS/Medical Services FY11 Carryover Reversion		9,521,177	9,521,177
All Other Agency Carryover/Specials Reversion		254,201	254,201
Unexpended Carryovers and Specials Subtotal		9,775,378	9,775,378
<b>Subtotal Budget Reserve Transfer and Unexpended</b>	<b>20,155,015</b>	<b>29,930,393</b>	<b>9,775,378</b> <sup>1</sup>
<b>TOTAL GENERAL FUND SOURCES</b>	<b>1,248,607,944</b>	<b>1,282,385,503</b>	<b>33,777,559</b>
<b>USES</b>			
	<b>Budgeted</b>	<b>Actual</b>	<b>Reversions</b>
FY12 General Bill as Appropriated in 2011 Session	(1,120,088,080)		<i>Agency Detail Attached</i>
Supplemental Appropriation in 2012 Session - HB1137	(23,430,408)		
Supplemental Appropriation in 2012 Session - SB48 <sup>3</sup>	(7,348,658)		
<b>FY12 Revised General Bill Total</b>	<b>(1,150,867,146)</b>		
<b>FY12 Actual Expenditures</b>		<b>(1,109,919,685)</b>	
<b>FY12 Carryovers/Encumbrances</b>			
DSS/Medical Services Carryover		(20,000,000) <sup>3</sup>	
All Other Agency Carryovers		(16,875,166)	
<b>Expenditures and Carryovers/Encumbrances</b>		<b>(1,146,794,851)</b>	<b>4,072,295</b> <sup>1</sup>
FY12 General Fund Transfer to the Railroad Trust Fund	(4,000,000)	(4,000,000)	-
FY12 General Fund Transfer to Cement Plant Ret. Fund	(1,000,000)	(1,000,000)	-
Continuously Appropriated Expenses	(2,395,460)	(2,395,460)	-
FY12 Special Appropriations Passed in 2011 Session	(27,845,256)	(27,845,256)	-
FY12 Special Appropriations Passed in 2012 Session	(24,693,972)	(24,693,972)	-
Roll Forward of FY12 Revenue to FY13 (SB192)			
State Aid One-Time Funding in FY13	(12,374,313)	(12,374,313)	-
Provider One-Time Funding in FY13	(9,095,790)	(9,095,790)	-
Board of Regents One-Time Funding in FY13	(5,922,158)	(5,922,158)	-
Postsecondary Tech Institutes One-Time in FY13	(413,849)	(413,849)	-
Roll Forward Subtotal	(27,806,110)	(27,806,110)	-
<b>General Fund Uses Subtotal</b>	<b>(1,238,607,944)</b>	<b>(1,234,535,649)</b>	<b>4,072,295</b>
	<b>Budget</b>	<b>Actual</b>	<b>Difference</b>
<b>FY12 GENERAL FUND BALANCE</b>	<b>10,000,000</b>	<b>47,849,854</b> <sup>2</sup>	<b>37,849,854</b>

<sup>1</sup> Total Reversions from Special Appropriations, Carryovers, and Deferred Budgets = \$13,847,672.82 (\$9,775,378 + \$4,072,295) as reported by BFM

<sup>2</sup> Amount transferred to Budget Reserve Fund on July 1, 2012

<sup>3</sup> SB48 also authorized DSS/Medical Services to Carry Forward \$20M in FY12 General Funds for FY13 contingency.

**General Fund Receipts  
FY2012**

	JCA Adopted FY2012	Actual FY2012	Dollar Change	Percent Change
<b>Continuing Receipts</b>				
Sales and Use Tax	737,102,291	744,413,638	7,311,347	0.99
Contractor's Excise Tax	79,719,171	82,991,355	3,272,184	4.10
Alcohol Beverage Tax	10,199,407	10,186,442	(12,965)	(0.13)
Wholesale Alcohol Tax	1,507,918	1,490,640	(17,278)	(1.15)
Cigarette Tax	30,000,000	30,000,000	0	0.00
Bank Franchise Tax	25,559,906	29,688,991	4,129,085	16.15
Insurance Company Tax	64,287,771	65,076,133	788,362	1.23
Licenses, Permits & Fees	47,581,730	48,402,362	820,632	1.72
Investment Income & Interest	10,291,772	10,394,581	102,809	1.00
Charges for Goods & Services	23,509,706	24,069,498	559,792	2.38
Net Transfers In	30,860,658	31,015,337	154,679	0.50
Trust Funds	30,345,686	30,345,686	(0)	(0.00)
Mineral Severance Taxes	8,583,160	10,441,940	1,858,780	21.66
State Lottery	7,514,332	7,834,332	320,000	4.26
Property Tax Reduction Fund	102,070,851	102,441,742	370,891	0.36
Sale Leaseback	7,111,219	7,111,219	0	0.00
<b>Total Continuing Receipts</b>	<b><u>1,216,245,578</u></b>	<b><u>1,235,903,897</u></b>	<b><u>19,658,319</u></b>	<b><u>1.62</u></b>
<b>One-Time Receipts</b>				
Transfer Tobacco Prev. and Red. Trust Fund	1,000,000	1,000,000	0	0.00
One-time Bank Franchise Tax	10,000,000	14,336,418	4,336,418	43.36
CREP Savings	400,000	400,000	0	0.00
Securities Settlement	418,500	418,500	0	0.00
Refinancing Gains	388,851	396,295	7,444	1.91
Unexpended Carryovers and Specials	0	9,775,378	9,775,378	
Transfer from Budget Reserves	20,155,015	20,155,015	0	0.00
<b>Total One-Time Receipts</b>	<b><u>32,362,366</u></b>	<b><u>46,481,606</u></b>	<b><u>14,119,240</u></b>	<b><u>43.63</u></b>
<b>Grand Total</b>	<b><u>1,248,607,944</u></b>	<b><u>1,282,385,503</u></b>	<b><u>33,777,559</u></b>	<b><u>2.71</u></b>

