



FY2024 BUDGET OVERVIEW

BUREAU OF FINANCE AND MANAGEMENT - 1/10/2023



BFM BUDGET TEAM

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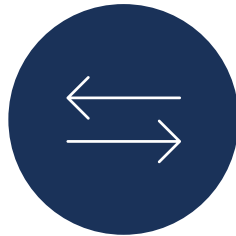
AGENDA



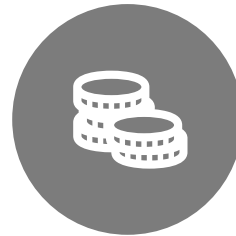
**ECONOMIC
OUTLOOK**



REVENUES



**FY2023
MID-YEAR
ADJUSTMENTS**

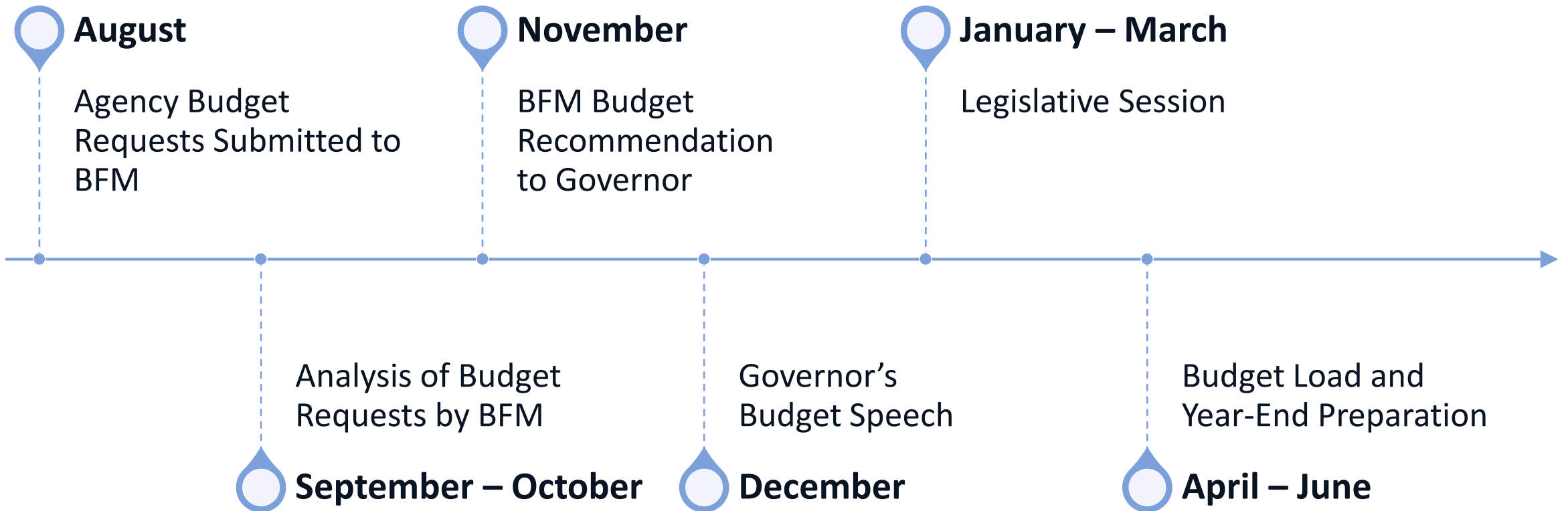


**FY2024
EXPENSES**



**FEDERAL
STIMULUS
UPDATE**

Budget Process



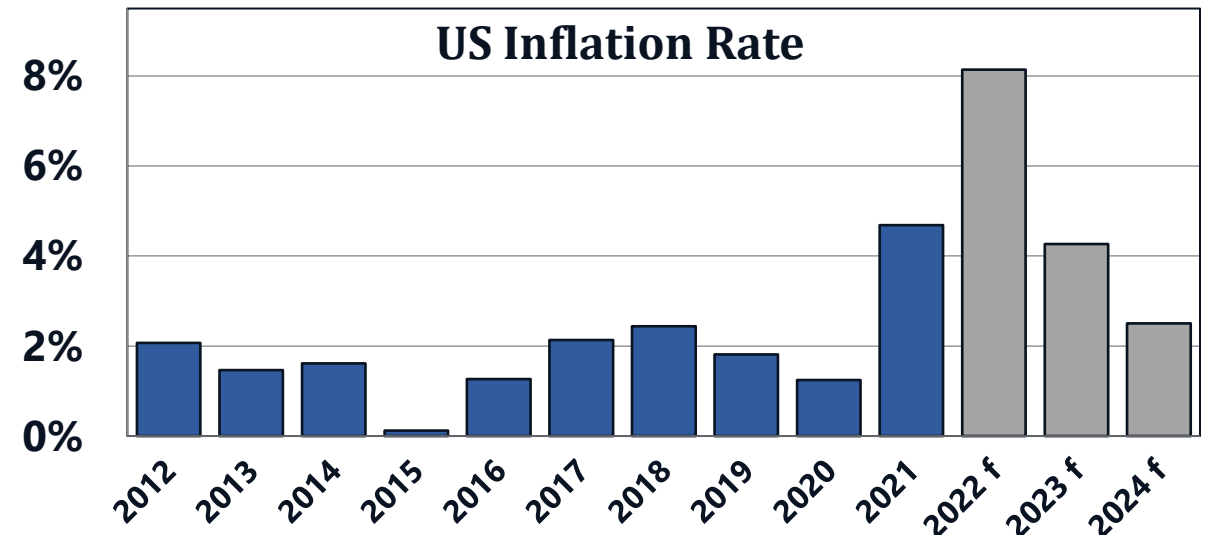
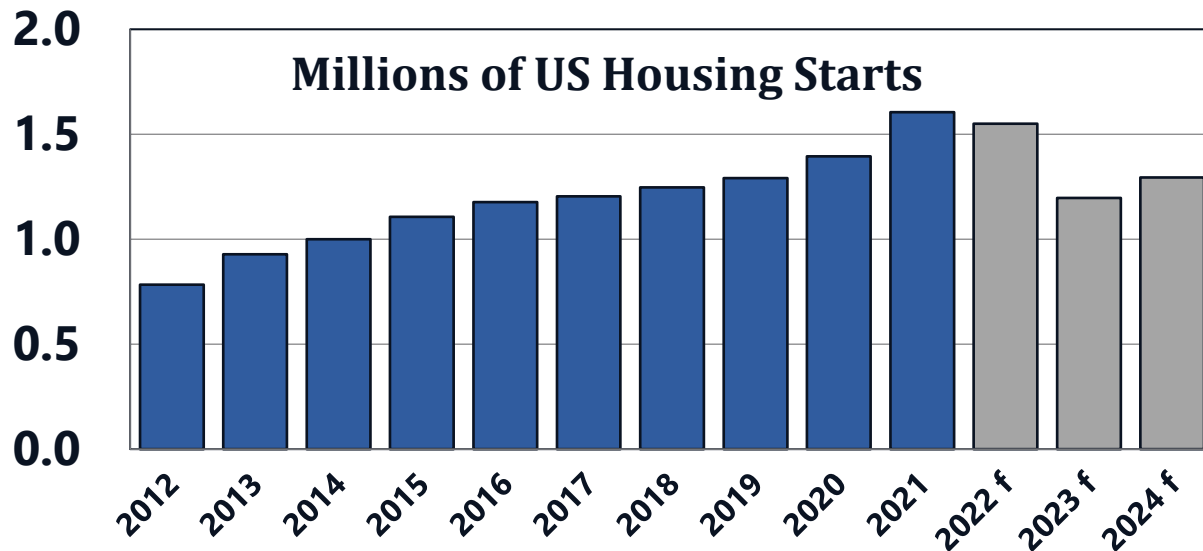
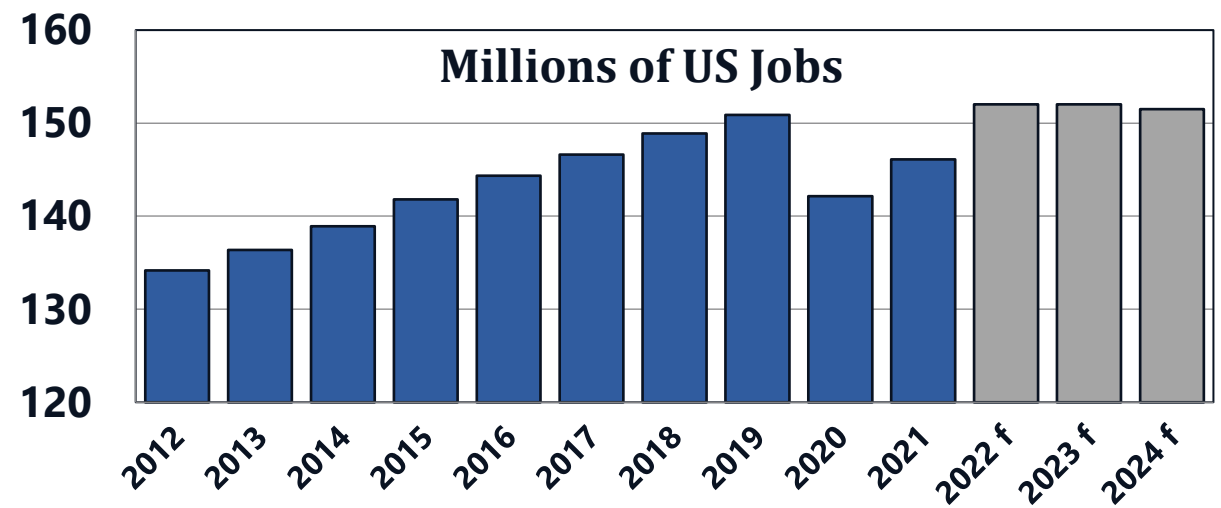
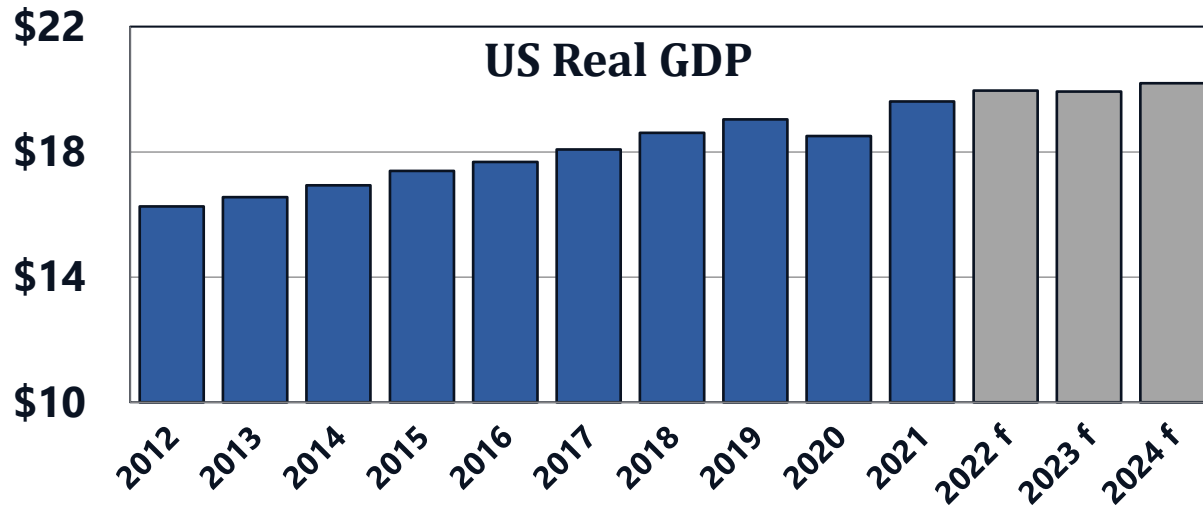
ECONOMIC OUTLOOK



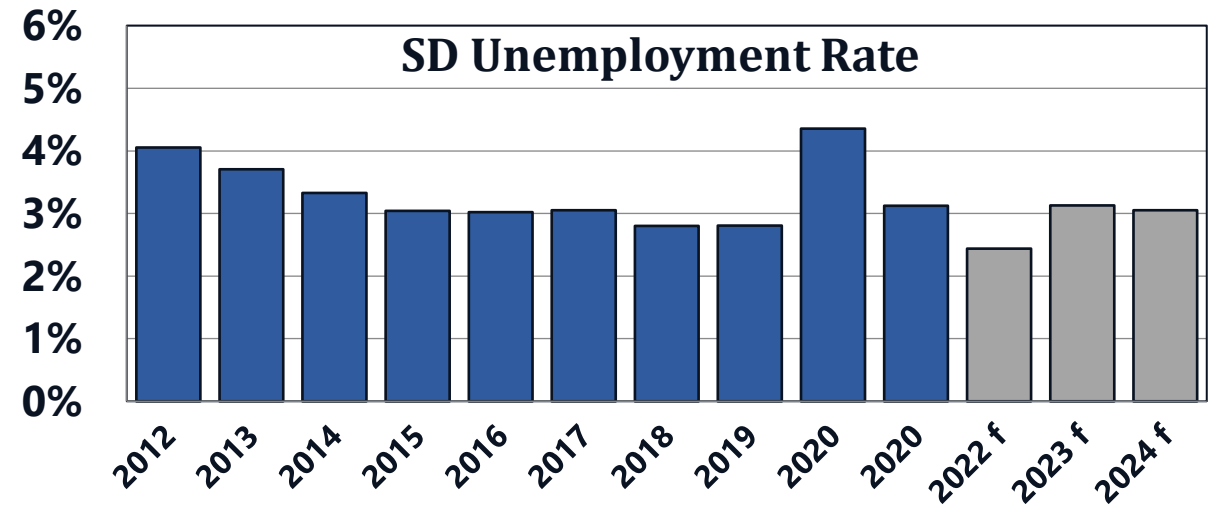
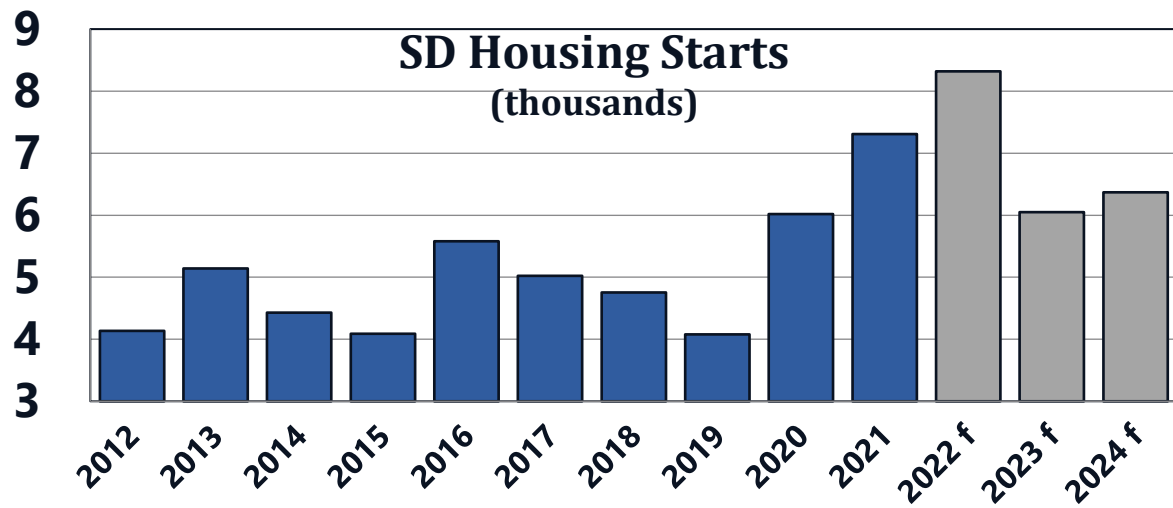
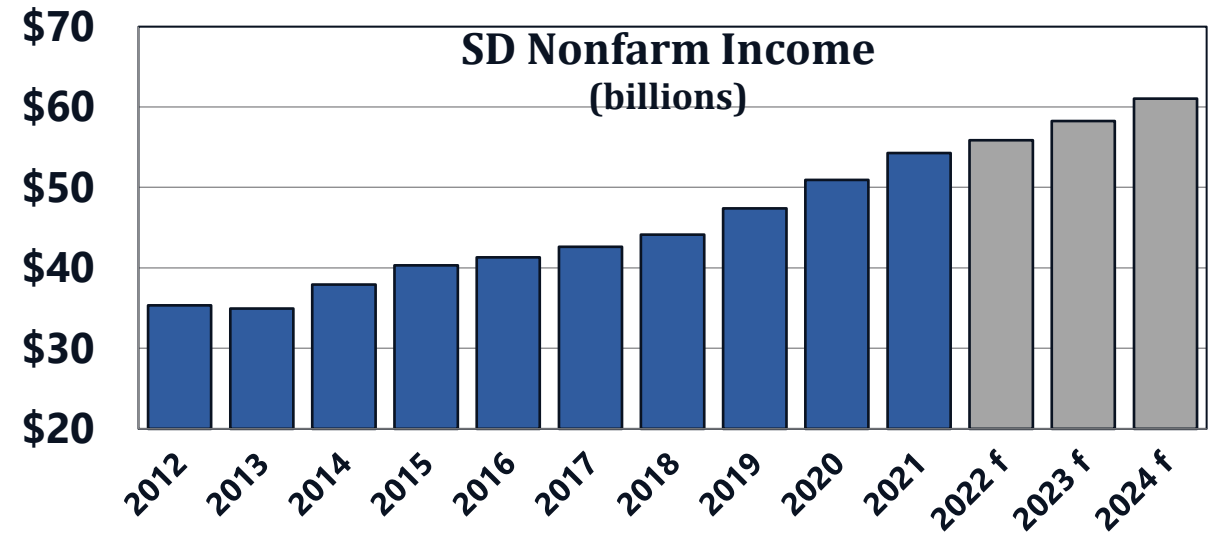
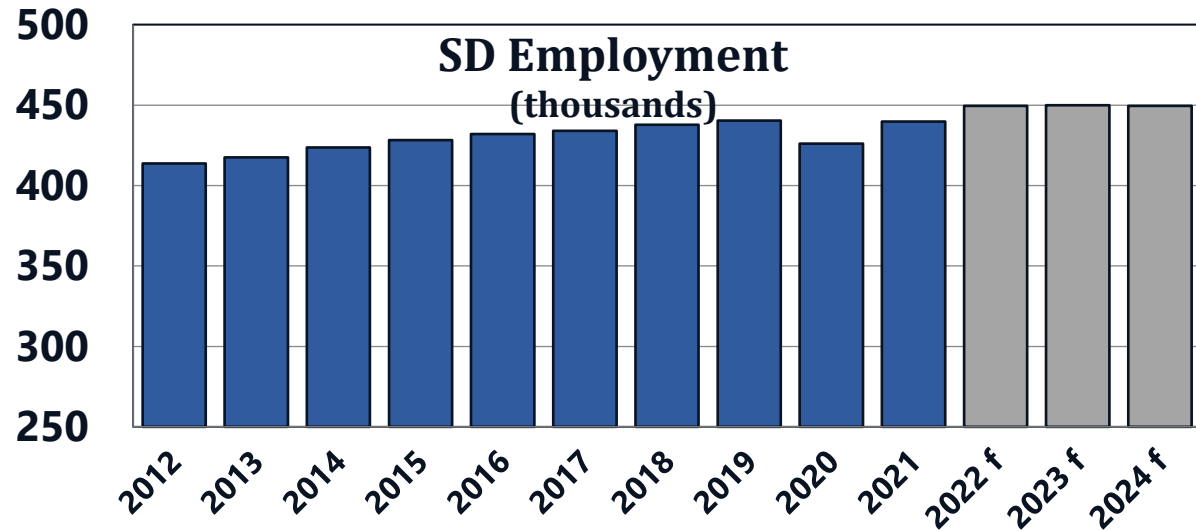
Economic Assumptions