**FY12 General Fund Reversions -- By Agency  
For the Year Ending: 6/30/2012**

<b>Department</b>	<b>Appropriation</b>	<b>Gen Bill Adjustment</b>	<b>Contracts &amp; Encumbrances</b>	<b>Expenditures</b>	<b>Intra - General Transfers</b>	<b>Available</b>
Executive Management	26,907,852	20,028,555	9,853,543	24,885,030	(12,136,675)	61,159
Revenue	954,692	-	-	948,476	37,538	43,754
Agriculture	5,480,518	-	34,417	5,562,311	155,879	39,669
Tourism & State Development	1,675,254	-	-	1,710,901	35,647	-
Game, Fish, & Parks	4,677,282	-	-	4,842,635	165,355	2
Office of Tribal Relations	224,644	-	-	199,361	4,160	29,443
Social Services	362,738,166	-	20,091,320	344,587,893	1,941,047	-
Health	6,979,125	349,000	836,310	6,525,995	96,404	62,224
Labor & Regulation	771,983	250,000	191,608	856,791	26,417	1
Transportation	470,159	-	-	470,156	-	3
Education	359,436,293	8,976,359	5,195,345	361,024,915	144,531	2,336,923
Public Safety	3,290,257	-	90,675	3,270,299	105,379	34,661
Board of Regents	150,748,788	-	134,017	155,689,132	5,076,978	2,618
Military	2,751,572	-	134,068	2,636,549	34,462	15,417
Veteran's Affairs	3,008,290	6,946	-	3,067,789	90,360	37,807
Corrections	78,720,667	(84,071)	25,339	79,756,991	1,834,283	688,549
Human Services	54,949,652	1,232,297	136,915	55,808,783	363,379	599,629
Environment & Natural Resources	5,225,102	-	6,578	5,407,258	188,734	-
Public Utilities Commission	462,779	-	1,389	468,796	7,406	-
Unified Judicial System	31,791,079	19,980	-	33,113,913	1,302,854	-
Legislature	6,948,462	-	24,610	7,081,470	177,016	19,399
Attorney General	8,963,331	-	71,823	9,170,536	279,028	-
School & Public Lands	492,343	-	2,209	465,408	10,831	35,556
Secretary of State	876,741	-	45,000	831,217	14,476	15,000
State Treasurer	457,700	-	-	446,935	9,991	20,756
State Auditor	1,085,349	-	-	1,090,144	34,520	29,725
<b>Grand Total</b>	<b>1,120,088,080</b>	<b>30,779,066</b>	<b>36,875,166</b>	<b>1,109,919,685</b>	<b>-</b>	<b>4,072,295</b>



**FY2013**  
**Current Outlook of General Fund Sources and Uses**

June 30, 2012

FY2013	Budgeted	Current Outlook	Difference
<b><u>SOURCES</u></b>			
FY13 Ongoing Receipts	1,233,473,042	1,253,206,232 <sup>1</sup>	19,733,190
<b>One-time Receipts</b>			
Transfer from Tobacco Prevention and Reduction Fund	1,000,000	1,000,000	-
Roll Forward Funds from FY12 (SB192)	27,806,110	27,806,110	-
FY12 Reversion Deposited in Budget Reserve on 7/1/2012	10,000,000	47,849,854	37,849,854
<b>Subtotal Ongoing and One-Time Receipts</b>	<b>1,272,279,152</b>	<b>1,329,862,196</b>	<b>57,583,044</b>
<b>Removing One-Time FY12 Funding From FY13 Base</b>			
DSS One-time Increase to Providers in FY12 (HB1137)		4,030,039	4,030,039
<b>Estimated Sources Subtotal</b>	<b>1,272,279,152</b>	<b>1,333,892,235</b>	<b>61,613,083</b>
<b><u>USES</u></b>			
FY13 General Bill As Appropriated in 2012 Session	(1,215,628,778)	(1,215,628,778)	-
FY13 General Fund Transfer to Teen Court Grant Fund	(150,000)	(150,000)	-
FY13 General Fund Transfer to Budget Reserve Fund (FY12 Reversions)	(10,000,000)	(47,849,854)	(37,849,854)
Continuously Appropriated Expenses	(2,441,769)	(2,441,769)	-
<b>Special One-Time Use of Roll Forward FY12 Money (SB192)</b>			
State Aid One-Time Funding in FY13	(12,374,313)	(12,374,313)	-
Provider One-Time Funding in FY13	(9,095,790)	(9,095,790)	-
Board of Regents One-Time Funding in FY13	(5,922,158)	(5,922,158)	-
Postsecondary Tech Institutes One-Time in FY13	(413,849)	(413,849)	-
<b>One-time Appropriation Subtotal</b>	<b>(27,806,110)</b>	<b>(27,806,110)</b>	<b>-</b>
Governor's Plan to Replenish Budget Reserve (Accomplished in FY12)	(12,108,103)	-	12,108,103
<b>Estimated Uses Subtotal</b>	<b>(1,268,134,760)</b>	<b>(1,293,876,511)</b>	<b>(25,741,751)</b>
<b>FY13 GENERAL FUND BALANCE</b>	<b>4,144,392</b>	<b>40,015,724</b>	<b>35,871,332</b>

<sup>1</sup> Current Outlook estimate is determined by applying the same growth factors to the actual FY12 receipts as were used in the FY13 Revenue Estimate.