- Baseline national forecast is for a mild recession through mid-2023
- Recession is projected to be “investment-led”
- Real consumer spending expected to slow, but remain positive
- Inflation slows to 4.2% in 2023 and 2.5% in 2024
- Fed raises policy rate to the range of 4.50%-4.75% by March
- Pandemic relief payments shrink to near zero in 2023

IHS Markit US Economy Forecast



SD Economy Forecast

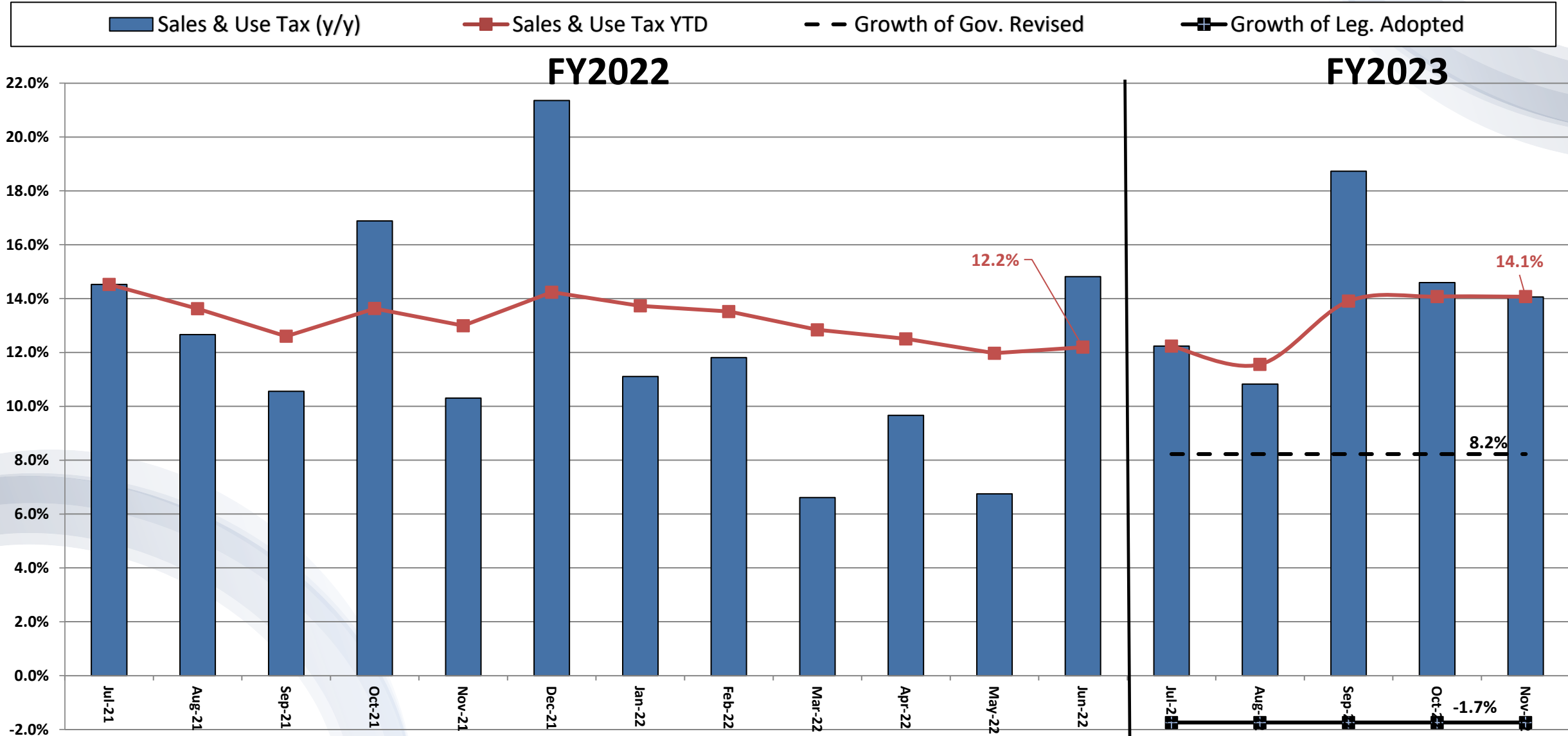


REVENUES

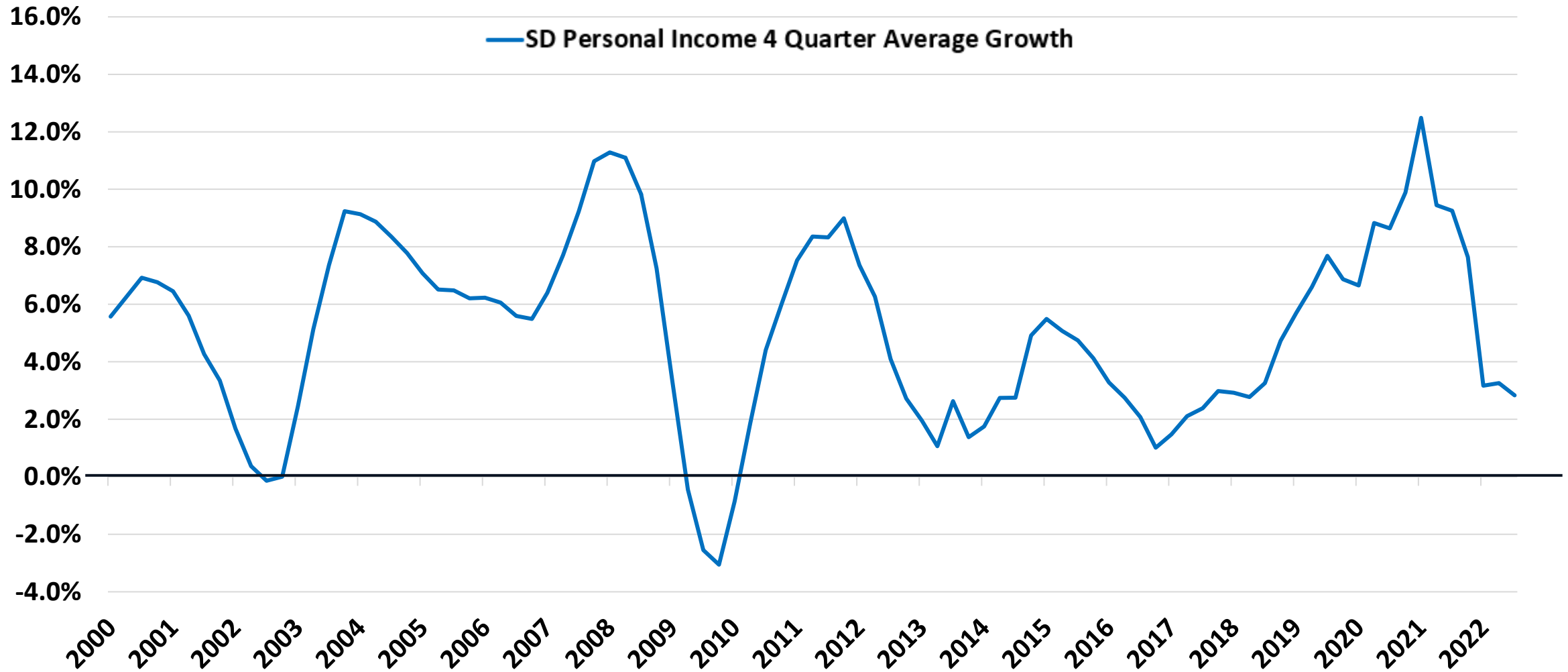


Recent Growth in Sales and Use Tax

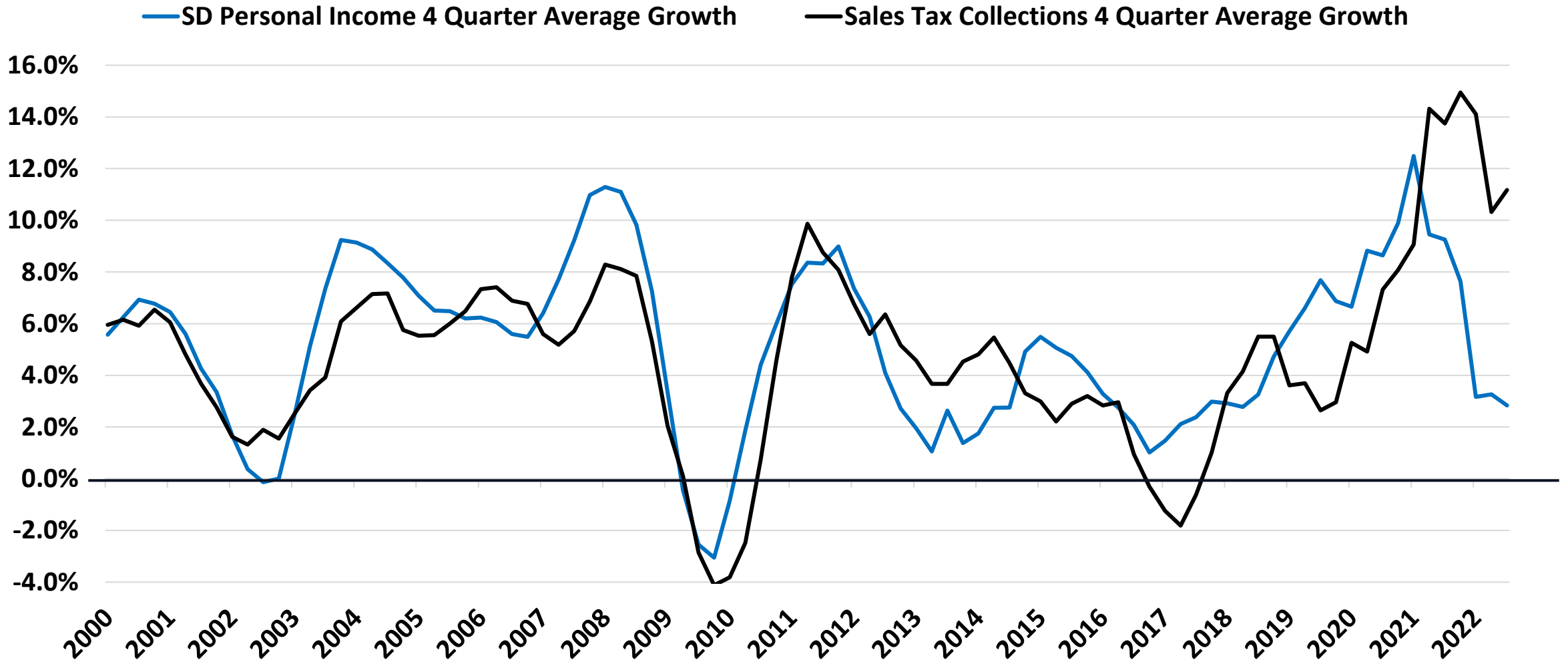
(Excludes one-time receipts)



SD Personal Income



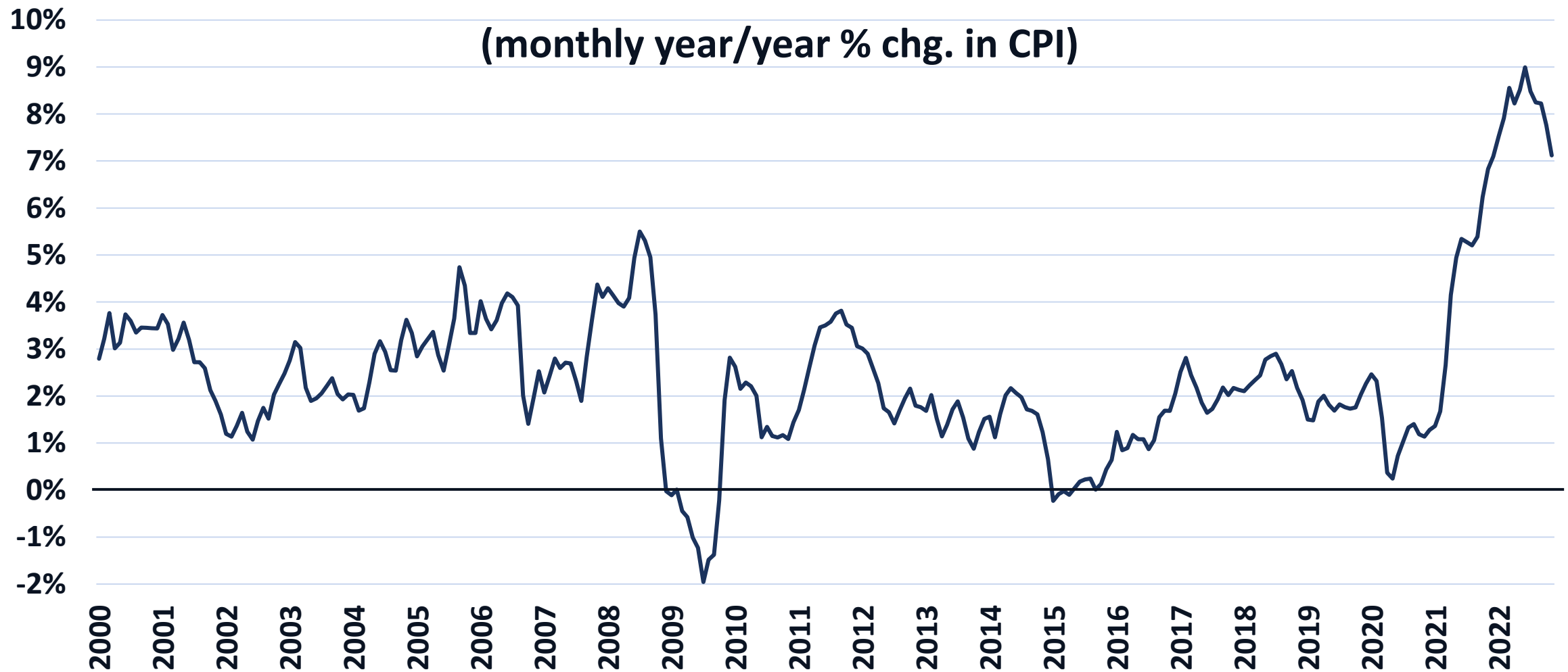
SD Personal Income vs. Sales Tax Collections



US Personal Saving Rate



Inflation: CPI



FY2023 Adopted vs. Revised Ongoing Receipts

Revenue Source	Adopted FY2023	Revised FY2023	Change
Sales and Use Tax	1,331.6	1,467.5	135.9
Lottery	170.5	175.8	5.2
Contractor's Excise Tax	152.2	177.6	25.4
Insurance Company Tax	101.7	110.1	8.4
Unclaimed Property	47.0	70.7	23.6
Licenses, Permits, and Fees	72.8	75.7	3.0
Tobacco Taxes	50.8	47.6	(3.2)
Other Ongoing Receipts	<u>139.5</u>	<u>144.0</u>	<u>4.4</u>
Total FY2023 Receipts	\$2,066.1	\$2,268.9	\$202.8

Amounts shown are in millions.

One-time Revenue Available

	FY2023
Current Year Revised Revenue Growth	202.8
One-Time Revenue Growth	8.4
Revenue Left on Bottom Line (FY2023)	<u>4.8</u>
Total One-Time Revenue Available	\$216.0

Amounts shown are in millions.

FY2023 & FY2024 Revenue Forecast

Source	Adopted FY2023	Revised FY2023	Recommended FY2024	Revised FY2023 vs. Rec. FY2024
Sales and Use Tax	1,331.6	1,467.5	1,511.3*	43.8
Lottery	170.5	175.8	178.5	2.7
Contractor's Excise Tax	152.2	177.6	178.2	0.6
Insurance Company Tax	101.7	110.1	114.2	4.1
Unclaimed Property	47.0	70.7	51.7	(19.0)
Licenses, Permits, and Fees	72.8	75.7	76.8	1.1
Tobacco Taxes	50.8	47.6	46.4	(1.2)
Other Ongoing Receipts	<u>139.5</u>	<u>144.0</u>	<u>144.8</u>	<u>0.8</u>
Total Receipts	\$2,066.1	\$2,268.9	\$2,301.9	\$33.0

Amounts shown are in millions.

* Before reduction for sales tax on food

Ongoing Revenue Available

	FY2024
Current Year Revised Ongoing Revenue Growth	202.8
Projected Ongoing Revenue Growth (FY2024)	33.0
Ongoing Revenue Left on Bottom Line (FY2023)	74.8
Eliminate Sales Tax on Groceries	<u>(102.4)</u>
Total Ongoing Revenue Available	\$208.2

Amounts shown are in millions.

Sales Tax on Groceries



Food sales as a percentage of total sales estimated based on surveys and audits



Sales tax on food estimated for FY2022 based on tax data and assumed percentages



Inflated to FY2024 based on projected CPI on food



Municipal sales tax is not impacted



South Dakota is one of three states that fully taxes food with no refund or credit program



Savings of \$102.4 million to taxpayers

FY2023 MID-YEAR ADJUSTMENTS



FY2023 Recommendation Detail

	General Funds
Revenue Available	215,986,667
General Bill Reductions	92,871,940
General Bill Increases	(16,897,483)
Expenditure Transfers	(87,031,734)
Emergency Special Appropriations	(204,671,979)
Continuous Appropriation Adjustment	<u>(257,411)</u>
FY2023 Bottom Line	\$0

FY2023 General Bill Amendments

FY2023 GENERAL BILL AMENDMENTS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL FUNDS
Cybersecurity Upgrades		\$ 5,106,000			\$ 5,106,000
Medicaid Expansion Implementation	34.0	\$ 2,926,362	\$ 2,926,362		\$ 5,852,724
Hughes County Jail Contract		\$ 2,804,400			\$ 2,804,400
Computerized Criminal History System		\$ 2,257,029	\$ 1,260,000		\$ 3,517,029
Bureau Billings		\$ 1,076,592	\$ 304,801	\$ 1,429,547	\$ 2,810,940
Various Statewide Utilities		\$ 1,014,396	\$ 484,613	\$ (650,079)	\$ 848,930
Digital Radios		\$ 371,243			\$ 371,243
Staff Communications		\$ 355,680		\$ 2,340	\$ 358,020
Civil Air Patrol Radios and Devices		\$ 309,657			\$ 309,657
Food Services		\$ 301,324			\$ 301,324
Correctional Healthcare		\$ 248,655		\$ 248,655	\$ 497,310
Department of Public Safety Operating Expenses		\$ 61,402		\$ 489,088	\$ 550,490
Wildland Fire PPE		\$ 36,000			\$ 36,000
Session Mileage Reimbursement		\$ 28,743			\$ 28,743
Department of Corrections Administrative Reorganization	0.0	\$ -			\$ -
Revenue Bond Payment		\$ (111,501)			\$ (111,501)
Dual Credit		\$ (194,487)			\$ (194,487)
Drug/DUI Court Treatment		\$ (415,419)			\$ (415,419)
Technical Colleges Formula		\$ (474,503)			\$ (474,503)
Juvenile Placements		\$ (479,157)	\$ (32,907)		\$ (512,064)
South Dakota Developmental Center Personal Services Reduction	(18.5)	\$ (516,769)	\$ (691,481)		\$ (1,208,250)
Department of Human Services Utilization		\$ (6,823,744)	\$ (9,130,793)		\$ (15,954,537)
State Aid Revision		\$ (9,630,400)			\$ (9,630,400)
6.2% Enhanced FMAP		\$ (74,225,960)	\$ 71,501,729	\$ (967,113)	\$ (3,691,344)
Road Construction Contracts			\$ 369,000,000	\$ 67,000,000	\$ 436,000,000
Indian Health Services			\$ 61,994,000		\$ 61,994,000
Airport Construction Contracts			\$ 13,000,000		\$ 13,000,000
Department of Education CANS Federal Authority			\$ 7,777,040		\$ 7,777,040
Department of Education Supply Chain Assistance			\$ 5,005,030		\$ 5,005,030
Office of the Attorney General Federal Fund Expenditure Authority			\$ 1,057,321		\$ 1,057,321
Federal Registered Apprenticeship Program	4.0		\$ 303,558		\$ 303,558
Motor Vehicles System Upgrades			\$ 216,700		\$ 216,700
Highway Patrol Vehicles			\$ 206,152	\$ 1,051,927	\$ 1,258,079
License Plate Reissuance				\$ 1,250,000	\$ 1,250,000
Tobacco Prevention Authority				\$ 1,000,000	\$ 1,000,000
Parks & Recreation Authority Adjustments				\$ 750,000	\$ 750,000
Medical Cannabis				\$ 606,968	\$ 606,968
Veterans Home - Temporary Staffing				\$ 480,000	\$ 480,000
Department of Revenue Modernization Plan				\$ 390,000	\$ 390,000
Highway Patrol Operating Expenses				\$ 135,000	\$ 135,000
Commission on Gaming				\$ 37,500	\$ 37,500
Real Estate/Massage Therapy FTE Shift	0.0			\$ (40,123)	\$ (40,123)
TOTAL FY2023 GENERAL BILL AMENDMENTS	19.5	\$ (75,974,457)	\$ 525,182,125	\$ 73,213,710	\$ 522,421,378

More detail can be found on page 18 of the Governor's FY2024 Budget Book.



6.2% Enhanced FMAP

- Reduction of \$74,225,960 in general funds
- FMAP = Federal Medical Assistance Percentage
- This is the percentage that the federal government pays for Medicaid expenses
- Families First Act provided a temporary 6.2% increase in the federal share of FMAP dating back to January 1, 2020
- 6.2% Enhanced FMAP is assumed through June 30, 2023
- Departments impacted: Social Services, Human Services, Veterans' Affairs, Corrections, Health, and Education

DOT Construction Contracts

- Increases of \$382,000,000 in federal funds and \$67,000,000 in other funds
- No general funds are associated with this request
- DOT construction is within an informational budget unit
 - Do not receive any general funds
 - Expenses are overseen by oversight committee

FY2023 Emergency Special Appropriations

FY2023 EMERGENCY SPECIAL APPROPRIATIONS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL FUNDS
Enterprise Resource Planning	45.0	\$ 70,000,000			\$ 70,000,000
Male Prison Facility		\$ 25,359,551		\$ 26,640,449	\$ 52,000,000
Motor Vehicles System Replacement		\$ 25,000,000			\$ 25,000,000
Paid Family Leave Business Incentives		\$ 20,000,000			\$ 20,000,000
Stronger Families Scholarships		\$ 15,000,000			\$ 15,000,000
Public Health Lab		\$ 12,800,000			\$ 12,800,000
Support for Rising Construction Costs		\$ 6,750,000			\$ 6,750,000
Sisseton Milbank Railroad Project		\$ 6,250,000			\$ 6,250,000
State Fair - Dakota Events Complex		\$ 6,000,000		\$ 3,000,000	\$ 9,000,000
Emergency and Disaster Fund		\$ 2,524,560			\$ 2,524,560
Wildland Fire Suppression Fund		\$ 2,463,207			\$ 2,463,207
Business Development Programs		\$ 2,286,217			\$ 2,286,217
Emergency System Upgrades		\$ 2,173,400		\$ 4,557,000	\$ 6,730,400
Extraordinary Litigation Fund		\$ 2,000,000			\$ 2,000,000
Rural Recruitment Assistance Programs		\$ 1,472,986			\$ 1,472,986
Wildland Fire - Rapid City Project		\$ 1,325,058			\$ 1,325,058
Wildland Fire - Hot Springs Project		\$ 1,200,000			\$ 1,200,000
Black Hills Forest Plan Support	1.0	\$ 950,000			\$ 950,000
Sioux Falls Readiness Center		\$ 667,000	\$ 2,001,000		\$ 2,668,000
Tax Refunds for the Elderly and Disabled		\$ 450,000			\$ 450,000
Watertown Field Maintenance Shop			\$ 29,000,000		\$ 29,000,000
Sioux Falls Readiness Center Addition			\$ 6,000,000		\$ 6,000,000
Governor's 2023 Omnibus Water Funding Bill			\$ 685,000	\$ 21,775,273	\$ 22,460,273
Female Prison Facility				\$ 60,000,000	\$ 60,000,000
Kinsman Building				\$ 1,550,000	\$ 1,550,000
Coordinated Conservation Fund				\$ 1,000,000	\$ 1,000,000
TOTAL FY2023 EMERGENCY SPECIAL APPROPRIATIONS	46.0	\$ 204,671,979	\$ 37,686,000	\$ 118,522,722	\$ 360,880,701

More detail can be found on page 16 of the Governor's FY2024 Budget Book.

Enterprise Resource Planning

- \$70,000,000 in general funds to replace the State's aging and at-risk legacy financial systems and processes to better serve the people of South Dakota
- Current system implemented in 1988 and used by all agencies
- Critical system is at risk of failure from:
 - ✓ Lack of vendor support
 - ✓ Obsolete technology
 - ✓ Staffing
- Will eliminate redundancy, improve data security, and provide opportunities to increase transparency and efficiency

Motor Vehicle System

- \$25,000,000 in general funds to replace the State's motor vehicle registration and titling system at the Department of Revenue
- System is responsible for collection of Motor Vehicle Excise taxes and fees, which fund highways and bridges across the State
- System is currently 15 years old and relies heavily on outdated and brittle technology
- New system will provide strong financial controls and reconciliation, as well as provide modern solutions for citizens

STATE PRISON FACILITIES

■ Women's Prison

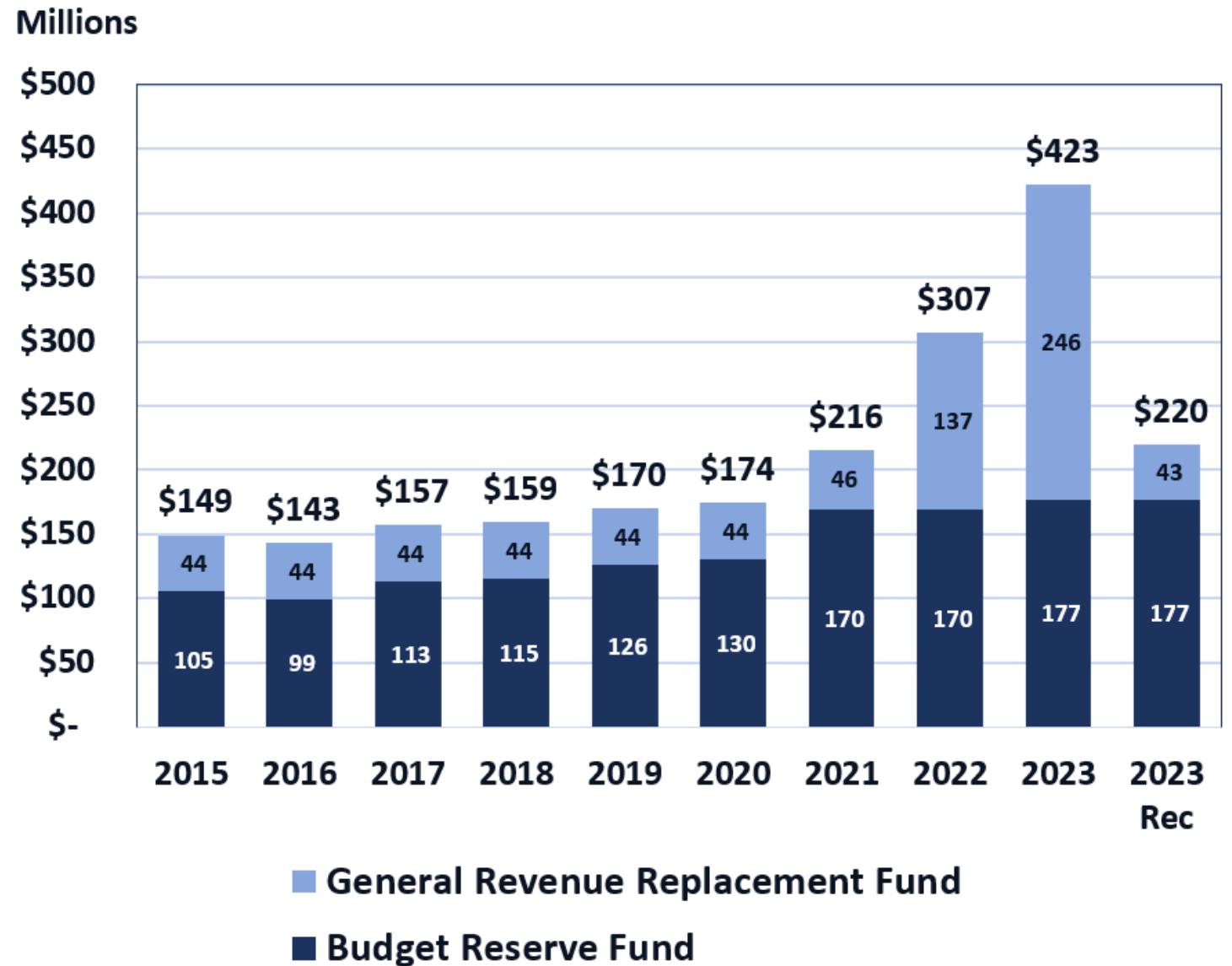
- ✓ \$60,000,000 in other fund expenditure authority from Incarceration Construction Fund (ICF)
- ✓ Complete construction of the Women's Prison in Rapid City

■ Men's Prison

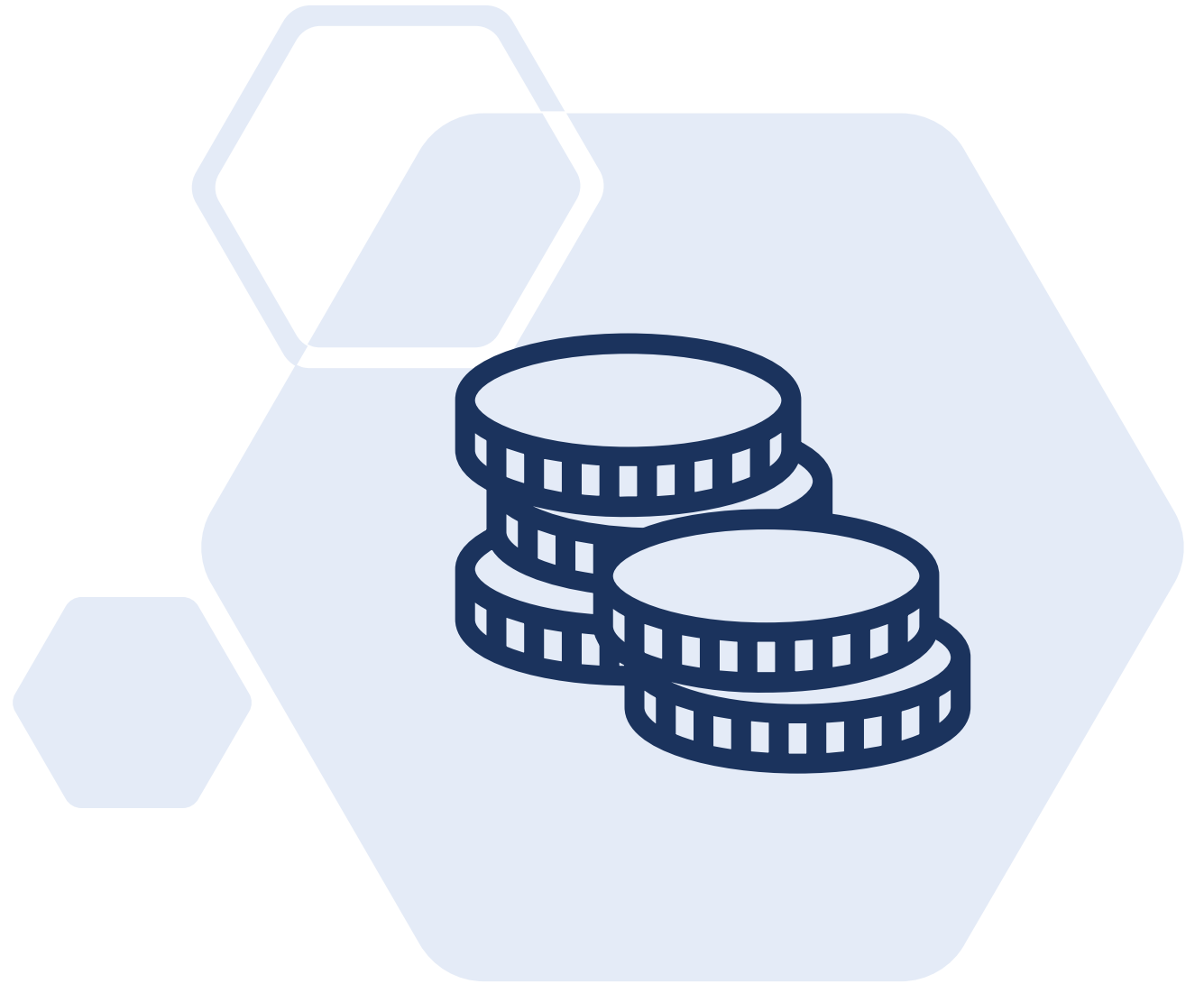
- ✓ Multi-year approach
- ✓ Follows same pattern adopted by Legislature for Women's Prison

Men's Prison	
Source	Amount
Appropriate Other Funds (ICF) for land purchase/design	26,640,449
Appropriate General Fund for land purchase/design	25,359,551
Transfer from General Fund to ICF for future	87,031,734
Transfer from Reserves to ICF for future	<u>202,606,422</u>
Total	\$341,638,156

Rainy Day Fund Balance



FY2024 EXPENSES



Ongoing Revenue Available

	FY2024
Current Year Revised Ongoing Revenue Growth	202.8
Projected Ongoing Revenue Growth (FY2024)	33.0
Ongoing Revenue Left on Bottom Line (FY2023)	74.8
Eliminate Sales Tax on Groceries	<u>(102.4)</u>
Total Ongoing Revenue Available	\$208.2

Amounts shown are in millions.

FY2024 Recommended Expense Summary

	FY2024
5% Inflation for Education, Healthcare Providers, State Employees	90,683,223
Mandatory Changes	59,431,780
Discretionary Changes	57,608,905
Continuous Appropriations	<u>491,893</u>
Total Recommended Expense Summary	\$208,215,801

5% Inflationary Increases

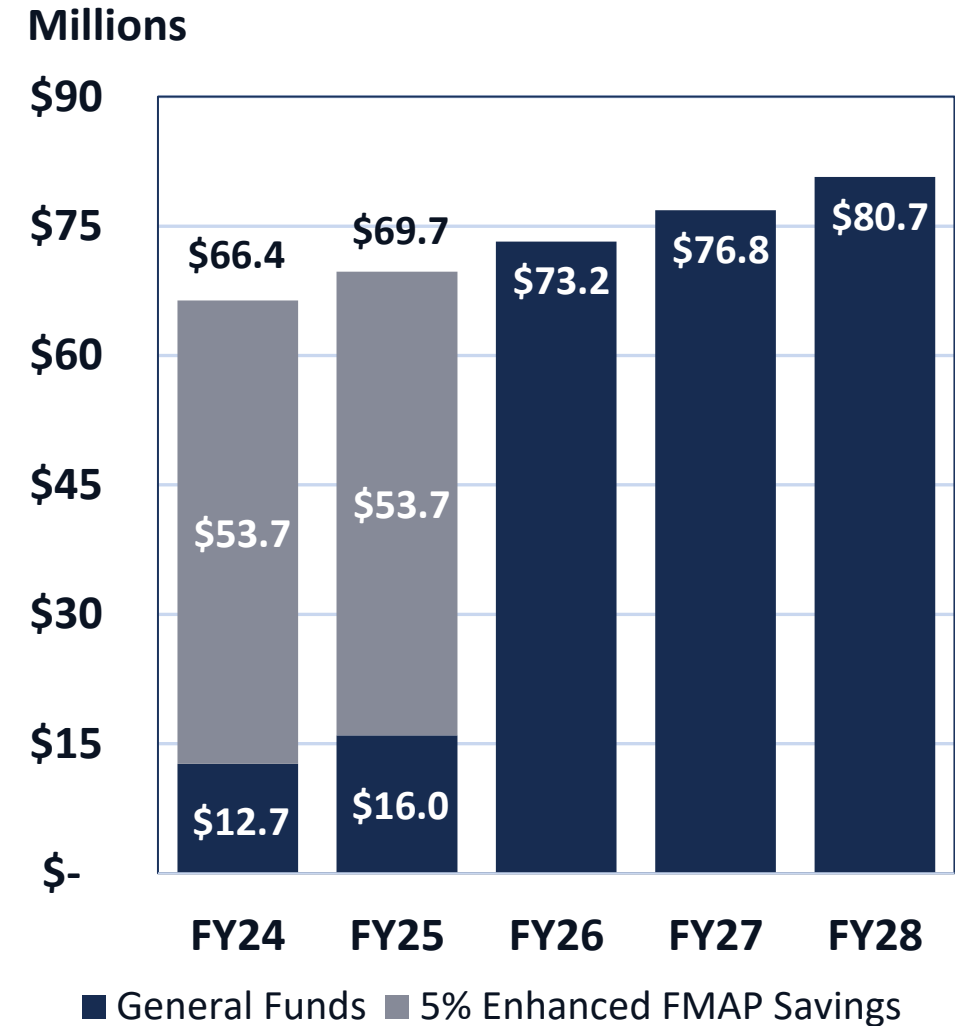
	FY2024
Education	39,301,155
Healthcare Providers	28,227,693
State Employees	<u>23,154,375</u>
Total 5% Inflation Increases	\$90,683,223

Mandatory Changes

	FY2024
DSS Medicaid Expansion	66,385,019
5% Enhanced Federal Medicaid Assistance Percentage	(53,691,392)
Federal Medicaid Assistance Percentage	20,453,832
Consumer Expansion	14,901,151
Mandatory Inflation	8,462,460
Maintenance and Repair	6,058,099
Pay Changes	5,288,034
Statewide Utilities	2,091,506
State Aid to K-12 Utilization	(13,820,138)
All Other	<u>3,303,209</u>
Total Mandatory Changes	\$59,431,780

Medicaid Expansion

- 52,000 more individuals funded at 90% federal
- Impact to various agencies – DSS, DHS, DOC
- Total cost: 68.0 FTE, \$579.0 million
 - ✓ General funds: \$66.4 million
 - ✓ Federal funds: \$512.6 million
- Savings of 5% on current population for two years
- Medicaid expansion will cost more in future years



Federal Medical Assistance Percentage (FMAP)

- The FMAP determines how much the state and federal government pay for their share of Medicaid expenditures
- FMAP is calculated by the federal government each year and is based on the median income for each state
- Normal FMAP: \$0 in total funds
 - \$20,453,832 in general funds
 - (\$20,736,166) in federal funds
 - \$282,334 in other funds
- Enhanced 5% FMAP: \$0 in total funds
 - (\$53,691,392) in general funds
 - \$54,471,322 in federal funds
 - (\$779,930) in other funds

Fiscal Year	State	Federal
2010	31.12%	68.88%
2011	34.91%	65.09%
2012	40.34%	59.66%
2013	43.07%	56.93%
2014	45.80%	54.20%
2015	47.88%	52.12%
2016	48.38%	51.62%
2017	45.89%	54.11%
2018	44.76%	55.24%
2019	43.63%	56.37%
2020	42.61%	57.39%
2021	41.88%	58.12%
2022	41.41%	58.59%
2023	42.77%	57.23%
2024	44.58%	55.42%
2024 (Enhanced)	39.58%	60.42%

Discretionary Changes

	FY2024
Targeted Provider Reimbursement Rates	22,248,843
State Employee Targeted Pay	11,468,611
State Health Insurance Plan	11,352,210
DSS Regional Behavior Health Centers	5,635,581
100% National Guard Tuition	2,013,775
DSS Pregnancy Health Home	1,112,923
Tourism Promotion Tax Distribution	964,231
All Other	<u>2,812,731</u>
Total Discretionary Changes	\$57,608,905

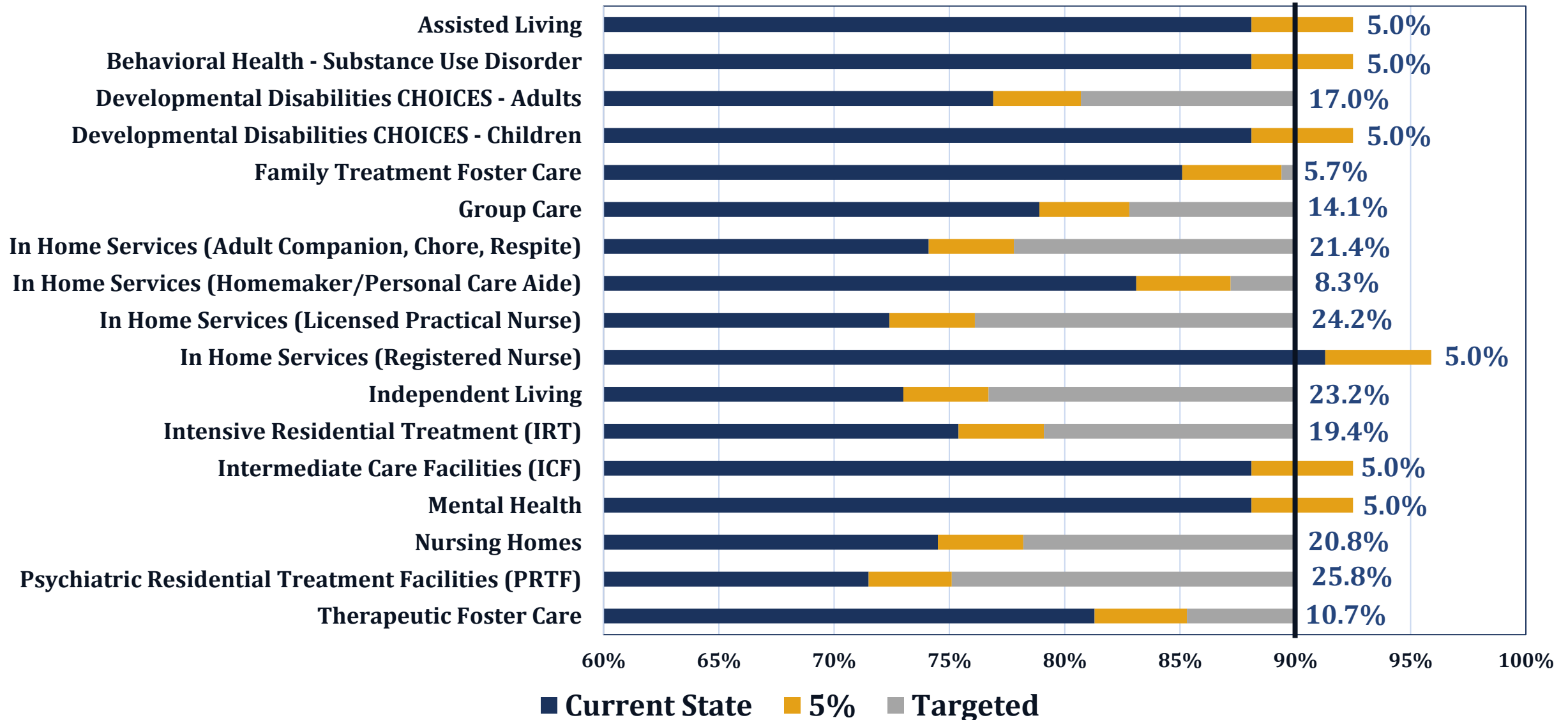


Targeted Provider Reimbursement Rates

- 2017 Legislature formalized the rate methodology process for certain community-based health and human service providers and requires a review every five years
- Larger provider groups recently concluded methodology review
 - ✓ Nursing Homes
 - ✓ Community Support Providers (CHOICES)
 - ✓ Family Treatment Foster Care
 - ✓ Group Care
 - ✓ In Home
 - ✓ Independent Living
 - ✓ Intensive Residential Treatment
 - ✓ Psychiatric Residential Treatment Facilities
 - ✓ Therapeutic Foster Care
- Providers are currently at 81% of target methodology, on average

Targeted Provider Reimbursement Rates

(All Providers at 90% of methodology or greater)



State Employee Targeted Pay

- Targets employees who are the furthest behind the market
- Over 290 different jobs in more than a dozen different job families
- Applies to all three branches of government
- Affects about 60% of permanent employees (about 4,841 of 7,960)
- Average increase of 12%
- Addresses wage compression

Agency/Category	FY2024
Board of Regents	1,414,838
Clerical and Administration	1,540,018
Department of Legislative Audit	153,210
Law Enforcement and Related	865,663
Professions	1,639,721
Specialists	4,472,934
Unified Judicial System	<u>1,382,227</u>
Total	\$11,468,611

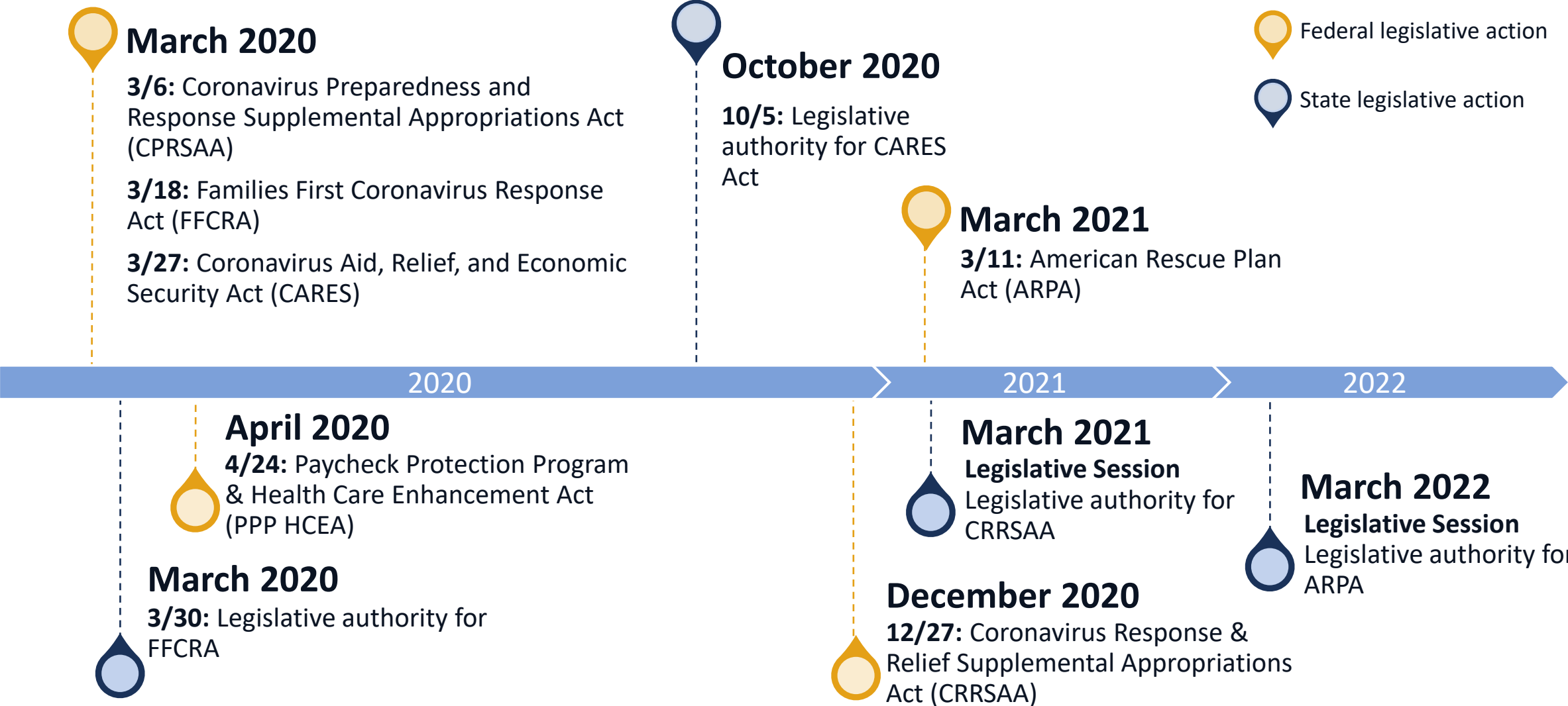
Bottom Line

	FY2023	FY2024
Revenue Available	215,986,667	208,215,801
Mid-Year Expense Reductions	92,871,940	0
Mid-Year Expense Increases and Transfers	(103,929,217)	0
Emergency Special Appropriations	(204,671,979)	0
Ongoing Expense Adjustments	0	(207,723,908)
Continuous Appropriation Adjustments	<u>(257,411)</u>	<u>(491,893)</u>
Bottom Line	\$0	\$0

FEDERAL STIMULUS UPDATE



TIMELINE OF COVID-19 STIMULUS DOLLARS



Federal Stimulus Overview

Coronavirus Aid, Relief, and Economic Security Act (CARES) Coronavirus Relief Fund

Passed: March 27, 2020

Period of Performance: March 1, 2020 – December 31, 2021*

Purpose: Support necessary expenditures incurred by governments as a result of the public health pandemic and support residents.

State Allocation: \$1.25 Billion

American Rescue Plan Act (ARPA) State Fiscal Recovery Funds

Passed: March 11, 2021

Period of Performance: March 3, 2021 – December 31, 2026

Purpose: Address negative public health and economic impacts directly related to and/or exacerbated by the COVID-19 health pandemic. Also includes funding for necessary investments in water, sewer, and broadband infrastructure.

State Allocation: \$974.5 Million

American Rescue Plan Act (ARPA) Capital Projects Fund

Passed: March 11, 2021

Period of Performance: March 15, 2021 – December 31, 2026

Purpose: Ensure all communities have access to high-quality modern infrastructure, including broadband, needed to access critical services.

State Allocation: \$115.8 Million

* CARES Act originally expired December 31, 2020. The deadline was extended by the Coronavirus Response and Consolidated Appropriations Act on December 27, 2020.

CARES ACT CORONAVIRUS RELIEF FUND

TOTAL SPEND: \$1,250,000,000

Program	Expenditures
Small Business Grants	302,149,958
Local Government COVID Recovery Fund	207,492,513
Public Health & Safety Payroll	196,510,101
Healthcare Safety Net & High Impact Program	152,932,800
General COVID-19 Response Expenditures	114,966,806
Re-employment Insurance Fund	88,693,482
K-12 Grants	72,237,120
Broadband	33,990,020
Small Business Grants – Non-Profit	25,682,109
Acute Care (Hospitals)	16,861,265

Program	Expenditures
Housing (Rental/Utility/Mortgage) Assistance	9,625,138
Small Business Grants – Start Ups	7,874,510
Private Universities & Technical Colleges	5,555,751
Destination Marketing Organizations Advertising	4,983,862
Meat Processing Grants	4,976,747
Community Based Healthcare Providers	4,600,991
Education Coop & Special School Grants	638,000
Education Non-Accredited	123,500
Adult Education	105,327

ARPA STATE FISCAL RECOVERY FUNDS

TOTAL APPROPRIATION: \$974,478,793

Agency	Project Title	2022 Bill	Committed	Obligated	Spent
DANR	Environmental Funding Projects (Private)	SB 62	600,000,000	500,034,756	21,166,426
BOA	Environmental Funding Projects (State)	SB 50	60,000,000	10,447,128	5,030,833
GOED	Broadband	SB 55	50,000,000	39,884,084	4,534,106
GOED	Workforce Housing – Sewer	HB 1033	50,000,000	--	--
TOUR	Tourism Marketing Plan	HB 1340	35,000,000	12,589,540	1,909,270
DSS	Behavioral Health Service Delivery Transformation	HB 1340	15,000,000	10,347,683	471,531
DOH	LIFEPAK Replacement Initiative	SB 60	11,610,222	11,610,222	230,394
DOH	EMS Regional Service Designation	HB 1340	8,000,000	--	--
DLR	Reemployment Assistance System Upgrade	SB 31	5,500,000	1,323,012	449,343
BOA	Capitol Lake Master Plan	HB 1013	3,000,000	2,743,485	564,635
DOH	EMS Telehealth Services	SB 60	1,737,500	1,737,500	911,467
BFM	Administrative Expenses	HB 1340	30,000,000	1,091,076	339,653
Totals			\$869,847,722	\$591,808,486	\$35,607,658

Obligation & expenditure information as of January 1, 2023.

ARPA CAPITAL PROJECTS FUND

TOTAL APPROPRIATION: \$115,898,703

Agency	Project Title	2022 Bill	Appropriated
DOH	Public Health Lab	SB 58	69,615,000
BOR	NSU Lincoln Hall	SB 44	29,500,000
BOR	BHSU & SDSU Nursing Program	SB 43	8,000,000
DOC	Women's Prison Healthcare Improvements	SB 33	5,750,000
BFM	Administrative Costs		3,033,703



FY2024 BUDGET OVERVIEW

BUREAU OF FINANCE AND MANAGEMENT - 1/10/2023